



ANNUAL REPORT 2016

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

Dr Rolf Hollander, Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung



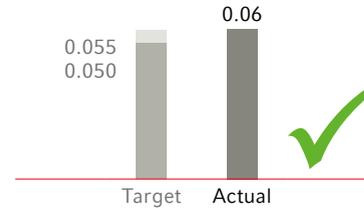
HIGHLIGHTS 2016

Targets for 2016 achieved

Digital prints in billion units



Prints from film in billion units



CEWE PHOTOBOOK in million units



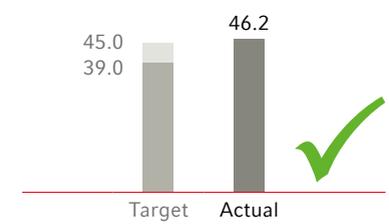
Turnover in million euros



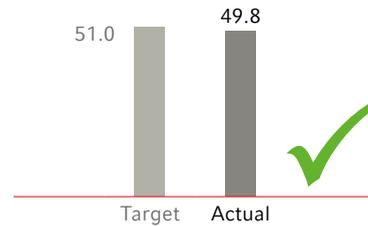
EBIT in million euros



EBT in million euros



Investments in million euros



Earnings after taxes in million euros



Earnings per share in euros/share



Photofinishing sales

- ▶ Total volume of photos exceeds expectations, with 2.23 billion photos
- ▶ 6.2 million CEWE PHOTOBOOKS (+2.6 % on the previous year), whose quality level continues to rise
- ▶ CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and photo gifts reinforce the trend of higher-quality products
- ▶ 97.5 % of photos are digital
- ▶ More than 64 % of all photos are collected from retail stores

Photofinishing turnover

- ▶ Stronger share of CEWE brand products reinforces Photofinishing turnover
- ▶ Turnover per photo continues to increase: +9.1 % to 20.25 euro cents per photo
- ▶ Photofinishing turnover of 452.0 million euros exceeds turnover target for 2016: +8.9 % on previous year
- ▶ Fourth-quarter turnover increases by 8.4 % to 190.0 million euros

Photofinishing earnings

- ▶ Photofinishing EBIT increased by 11.8 million euros in 2016: EBIT of 52.0 million euros (2015: 40.2 million euros, +29.5 %)
- ▶ At 9.4 million euros, operating EBIT before extraordinary expenses higher than adjusted figure for previous year: 52.8 million euros
- ▶ Photofinishing's operating margin once again increases in 2016 as a whole and now amounts to 11.7 % (2015: 10.5 %).
- ▶ Fourth quarter delivers 88 % of Photofinishing's EBIT for the year as a whole

Results in the Commercial Online Printing business unit

- ▶ Turnover increases to 84.0 million euros in 2016 (2015: 77.8 million euros, +7.9 %)
- ▶ Earnings target achieved: Commercial Online Printing clearly positive with EBIT figure of 1.6 million euros
- ▶ EBIT figure before one-off factors even amounts to 3.3 million euros: operating EBIT margin of 3.9 %

Retail results

- ▶ Repositioning of Retail pays off: EBIT now positive again, at 0.6 million euros
- ▶ Stronger focus on margins and decline in market for SLR cameras reduce turnover volume: 54.9 million euros (2015: 60.8 million euros)

Consolidated profit and loss account

- ▶ Group turnover increases to 593.1 million euros (2015: 554.2 million euros)
- ▶ All of the company's goals for 2016 achieved or surpassed: Group EBIT of 47.0 million euros
- ▶ Good fourth quarter with operating result of 49.6 million euros
- ▶ EBIT margin improves within the Group from 6.6 % (2015) to 7.9 % (2016)
- ▶ Normalised Group tax rate of 32.4 %
- ▶ Earnings per share at 4.25 euros (2015: 3.15 euros/share)

Balance sheet and financing

- ▶ Solid balance sheet: equity ratio increases to a stable 53.8 %
- ▶ Operating net working capital reduced by 25.4 %
- ▶ Solid financing structure, net cash position of 48.3 million euros

Cash flow

- ▶ Operating result and, above all, working capital cause cash flow from operating activities to increase to 93.0 million euros
- ▶ Decrease in net cash used in investing activities
- ▶ Outstanding Christmas business results in 6.0 million euros growth in free cash flow for the fourth quarter

Return on capital employed

- ▶ Average capital employed increases to 220.8 million euros, due to acquisitions
- ▶ ROCE increases to 21.3 %

CEWE – Europe's online printing and photo service

CEWE supplies consumers with photos and digital print products via over-the-counter trade as well as Internet sales. CEWE is the service partner for the leading brands on the European photography market. In 2016, the company developed and produced 2.2 billion photos, also in 6.2 million CEWE PHOTOBOOKS and photo gifts. CEWE PHOTOBOOK (Europe's leading photo book brand) and the company's other product brands CEWE CALENDARS, CEWE CARDS and CEWE WALL ART, easy-to-use ordering applications (PC, Mac and mobile iOS, Android and Windows), our high level of expertise in digital printing, the benefits of scale offered by our efficient industrial production and logistics system, broad distribution via the Internet, 25,000 retailers supplied and over 14,000 CEWE PHOTOSTATIONS, are the key competitive advantages of CEWE's Photofinishing business.

CEWE's Retail business unit serves as an additional distribution channel for Photofinishing. It also distributes photographic hardware (e. g. cameras).

Through its brands CEWE-PRINT.de, Saxoprint and Viaprinto, CEWE is increasingly serving customers as an online printing service provider through printed advertising media which can be ordered online, such as flyers, posters, brochures, business cards, etc.



CEWE at a glance

12 plants
24 European countries
more than **50** years of success in Europe
3,500 employees
25,000 retailers supplied
6.2 million CEWE PHOTOBOOKS
2.2 billion photos produced
over **14,000** CEWE PHOTOSTATIONS
over **35,000** tonnes of printed paper



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Jedes CEWE FOTOBUCH ist klimaneutral

Since the third quarter of 2016, CEWE PHOTOBOOKS, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART have been available as climate-neutral brand products. CEWE supports a comprehensive climate protection project in Kenya, thus offsetting all of the CO₂ emissions produced during its manufacturing processes.



Dr Rolf Hollander, Dr Rolf Hollander, Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung

Dear Shareholders,

All three of the company's business units have provided positive earnings contributions

Your company, CEWE, ended the year 2016 with a strong result – this is a solid basis for our future development. What is particularly notable is that in 2016 it was not only the current income mainstay, Photofinishing, but also the other business units Commercial Online Printing and Retail which provided positive contributions to the company's overall performance. It is this balance in particular which has enabled an EBIT figure of 47 million euros. We are thus reporting the highest ever EBIT in the 56-year history of your company.

Large "investments" over many years have paved the way for this result

Over the past few years, we have quite deliberately accepted recurrently negative earnings contributions from various sources for a limited period of time, in order to "invest" in the company's long-term development. Even if "investment" is not quite the right term, strictly speaking, according to the current accounting rules, for us this expenditure for the purpose of the company's development unequivocally represents an investment in its future. This is very clearly illustrated by our development of Commercial Online Printing into a strategic business unit: we have spent approx. 10 million euros on marketing in this business unit every year since 2012, and at the beginning of that period this business unit was unable to support these expenses on its own. However, we accepted this negative result in order to establish a healthy basis for that business unit. With a rising volume of turnover, this business unit was increasingly able to fund these marketing expenses, and we are now reporting a positive EBIT figure for 2016. Time and time again, we go through similar investment phases for countries, products or in other respects, in order to make your company fit for the future. A company has to deliberately enter into these entrepreneurial risks in order to safeguard its long-term economic development. We exploit the strong profitability of established business units in order to develop and expand promising new areas of business.

Commercial Online Printing reaches the profit zone

In 2016, the volume of turnover in Commercial Online Printing rose to 84 million euros and was thus well placed to support the marketing investments in this business unit, which posted a positive result of 1.6 million euros for the first time. Following many years of investment, this is a great success for everyone in our company who has worked towards this goal.

CEWE PHOTOBOOK: our customers are now brand ambassadors

The very solid result in the Photofinishing business unit today is a direct consequence of such readiness to invest on a significantly long-term basis. While marketing expenses in the Photofinishing business unit amounted to approx. 5 million euros in 2005, we steadily increased them more than tenfold in the period up to 2016 to more than 54 million euros. These 54 million euros directly reduced our profit for 2016, but thus paved the way for the profits of the future. We could easily report a higher profit by reducing our marketing expenses. But would that be right for the company's long-term development? On the German market, for instance, thanks to these marketing investments CEWE PHOTOBOOK's level of unaided brand awareness has risen to 51 %. At the same time, its net promoter score has once again increased to 58 %, and thus reached a level which is only attainable for a very small number of top brands. These two indicators – the level of brand awareness and the net promoter score – reflect consumers' highly positive attitude towards CEWE's photofinishing products. Our customers are now our brand ambassadors! That will stand us in good stead for the future.

Retail contributes earnings and strengthens Photofinishing

The Retail business unit also has some difficult years behind it. To be sure, Retail still provided positive contributions to the company in a general sense, through turnover and earnings realised through photofinishing products which are reported in the Photofinishing business unit. But we are naturally keen for sales of photo hardware to likewise provide a positive contribution. For 2016, we are pleased to report that hardware has generated an EBIT figure of 0.6 million euros. And that is a very nice step in the right direction.

Dividend to increase for the eighth consecutive time

Positive contributions from all three of our strategic business units have provided the basis for a result which is also quite presentable in overall terms. This means that we can once again raise our dividend in the current year: we are delighted that at the 2017 general meeting we will be able to provide you with a proposal for a dividend increase, for the eighth consecutive time. This is quite a nice trend, which we hope to continue as long as the company's economic situation permits it. We are also delighted to issue a few shares every year to employees of the company, either for free or on preferential terms, to enable everyone involved to take part in this success.

2017 will once again present us with a good number of challenges

We can allow ourselves a short breather after our highly presentable results for 2016 – but that is all we have time for. 2017 is already in full swing and will once again present us with some challenges: on January 1, 2017, the statutory rate of value added tax for photo books was increased from 7 % to 19 % in Germany. We will see how this affects the price structure on the market – and our turnover and earnings. Moreover, mobile phones are becoming increasingly significant as photo cameras. This represents a major change in consumer behaviour. We need to continue to adapt cleverly to this trend in both our Photofinishing and Retail business units. Last but not least, in Commercial Online Printing we had hoped for slightly stronger growth in the fourth quarter of 2016 than the 1.6 % which we posted. So we need some clever solutions here as well ... These are just a few of the issues we are currently working on.

The entire CEWE team is hard at work to ensure success for 2017

And how! Your company's entire team is working very hard on these and other issues. For instance, in February we held our "Innovation Days" where we presented new product ideas to our colleagues and also to selected, highly active consumers, looking ahead to Christmas 2017. Anyone who witnessed the active discussions there will have been reassured of our ability to cope with the challenges in 2017 on this basis.

So, dear shareholders, please feel free to lean back and enjoy your company's products and services as a consumer – whether in Photofinishing, Commercial Online Printing or Retail. The entire CEWE team is hard at work to ensure that 2017 is a success.

Oldenburg, March 15, 2016





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

REPORT OF THE SUPERVISORY BOARD

Dear shareholders, dear friends of our company,

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

Meetings of the Supervisory Board

The Supervisory Board met five times in the year under review: on February 11, 2016, on March 16, 2016 (balance sheet meeting), on June 1, 2016, on September 8, 2016 and on November 3, 2016.

In case of need, following its joint meetings with the Board of Management the Supervisory Board held further, internal meetings.

Core issues dealt with by the Supervisory Board

The Board of Management notified us of the Group's turnover and earnings trends at every meeting of the Supervisory Board held in the year under review; it also commented on the Group's performance in the individual business units and reported on each segment's net assets and results of operations as well as the Group's liquidity position and compliance with credit covenants.

The Supervisory Board continuously reviewed the general partner's maintenance of an effective risk management system. In this respect, at one meeting the Board of Management outlined the company's tax compliance system.

The Supervisory Board also considered specific issues such as the development of onsite finishing, the structure of the company's competitors, the "CEWE" brand and its impact on the company's various business units and the effect of the rise in the rate of value added tax for CEWE photo books to the standard tax rate of 19 %. This increase has now entered into force.

The Board of Management also reported on measures to increase the proportion of female employees, implementation of the employee participation scheme – through their purchase of shares on preferential terms – and the "Great Place To Work" project.

The Supervisory Board's meetings were very well attended. Professor Appelrath was absent on grounds of illness. Two other members were each absent on one occasion.

Committee meetings

In the year under review, the Nomination Committee considered replacements for the deceased Supervisory Board member Professor Dr Dr h. c. Hans-Jürgen Appelrath and proposed Mr Paolo Dell'Antonio as his successor for the remainder of his term of office.

The Audit Committee met on March 15, 2016 and December 13, 2016, under the chairmanship of Ms Corinna Linner.

The meeting held on March 15, 2016 considered the financial statements and management reports of CEWE Stiftung & Co. KGaA and the Group, as well as the report on related parties. The Chairman of the Board of Management and the Chief Financial Officer were present at this meeting. The Audit Committee also requested explanations from

the auditor regarding the internal control system, risk management and compliance with corporate governance regulations. No risks jeopardising the company's continuing existence were apparent.

At its meeting held on December 13, 2016 the auditor outlined in detail the internal control system, including the audit activities which he had already undertaken. He also reported on the changes in the law due to IFRS 16 (accounting for leases) as well as non-audit services requiring approval.

Corporate governance

In the year under review, the members of the Supervisory Board once again pursued intensive discussions regarding the German Corporate Governance Code, and the changes made to it in particular.

The Supervisory Board continues to include five female members and thus fulfils the fixed quota of thirty per cent which is required by law.

For the financial year 2016, 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, 2017. 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.

Quarterly reports

The Supervisory Board has discussed the figures and the statements made in the quarterly reports with the Board of Management prior to publication, in some cases in face-to-face meetings or telephone conferences.

Conflicts of interest

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

Efficiency review

Since its membership changed due to the new legal form, the Supervisory Board decided that it would perform a new evaluation in 2017, on the basis of the information then available.

Changes to the Supervisory Board and the Board of Management

Professor Dr Dr h. c. Hans-Jürgen Appelrath unfortunately died in August 2016. The Supervisory Board is grateful for his many years of constructive and critical input on the Supervisory Board.

Oldenburg Local Court has now appointed Mr Paolo Dell'Antonio as a new member of the Supervisory Board. Over the course of his career, Mr Dell'Antonio has gained many years of management experience at small and medium-sized companies. However, he will also strengthen the Supervisory Board's expertise in the area of marketing.

In her letter of October 19, 2016, Ms Vera Ackermann resigned from her position of Deputy Chairwoman of the Supervisory Board with effect as of December 31, 2016. At the internal meeting held on November 3, 2016, Mr Thorsten Sommer was unanimously elected as the Deputy Chairman of the Supervisory Board. Mr Philipp Martens was also unanimously elected as his successor on the Audit Committee. They were both elected with effect as of January 1, 2017. Ms Ackermann will remain a regular member of the Supervisory Board up to the expiry of her current term of office.

Through a press release dated October 18, 2016, the company provided notice that Dr Christian Friege would succeed Dr Rolf Hol-lander as the Chairman of the Board of Management with effect as of July 1, 2016. Dr Friege has been a member of the Board of Management since the start of 2016. In his new position, he will retain responsibility for the field of distribution.

Mr Patrick Berkhouwer was appointed as a member of the Board of Management with effect as of January 1, 2016.

Annual financial statements and consolidated financial statements, audit

The annual financial statements of CEWE Stiftung & Co. KGaA and its management report have been prepared 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 § 315a (1) HGB.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, (BDO), which was appointed as the auditor for 2016 by the general meeting, audited the annual financial statements 2016 of CEWE Stiftung & Co. KGaA and also the consolidated financial statements and the management reports and issued an unqualified auditor’s opinion for each of them. BDO conducted its audit in accordance with § 317 HGB and the German generally accepted standards for auditing of financial statements promulgated by the German Institute of Chartered Accountants (Institut der Wirtschaftsprüfer e. V. – IDW) while also complying with the International Standards on Auditing (ISA).

At its meeting held on March 14, 2017, 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 accompanying management reports provide a true and fair view of

the net assets, financial position and results of operations in compliance with applicable accounting regulations. The auditor was available in order to participate in the discussions regarding the annual financial statements and the management reports and to report on the key findings of his audit, in particular the nature of the company’s internal control and risk management system in relation to the accounting process. The chair of the Audit Committee reported to the Supervisory Board on these discussions.

For its part, the Supervisory Board also audited the annual financial statements, the management report and the proposal for appropriation of unappropriated profits and the consolidated financial statements as well as the consolidated management report for the financial year 2016. 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 15, 2017 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 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, the Supervisory Board audited and endorsed the annual financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA as well as the accompanying management reports, and found that there were no grounds for objections. Following a discussion at its balance sheet meeting held on March 15, 2017, the Supervisory Board agreed to the general partner’s proposal to the general meeting for approval of the annual financial statements of CEWE Stiftung & Co. KGaA and issued its consent for the general partner’s proposal for the appropriation of profits, with the distribution of a dividend of 1.80 euros.

 Page 136 | Report on remuneration

 Page 124 | Corporate governance
Page 130 | Risk management system

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 auditor's audit report on the report on related parties has also been presented to all of the members of the Supervisory Board. These documents were available to the Audit Committee at its meeting held on March 14, 2016 and to the Supervisory Board at its balance sheet meeting held on March 15, 2016. Even after consultation with the auditor and the Board of Management following the final outcome of its audit, the Supervisory Board has not raised any objections in relation to the general partner's declaration at the end of its report on related parties. The Supervisory Board has approvingly noted the outcome of the auditor's audit of the report on related parties.

Thanks

CEWE achieved an outstanding result in 2016, which has also been reflected in the favourable development of the company's share price from the point of view of its shareholders. The Supervisory Board would like to thank all of the company's employees for their contributions. It would also like to thank the Board of Management, which has acted calmly and far-sightedly in successfully developing CEWE's market position.

Oldenburg, March 15, 2017

The Supervisory Board of CEWE Stiftung & Co. KGaA



Otto Korte, Chairman

INTERVIEW WITH DR ROLF HOLLANDER

Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung

Let's start off by talking about "futalis". Some shareholders had already asked "why dog food"? You clearly demonstrated the connection with CEWE's core areas of expertise: customisation, online business, brand-building etc. But you have now recognised an impairment writedown of 3.9 million euros. What are the reasons for that? Is this firm not right for CEWE after all?

The relationship with CEWE remains a useful one. futalis utilises many of CEWE's areas of expertise. And over the past year we have increasingly contributed these. Nonetheless, this start-up isn't developing quite as smoothly as we had wished and intended. That is presumably true of most of the world's start-ups. Right from the very beginning, it was clear to us that the risks and opportunities profile for start-ups is different from that of our core business. In line with the IFRS rules, we are obliged to take this into account in our impairment testing. However, futalis nonetheless remains a worthwhile investment for us and we will continue to support this start-up.





*What lessons have you learned from this experience?
Does that mark the end of your foray into the world of start-ups?*

Not at all. Just because you face a bit of a headwind doesn't mean that you have to change direction right away. To put our futalis investment in perspective: we have a stake in the "High-Tech Gründerfonds" seed investor launched by the German government, as well as a further stake in a smaller fund. Apart from that, we have also invested directly in a handful of start-ups. Generally less than one million euros per start-up. That's not a huge figure. Incidentally, of the businesses featured in those funds, these start-ups are among the better-performing firms.

We acquired a larger stake in futalis because of its strong affinity with CEWE's core areas of expertise, which you mentioned just now. And yes, at the moment this investment is not quite going according to plan for everyone involved. But we have an action plan which is now being implemented. To be sure, in light of this experience we are very cautious about how many more in-depth in-

vestments in start-ups we have time for. The ongoing development of Photofinishing and Commercial Online Printing and safeguarding our Retail segment are tasks that we have addressed with a huge amount of energy and that we will continue to address.

We earn more than 99 % of our turnover in these key business areas. This is currently where it's at for CEWE. As the company's management, we can't lose sight of those priorities. Nonetheless, every successful businessman starts out with humble beginnings. If another start-up which has a similar fit with CEWE's core competences were to appear on the horizon, as the company's management

it would be right for us to look at this and carefully consider whether CEWE should invest there. Such steps are all part of our ongoing business development.

Your acquisition of DeinDesign presumably also had to do with your ongoing business development. Another start-up. And here again, you've announced an impairment writedown for 2016. What are the reasons for that?

On the one hand, yes – DeinDesign is clearly part of Photofinishing and stands for the ongoing development of this business unit. With DeinDesign's smartphone cases and other products, we have a considerably better fit with our young target group.

But on the other hand, no – DeinDesign was and is no longer a start-up. Here we acquired a company with a turnover volume of around 6 million euros. But once again, things didn't go quite according to plan for everyone involved. Above all, DeinDesign's customer base didn't deliver by far everything

that we had expected. It was not least for this reason that we recognised that writedown. But if we look at the technology we acquired with DeinDesign, we're quite satisfied. The products made this way are selling quite well, even through our normal CEWE channels. In that sense, we are very satisfied with key aspects of this acquisition. In-house development would have taken a good deal longer.

And, if I may say one more thing, we have never shed a tear over an impairment writedown. That generally means amortisation of the goodwill, which we don't like to see in our balance sheet anyway. While the reason for most of these writedowns is worth paying

2.2 billion photos produced
over 35,000 tonnes of printed paper
6.2 million CEWE PHOTOBOOKS

attention to – and that is something we need to deal with and indeed are dealing with – we can certainly live with the accounting consequences. This doesn't actually mean that the businesses subject to impairment have to persist along this projected growth trajectory. They can certainly do better than that. But we are very strict when it comes to impairment.

You have recognised impairment writedowns totalling 6.9 million euros in 2016. The readers of your financial statements might therefore assume that in 2017 you will achieve almost 7 million euros more in profit, even without an operating improvement. But your EBIT target range is a maximum of 4 million euros higher than your result for 2016, and your minimum target is even 2 million euros lower. Isn't that overly pessimistic?

That is a good question and at first glance you are 100 % correct. But 2017 is full of uncertainties. And here I'm not even talking about the broader political context. In the highly tangible world of our markets, we can already see at least two trends whose effects on our results for 2017 are still quite uncertain and which may result in a significant headwind.

First of all, I'd like to draw your attention to the change in the rate of value added tax. As you know, in 2016 the lawmaker increased the rate of value added tax on photo books from 7 % to 19 %. Despite the considerable commitment of our industry association, unfortunately it has not been possible to prevent this tax rise. However, it is not yet possible to clearly estimate its effect. No clear trend is apparent on the market in terms of how market players and consumers are reacting to this. Due to this uncertain situation, as the market leader, we will maintain a policy of keeping a steady hand. We are a reliable partner for consumers and for our business partners. That is why we will wait and see, observe the situation very closely and then consider, further down the line, whether we want to make any adjustments. One year ago, when this tax increase was in the offing, we had already said that it might cost us a high seven-digit euro figure in profit. That statement still holds true.

Secondly, look at the growth rate in Commercial Online Printing in the fourth quarter of 2016: 1.6 %. To be quite honest, that's below our expectations. Here we need to consider the possibilities available to us to ensure the positive development of this business unit in terms of the top line. We must reach a precise understanding of this situation without making any premature decisions. We continue to assume growth in 2017, with the possible exception of the British market, due to the Brexit decision.

Does that mark the end of growth in Commercial Online Printing? Do you no longer expect that, in a few decades' time at least, you will have established a key area of business which can almost match Photofinishing?

We need to clearly distinguish between turnover and costs.

First of all, turnover – if we compare the development of online printing with that of digital photofinishing, that was a similar process of transformation. Digital photofinishing replaced the analogue product over a period of 10 years or so in the period up to 2010, from around 0 % to 100 %. This transformation unfolded extremely rapidly since every consumer immediately understood the advantages of digital technology: instant picture quality control on the back of the camera, limiting photo development costs to those for successful images only. And reducing these costs even further, i. e. if printed photos are no longer required. The possibility of sharing photos by e-mail, direct editing of photos within documents or in more advanced photo products – such as CEWE PHOTOBOOK. All of this has meant that most consumers have put away their analogue camera – which generally still works – and invested in a new, digital camera. The key point here is that the person who benefits is the person who decides about whether to get a new camera.



What about Commercial Online Printing? How is the transformation unfolding in this business unit? The trend is basically similar. Customers recognise the advantages of online printing over the traditional form of communication with a printing firm. As well as many other aspects, this has not least to do with the price. Roughly speaking, in many cases online printing is around half the price. But will the person placing the order – who is generally either a secretary or works in marketing – choose an online printing firm for that reason? It feels like it's so much easier to place an order with the small printing firm just down the road. It all works fine. Never change a winning team. That behaviour is entirely understandable and quite different from how things are in Photofinishing! Online printing will not be seen as the clear better option until the person placing the order considers the cost issue, or the cost centre manager or business owner actually realises that it's cheaper. This process will accelerate, for instance, with the intake of fresh blood. In terms of the people placing orders, many young staff are nowadays graduates in the area of media design or a similar field and already learn about online printing during their studies. They are pleased to be able to present their employer with a clear advantage by cutting costs. Or a younger person may take over the role of cost centre manager and insist on using this option to reduce expenses.

Therefore, the process of change in Commercial Online Printing might take considerably longer than the period of ten years which we saw in Photofinishing. It might even take the entire working life of a whole generation until Commercial Online Printing has won its fair share of the job printing market. Today the online share is probably a good 10 %. Whatever the fair share for online printing may be, there is certainly still a good deal of room for progress. Maybe it's two thirds. So we see the lower level of growth in the fourth quarter of 2016 from a long-term perspective: the market for Commercial Online Printing is still good for many years of growth.

Now let's talk about costs and earnings. We are in a fantastic position when it comes to costs. Our main production plant in Dresden is constantly working on improving its efficiency. We have a highly focused and outstanding team. And the follow-on costs of the purchase price allocation for our acquisition of Saxoprint, which will once again decrease by a million euros in 2017, will help on the costs side. We intend to exploit this favourable costs trend in order to achieve further improvement in our Commercial Online Printing earnings in 2017. We have now invested for a number of years. Now it's time to achieve a profit. The market trend is not providing much of a tailwind, but we have strong brands, strong teams and a very efficient production setup. We can make something of this.

When you talk of making something: what do you plan on doing with all that cash you currently have in your balance sheet?

You are quite right that our cash position is strong and it does provide us with opportunities. But in our extremely cyclical business, it's important not to be dazzled by our year-end position. We have just completed our Christmas business season and have already received much of the resulting cash flow. Now we're starting to invest in what will hopefully be a strong Christmas business season once again in 2017. And that will require cash over the period of more than three quarters to come ... It will require an eight-digit amount.

The cash we keep hold of will be put to good use.

We have paid increasingly large dividends over the past seven years, which is a trend that we want to continue. In view of our current cash position, we won't limit ourselves to an increase of 5 cents per share; we will lay out 20 cents per share. You might say: "That's a distribution ratio of just 43 %!" Yes. That's right. But that is actually quite a lot. And it underlines our commitment to pay a dividend which is at least constant, and an increasing dividend if at all possible. What is more, the cash flow for 2016 is extraordinarily strong due to highly positive effects in terms of our working capital, and for reasons of

arithmetic alone that cannot be permanently repeated from this source. Our operating net working capital has provided 25.6 million euros of our improved cash contribution. For instance, major customers settled invoices in 2016 which would not have been due until 2017. This growth trend will not remain intact. At some point, the normalisation of this behaviour over the course of a year will also mean a significant decline in our cash flow. Mathematically negative inventories and negative receivables don't exist in the real world. Since we are very keen to maintain this trend of a rising dividend over the next few years, we don't intend to define our dividend on the basis of this outstanding cash flow year 2016.

Aside from our dividend – and our operating investments – our cash position represents a strong basis for CEWE's ongoing development, including through acquisitions. We are not in any hurry and CEWE is not under any pressure, but we are flexible enough to be able to exploit any opportunities. CEWE is in a strong position.

Dr Hollander, many thanks for the interview.

SAXOPRINT

Where print meets passion.



*Where
print
meets
passion.*



CEWE SHARE

Stock markets in 2016 influenced by increasing political uncertainty as well as glut of money

In 2016, the stock markets were influenced in particular by the increasing uncertainties resulting from political changes such as the UK's BREXIT vote, government crises in Europe and Trump's victory in the USA. At the beginning of 2016, the DAX suffered a drastic fall, in particular due to the negative economic outlook in China and the decline in the price of oil. It only achieved lasting growth in the second half of the year. On the other hand, low interest rates in the Eurozone in particular and the glut of money from the key central banks such as the ECB had a positive impact on the stock markets.

CEWE share realises strong gains of +54.9 % in 2016

On the basis of its 2015 year-end closing price (54.61 euros), in the period up to late December 2016 the CEWE share achieved clear growth of 29.96 euros to 84.57 euros (+54.9%). In the same period, the DAX gained 11.6% while the SDAX rose by just 6.5%.

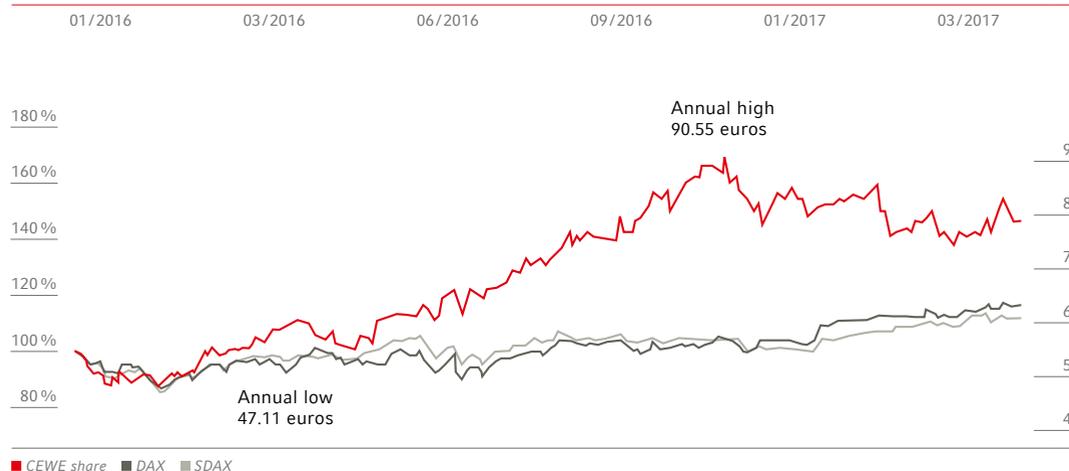
Dividend increased for seventh consecutive occasion

For CEWE, dividend continuity also means absolute dividend growth, year on year, provided that its balance sheet is sufficiently solid to allow for this. In 2016, CEWE was able to offer its shareholders a dividend of 1.60 euros per share, an increase for the seventh consecutive occasion. With this dividend, on the basis of the year-end price for 2015 shareholders also received a dividend yield of 2.9%.

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 (2016 average) | 17,626 units |
| Annual high in 2016 | 90.55 euros |
| Annual low in 2016 | 47.11 euros |
| Year-end price 2016 | 84.57 euros |

CEWE share price in the period from Jan. 1, 2015 to Mar. 10, 2017 in euros



CEWE shares traded with a daily volume of 1.3 million euros in 2016

On average, 18,712 CEWE shares were traded every day on German stock markets in 2016. This was higher than the level in the previous year (2015: 14,921 shares per day). The daily euro trading volume now amounted to an average figure of approx. 1.30 million euros (2015: approx. 0.80 million euros per day). The daily volume of CEWE shares traded now clearly and continuously exceeds this level of 1 million euros per day which influences the investment decisions of many institutional investors. As well as the positive operating trend, this has also made the CEWE share attractive for other, larger institutional investors on a long-term basis.

 company.cewe.de/en/home.html
> Investor Relations > The Share
of CEWE > Analysts

Analysts continue to have a consistently positive view of CEWE

All of the analysts who follow CEWE continue to concur in their positive analysis. One analyst is signalling “Buy” for the CEWE share and five “Hold/Neutral”, while another analyst recommends “Market Weight” for the share. The detailed studies are available for downloading in the Investor Relations section of CEWE’s website (company.cewe.de).

CEWE share very solidly positioned in the SDAX

According to the “Trading volume” criterion, in December 2016 CEWE was in 72nd position (previous year: 87th position), and in terms of “Market capitalisation” it was in 85th position (previous year: 93rd position). The CEWE share has thus significantly improved its ranking by comparison with the previous year and further consolidated its very solid position on the SDAX index, which normally features shares with a ranking of 110 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 27.4 % of its shares.

CEWE is there for its shareholders

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

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

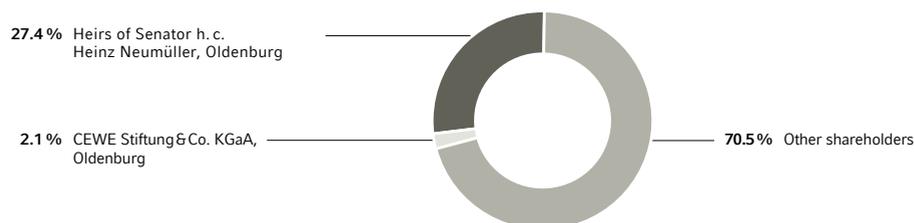
 <http://ir.cewe.de>

In 2016, the Board of Management and the Investor Relations team once again presented the company at a total of six capital market conferences and attended twelve roadshow days in European and US financial centres. For details of the dates currently planned for 2017, please refer to the financial diary on the penultimate page of this report.

 Page 255 | Financial diary

| Overview of current analysts' assessments | Analyst's assessment | Date |
|---|----------------------|---------------|
| GSC Research | Hold | Feb. 28, 2017 |
| Oddo Seydler | Neutral | Feb. 24, 2017 |
| Warburg Research | Buy | Feb. 23, 2017 |
| Bankhaus Lampe | Hold | Feb. 22, 2017 |
| Baader Bank | Hold | Dec. 16, 2016 |
| Deutsche Bank | Hold | Nov. 04, 2016 |
| Berenberg Bank | Hold | Sep. 29, 2016 |
| BHF Bank | Market Weight | Aug. 30, 2016 |

Shareholder structure (March 2017) as % (100 % = 7.4 million shares)



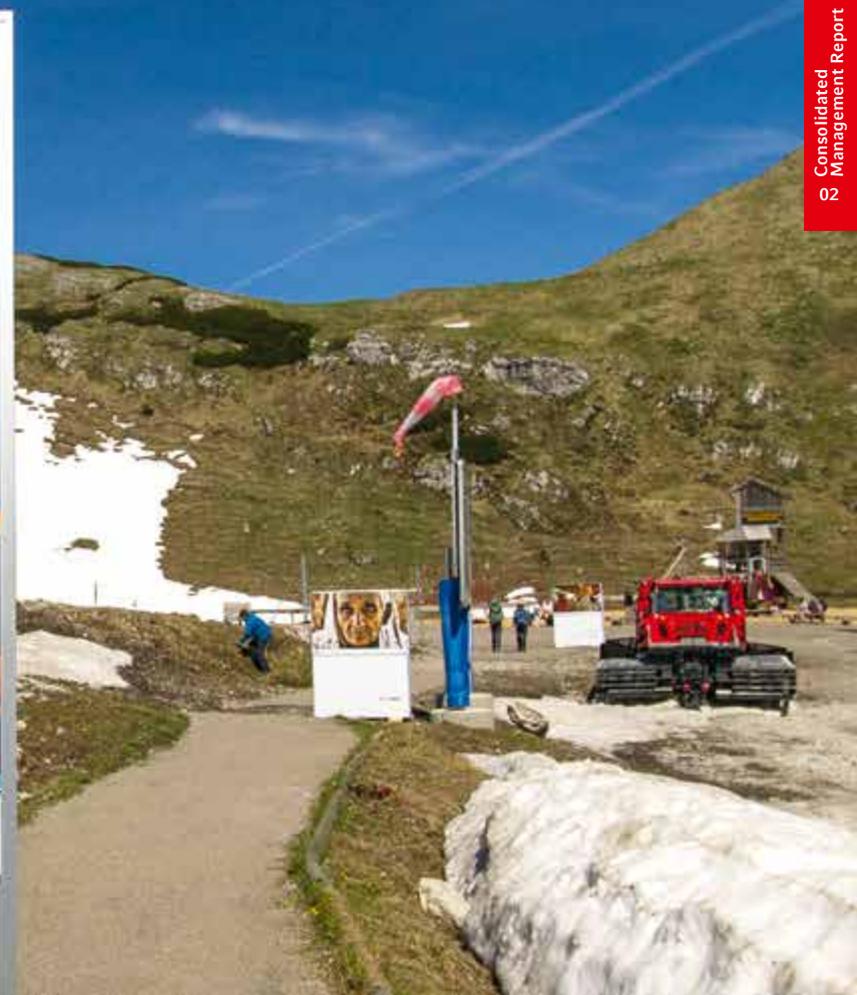
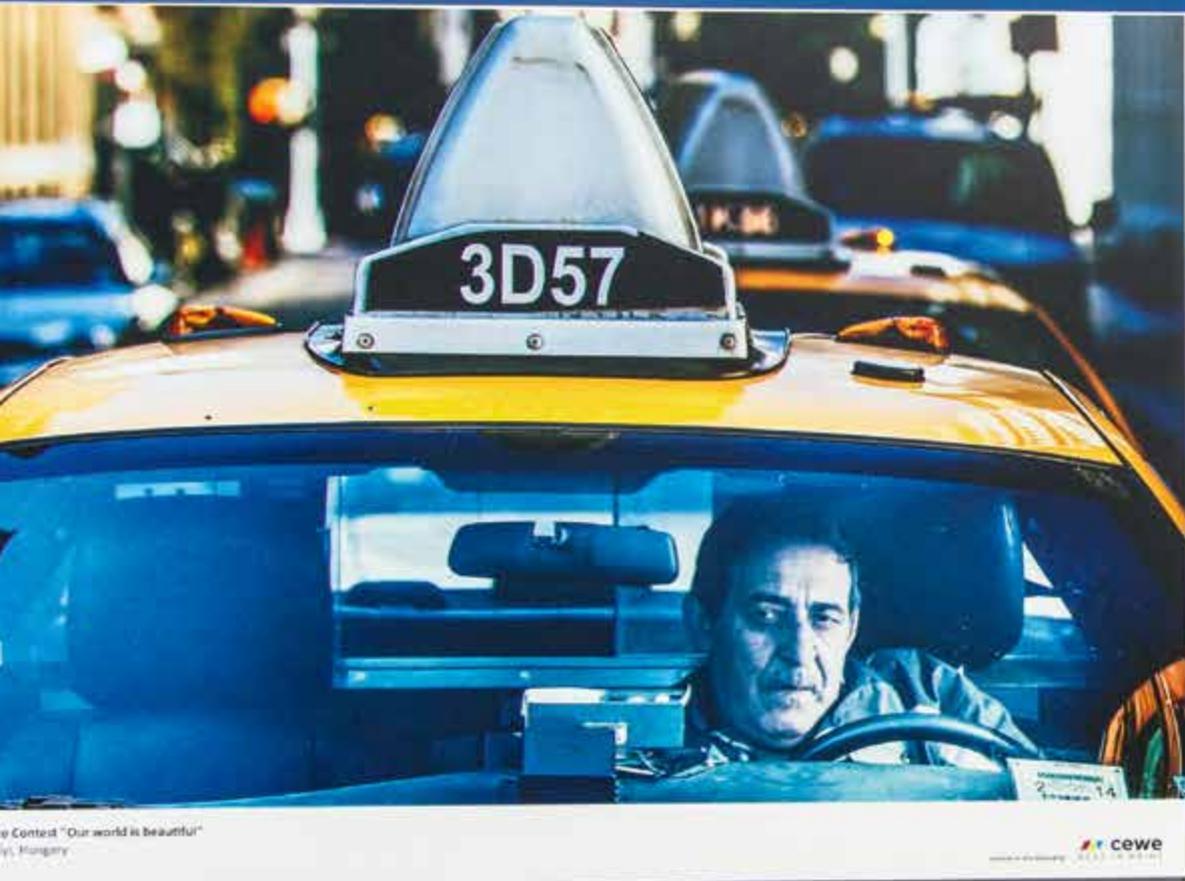
02

CONSOLIDATED MANAGEMENT REPORT

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CEWE has long been committed to photography as a form of cultural expression, for which it continuously provides funding. For instance, CEWE is a partner of Hamburg's Deichtorhallen/House of Photography and supports the German Photography Museum Leipzig as well as festivals such as the "Oberstdorfer Fotogipfel" (shown here), the "Internationale Fürstfelder Naturfototage" and the Zingst "Fototage".



BASIC INFORMATION ON THE GROUP

Business model

CEWE operates in three strategic business units: Photofinishing, Retail and Commercial Online Printing. As well as these strategic business units, this segment reporting by business unit includes the Other Activities business unit.

Photofinishing – CEWE’s traditional core business unit achieves growth

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

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 and in some cases also from CEWE directly. For almost all of the Photofinishing products ordered from CEWE, CEWE handles acceptance of orders and customer communication.

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

CEWE RETAIL: proprietary Retail business unit handles important functions

CEWE has multichannel retailing operations for photo hardware and photofinishing products in Poland, the Czech Republic, Slovakia,

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

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

Commercial Online Printing – a new key business area

In its Commercial Online Printing business unit, CEWE is currently enjoying growth through the production and marketing of printed advertising media via the distribution platforms CEWE PRINT, Saxoprint and Viaprinto. 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 is now rolling out this business model in many other European countries, where local websites are already present and are increasingly generating business.

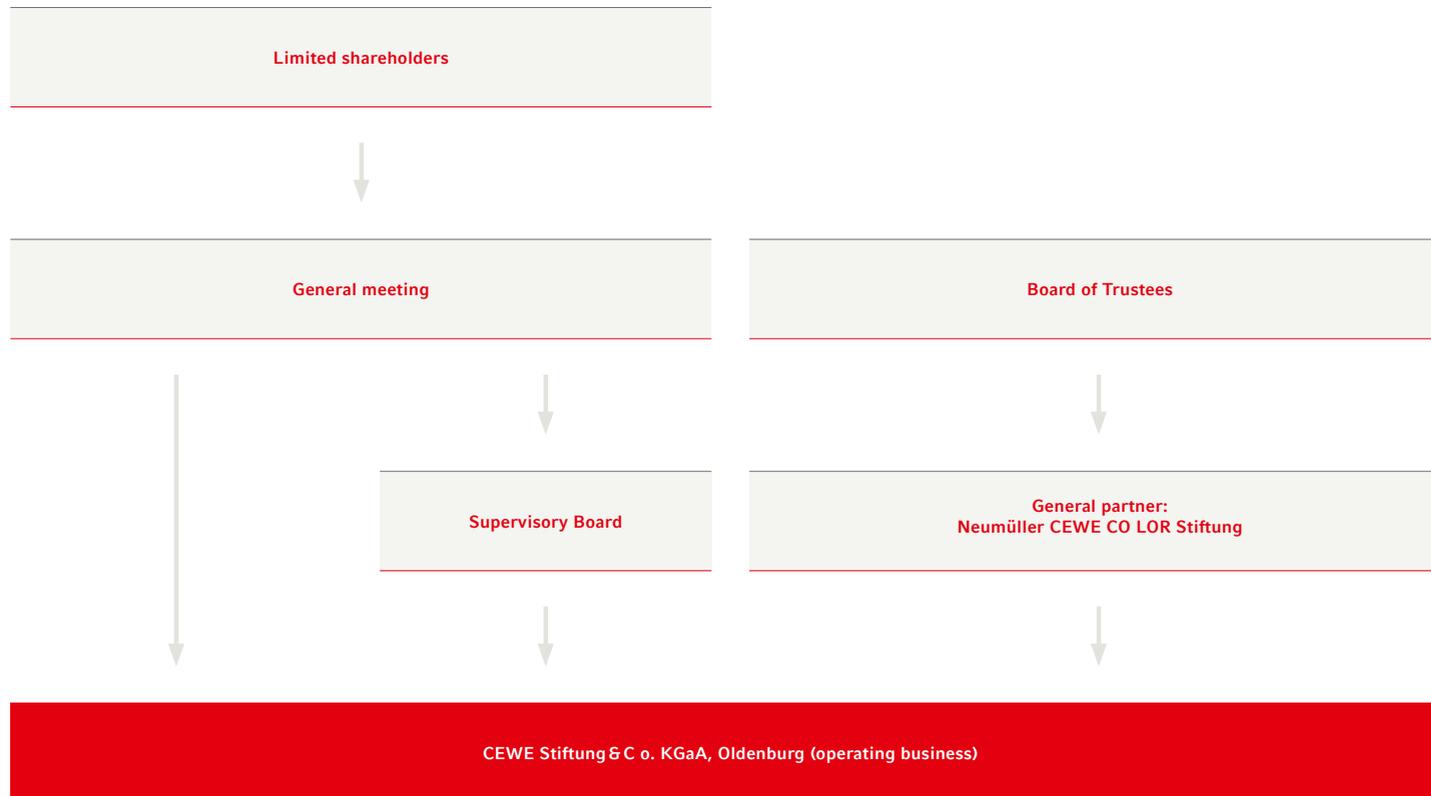
The depth of added value in Commercial Online Printing is very similar to Photofinishing. However, here CEWE does not provide software for the creation of printed products (unlike in the case of CEWE PHOTOBOOK, for instance).

Organisation and management system

Organisational structure

The CEWE business group has the following structure:

Page 162
Board of Management



In 2016, Neumüller CEWE COLOR Stiftung was represented by eight members of the Board of Management. The Group's remaining 3,488 staff were employed by CEWE Stiftung & Co. KGaA and the subordinate Group companies.

 Page 29 | Shareholder structure

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.

 Page 162 | Board of Management

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 27.4 %). 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.

 Page 64 | Results

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. Here too, the focus is on the company's solid long-term development and sustainable capital growth – and thus on each shareholder's investment.

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

CEWE operates through a total of 33 subsidiaries

CEWE Stiftung & Co. KGaA is the parent company which manages all of the CEWE Group's activities. In various European countries, Photofinishing and Online Printing business is managed within a single legal and organisational unit or else through various entities, depending on the situation in the country in question. Retail is directly combined with Photofinishing in countries where a production plant is present. Otherwise, it operates independently. From an operational point of view, photo products are also sold through the Group's retail

companies. However, in terms of strategic management they form part of the strategic business unit of Photofinishing, since they follow an entirely different growth path and their strategic significance differs from that of photo hardware, which is reported in the Retail business unit.

Management of the CEWE Group

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

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.

Inclusion of profit centre managers in planning

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

Investments on the basis of profitability calculations

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

Close monitoring through monthly target/actual comparisons

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

Diverse and detailed management information systems

As well as this core element of accounting-oriented comparison, profit centre managers, the Board of Management and all relevant executives are able to draw upon comprehensive systems of operating indicators, some of which are even updated daily. For instance, this includes market data supplied by various market research

institutes, sales information including quantities, prices and turnover, comprehensive production figures comprising production and delivery times, costs and quality, further controlling information for each corporate function (e.g. personnel, logistics, customer service, investor relations, finance, etc.) and product and business partner margin costings, etc. The key non-financial indicators used at CEWE are also described in the “Goals and strategies” section.

Clear meeting structure

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

Goals and strategies

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

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

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

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 its enterprise value

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

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

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

| | | Internes Reporting | Externes Reporting | Forecast for the year |
|--------------------------|--------------------|--------------------|--------------------|-----------------------|
| Non-financial indicators | Photos from film | Week | Quarter | yes |
| | Digital photos | | | yes |
| | CEWE PHOTOBOKS | | | yes |
| Financial indicators | Turnover | Day | Quarter | yes |
| | EBIT | Month | | yes |
| | EBT | | | yes |
| | Investments | Monat/Quarter | Quarter | yes |
| | Earnings after tax | Quarter | Quarter | yes |
| | Earnings per share | | | yes |
| | ROCE | Quarter | Quarter | — |
| Additional indicators | Free cash flow | | | — |
| | Operating WC | | | — |
| | Equity ratio | | | — |
| | Dividend | Year | Year | — |

Turnover and EBIT/EBT are also 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 (including 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 the detailed figures for the individual profit centres and earnings in the strategic business units and for the Group as a whole. Turnover, EBIT and EBT are presented in the "Highlights" section of the annual report in terms

of a target/actual comparison and are discussed in the results; a forecast figure is notified for the following year.

Other important indicators: investments and earnings after tax

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

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

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

Additional indicators: ROCE, free cash flow and operating working capital

In every annual report, CEWE analyses its ROCE figure to determine the rate of return on its capital employed. For many years now, CEWE has achieved figures above the 10 % mark. Since CEWE's pre-tax capital cost rate has been clearly below 10 % for some years now, according to analysts' calculations in their research reports, CEWE is certainly delivering increasing value. In 2016, its ROCE was 21.3 % and thus higher than in the previous year (17.2 %). The long-term goal is an ROCE figure which clearly exceeds 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 outlined 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 virtually meaningless, particularly since other operational monitoring systems highlight such delays much more directly than the cash flow statement does. Moreover, from the point of view of its outflow of liquidity, CEWE's liquidity is so strong that the company is able to exploit an earnings opportunity, even on a short-term basis, to the detriment of its liquidity. A typical example of this are "trade-fair special offers", where machine manufacturers offer special discounts which are generally worthwhile even taking interest-rate factors into consideration.

Stable balance sheet: equity ratio as a further indicator

CEWE aims to ensure the company's continuous and sustainable development. Particularly during the phase of the analogue/digital transformation, the company once again learned to appreciate the benefit of a strong balance sheet. 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 of around 50 % or more. 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 indicated for these additional indicators. However, due to their significance these indicators are discussed in the "Results" chapter.

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

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

Corporate functions

Research & development



As with the successful transition from analogue to digital photography, CEWE was also proactive in engaging early on with the effects of mobile photography on ordering systems. A first app for placing orders was already presented at photokina in 2010, and since then many additional apps have been developed and continuously improved from the point of view of usability and product diversity. As well as the possibility to order CEWE's portfolio by means of apps as well as editors optimised for mobile devices, special apps have been developed for mobile users: CEWE POSTCARD and CEWE PHOTOS are two such applications.

To be sure, smartphone photography is also having an impact on our traditional ordering systems – through our online applications and also our computer-based ordering systems, images created by smartphones which are saved in the cloud can be easily integrated in CEWE products, without the need to exit CEWE's ordering applications. During the peak season, 1/3 of all of the images which the company's plants received were generated by smartphones. CEWE PHOTOBOOKS feature a particularly large number of images. Snapshots from smartphones are simply a part of attractive and complete storytelling.

Smartphones generate even more images per device and user than traditional digital cameras, which is why CEWE has made further improvements to the assistant function in the current version of CEWE PHOTOWORLD. To be sure, smartphone photography is also having an impact on traditional ordering systems – through online applications and also computer-based ordering systems, the images which smartphones save to the cloud can be easily integrated in CEWE products, without the need to exit CEWE's ordering applications.

Back in the film age, a large number of patents for production machinery and equipment helped CEWE to transform its technological and innovation leadership into competitive advantages. And even now, CEWE develops its own equipment in order to increase its level of productivity and quality for print finishing, for automated packaging and also for shipping. Key achievements have also been patented in the past year.

My CEWE PHOTOWORLD mobile

In the year under review, CEWE once again picked up a large number of awards for its app portfolio. Since the launch of CEWE PHOTOWORLD mobile at photokina 2012, this software has undergone continuous development. The improvements implemented include the availability of products within this app (phone cases and new calendar formats have also been introduced) and also, above all, its user-friendliness. For this purpose, CEWE continuously analyses feedback from consumers and the results of several usability tests and reacts to these findings by releasing new versions in app stores several times a year.

The CEWE PHOTOS app was newly introduced in 2016. This makes it very easy for users to order photos directly from their smartphones. The app also offers the option of preselecting images which can then be printed right away at a CEWE PHOTOSTATION. Users can also use their smartphones in portrait mode. For our other apps, use in landscape mode is preferred. Thanks to a convenient interface, images can also be designed and ordered on smaller-screen devices.

My CEWE PHOTOWORLD

Consumers generally use our software “My CEWE PHOTOWORLD” to produce CEWE PHOTOBOOKS. This software is available for Windows, Mac and Linux. This software is used by new customers as well as existing customers, who frequently order dozens of products every year. With this software, users can receive a highly attractive draft version using the CEWE PHOTOBOOK assistant and then individually design each page using the edit option or the large number of design functionalities. Customers can also use an online software package to produce a CEWE PHOTOBOOK.

As well as CEWE PHOTOBOOK, almost all of CEWE’s products can be ordered using this software. In the latest version of the software, these products are already much easier to find on the home screen, and customers can therefore find inspiration through a large number of products. The variety of products within a given category, such as the five different types of paper for CEWE PHOTOBOOK, are also easier to find for users and the differences are better explained and visualised. It is not just on smartphones that there are very many different screen formats and resolutions. These also vary for the current range of computers and monitors. The new software has thus been optimised for these new resolutions and therefore has an even more attractive overall look.

The many fans of this ordering software talk to each other on CEWE’s platforms. The CEWE PHOTOBOOK FORUM, Facebook, exhibitions and trade fairs and CEWE’s customer service department provide valuable tips for the company’s ongoing development. Crowdsourcing – i. e. obtaining feedback, requests and suggestions from users – is an increasingly important part of the development process.

COPS, the CEWE ONLINE PRINTING SYSTEM

The changeover to a design which is optimised for mobile devices and responsive – i. e. optimised for various screen sizes – has further boosted use of the company’s online platform. Many customers use their portable devices to find out about the company’s product range via the websites of business partners which are operated by CEWE, and subsequently use our CEWE PHOTOWORLD software to place orders either immediately or at a later date. CEWE’s websites also offer a large number of new products and services for ordering, such as phone cases and a large number of new designs for CEWE CARDS and CEWE CALENDARS. The presentation of the new finishes on the CEWE PHOTOBOOK cover and in CEWE CARDS with gold, silver and raised varnish has also been successfully implemented in COPS and was made available to the company’s customers during the 2016 Christmas season.

In the past year, as well as the product pages editors were also adjusted for ordering purposes, to suit mobile devices (small screen, touch-based control only). The customer journey from browsing via ordering to the shopping basket has thus been optimised.

Almost every second visit to our websites is made through a mobile device. For this reason, too, our product sites have once again been upgraded, to provide further space for the emotionality of these products and for the new brand elements developed by our marketing department for CEWE WALL ART, CEWE CARDS and CEWE CALENDARS as well as our redesigned theme worlds.

CEWE MYPHOTOS

CEWE MYPHOTOS is very popular with existing customers. Above all, this service makes it possible to store digital images securely in the cloud and to share, organise, edit and order them – anytime, anywhere and on any device. CEWE thus supplies an open ECO system allowing the exchange of images across all computer- and mobile-based operating systems (Android, Apple and Windows Mobile). As an independent service provider, CEWE thus offers its customers a benefit which is not available from any closed-system hardware or software manufacturer. For existing customers, a positive new feature is the option of saving projects (CEWE PHOTOBOOK, CEWE CALENDAR, etc.) in CEWE MYPHOTOS. This keeps important memories safe, simplifies reordering of images via the cloud and enables users to easily transfer projects from one computer to another.

- CEWE MYPHOTOS is a service for storing and organising photos. This service makes it possible to upload images easily and securely from any device to one of CEWE's data centres in Germany (e. g. in order to create space on a full-up mobile phone).
- CEWE MYPHOTOS is the specialist tool for arranging, editing and ordering photos and photo products.
- The photos stored on CEWE MYPHOTOS are available at any time and anywhere, on any device (PCs and laptops, smartphones, tablets, smart TVs, CEWE photo stations).
- CEWE MYPHOTOS supports multiple-platform devices, for all common operating systems (Windows, Mac OS, Linux/Android, iOS, Windows Phone). CEWE MYPHOTOS can also be used by means of desktop software, a browser and an app.

- CEWE MYPHOTOS provides access to all of CEWE's ordering channels. In the new group mode, images from various sources and from multiple users can be copied into a single album, where the product can be (jointly) created with all of these pictures.
- CEWE MYPHOTOS enables owners of images to share them safely with invited persons. Invitations can be time-limited and password-protected, if desired. If the EXIF header of the image file contains data which the user would prefer not to share, these can be previously removed, in line with users' desire for even greater control over their data.

This new service has been rolled out with a large number of business partners in Germany and is already available in a few locations in the UK. Further German business partners are to follow, and the international rollout will be stepped up.

Further optimisation of high-performance back-end system

This year, the volume of orders over the course of our peak week during the Christmas season was once again higher than in the previous year. All of the above-mentioned applications deliver orders submitted to CEWE's back-end system. This back-end system is distributed across two independent and redundant data centres. Here and at all of the company's plants, the bandwidths for these peak loads have been expanded. Hardware such as firewalls and routers has been adjusted to cope with these increased bandwidths. To ensure rapid transmission of these volumes of data from the central data centres to the company's plants, the necessary additional servers were further optimised (virtualised) or reinstalled in good time ahead of the season. The company continued to pursue the issue of sustainability which it had taken up in 2015, and further optimised this in 2016, particularly at its plants. CEWE has once again reduced its power use by means of virtualisation and through new servers.

Marketing and distribution

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

In general, marketing has become increasingly important at CEWE over the past few years. The introduction of the CEWE PHOTOBOOK brand in 2005 in Germany and other international markets and further Photofinishing brands in 2013 have enabled CEWE to clearly distinguish itself from the competition. Strong business partners in Germany and many other countries stock CEWE's brands, thus benefiting from them while also contributing to their success. CEWE has impressively risen to the challenge of evolving from being a white-label supplier to a branded supplier. At the same time, this development underpins and guarantees CEWE's long-term success.

Holistic marketing approach

For CEWE, marketing encompassing the traditional four Ps (product, price, promotion and place) entails a holistic approach. Product marketing defines the breadth and depth of the company's product range, in coordination with each of its divisions, and handles all of its brand management activities. All marketing measures in fields such as general marketing, CRM, online and content marketing, trade and product marketing, PR and sponsoring are pursued at CEWE through 360-degree communication activities. The company's integrated communication strategy is intended to strengthen the brand and thus also boost sales. For this purpose, marketing campaigns are planned and realised via multiple channels, through media with a broad reach and target group-specific channels. For optimal handling of all of the various contact points of a customer – through various media, partners, and cooperative ventures with the goal of a customer journey assessment – a key focus for CEWE is the consistency of these campaigns, across all of these channels.

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

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

- **High level of product and service quality:** CEWE PHOTOBOOK has established itself as Europe's most popular photo book since its launch on the market. Millions of customers trust in the quality of this bestselling product, which has gained multiple awards. The same is true of CEWE's other brand products. In 2016, products in all of its brands once again won a large number of victories in tests organised by independent organisations. As well as more than 60 other test wins, the company's win in the November 2015 test conducted by Germany's Stiftung Warentest consumer association is especially noteworthy. This remained highly relevant for consumers in 2016. Together with its partners Saturn and Müller, CEWE PHOTOBOOK clearly outranked the competition. CEWE also strongly emphasises the area of customer service – the express delivery service which it expanded in 2016, its 100 % satisfaction guarantee, and availability of its customer service seven days a week (during the Christmas period, even up to midnight) have long been standard at CEWE.

 www.cewe-fotobuch.de
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- **Innovations at product and marketing levels:** leading the way in terms of innovations is part of CEWE's DNA. This is true of marketing as much as it is of production and research & development. Identifying product innovations every year, preparing them for the market and subsequently marketing them to consumers is an important goal of CEWE's marketing. Marketing must also reflect consumers' changing habits and user behaviour. In particular, the Internet and mobile channels are increasingly important, while also undergoing a continuous process of substantial change. Here too, through innovative marketing approaches CEWE consistently pursues a strategy of reflecting the wishes and habits of consumers particularly closely.
- **Customer focus:** the customer is the key priority at CEWE – both new and existing customers. The success of this focus is confirmed through the high level of customer satisfaction among purchasers of CEWE products. Both product innovations and marketing campaigns are always closely aligned with the needs of CEWE's customers. This focus thus became the key marketing theme: customers provide authentic and convincing reports of their experience of using CEWE PHOTOBOOK. Cooperation with the company's business partners also emphasises this point. Overall, CEWE maintains an intensive customer dialogue through a wide range of points of contact, so as to be able to adequately respond to consumers' wishes at any time.
- **Ongoing development of the company's premium brand strategy:** CEWE's success over the last few years is strongly based on its creation of strong and valuable brands. The profile of CEWE brands is on the rise, and CEWE customers have a very positive view of them. Marketing and distribution at CEWE are committed to the development of these two aspects. CEWE's photography culture marketing performs an important task, by enabling an experience of the medium of photography encompassing all of its different aspects. This includes the company's sponsorship of well-known photography festivals such as "Fotogipfel Oberstdorf" and its partnerships with leading cultural institutions in the field of photography such as the German Photography Museum in Leipzig. Support for photographers' exhibitions, workshops and photography competitions are important instruments which help to communicate the pleasure of photography and thus to strengthen the essence of the company's brand.
- **Consistent international execution of its brand and marketing strategy which has proved successful in Germany:** CEWE has been the clear market leader in the field of photofinishing for many years, not only in Germany but also in many other European markets. It aims to consolidate and to extend this position. The same strategic objectives are pursued as in the company's key German market, but with fine-tuning for the market in question.

CEWE has transferred its successful brand focus in the area of Photofinishing to the field of Online Printing. With its three strong Online Printing brands Saxoprint, CEWE-PRINT.de and viaprinto.de, CEWE is successfully positioned in the online printing market and has already expanded into many international markets.

IT

Business IT supplies IT systems to support CEWE's management and commercial departments in the fulfilment of their tasks.

Further optimisation of IT

CEWE further optimised its central IT systems in the financial year 2016. The company's SAP system is at the heart of its central IT infrastructure. This comprises the following modules:

- Financials (FI), Controlling (CO), Sales and Distribution (SD) and Consolidation (EC-CS) for Finance and Accounting,
- Materials Management (MM) for the field of Purchasing/ Materials Management,
- Customer Service (CS), to provide support for repairs and maintenance of CEWE PHOTOSTATIONS,
- and Customer Relationship Management (CRM) for continuous optimisation of target group-specific marketing as well as the service friendliness of the company's customer service.

The company continued to operate photofinishing-specific processes through CEWE's proprietary IT system "ICOS" (Integrated CEWE Organisation System). ICOS concentrates, in particular, on the areas of pricing/delivery note creation at production plants and also master data management.

A combination of standard software which has been adjusted and optimised in-house as well as individual software which has been specially developed for CEWE enables particularly rapid and flexible fulfilment of customer requirements and thus offers CEWE a genuine competitive advantage.

The introduction of SAP for DeinDesign was an outstanding project in 2016. Since October, DeinDesign has also used CEWE's central SAP ERP system.



My
cewe calendar
Completely Personal





My
cewe wall art
Greatest Moments



Production

With eleven industrial photofinishing plants and an online offset printing firm, CEWE supplies its customers with photo and printing products every day in 24 European countries.

Improved production efficiency in the Photofinishing business unit

In 2016, efficient use of installed equipment, avoidance of waste and a further reduction of turnaround times were the core priorities. Overall, the company continuously modernised the machinery at all of its plants and further optimised processes. In particular, modern dispatch facilities have now been installed at all of the company's German plants, which make missorting almost impossible. Delivery quality has thus been further enhanced. Besides quality improvement measures, the company's plants established the foundations for further reductions in turnaround times for core products such as CEWE PHOTOBOOK.

CEWE also further expanded its production capacities for its CEWE PHOTOBOOK product on photographic paper, in order to meet the increasing level of demand in Germany and other countries. CEWE PHOTOBOOK on photographic paper in True Matte quality now rounds off the top end of the company's portfolio. The launch of production of finished covers with the latest digital production technology is a further highlight. The CEWE CALENDAR product range has also been supplemented with many new product options such as digitally printed A2-size CEWE CALENDARS as well as calendars with a double-sided varnish finish. In addition, a large number

of new photo products have been included in the company's own production operations, such as framed CEWE WALL ART and photo Advent calendars.

All eleven of CEWE's production plants for photo-based products are fully equipped with a uniform digital production structure and use the same IT infrastructure, whose capacity was further expanded in 2016. This enables CEWE to supply consumers and trade customers with digital photo services with a consistently high level of quality, with the shortest possible delivery times. Together with efficient processes at the company's plants, nearly 70 high-quality four-colour digital printing machines of the three leading manufacturers ensure that CEWE PHOTOBOOKS, CEWE CALENDARS, CEWE WALL ART and CEWE CARDS can be produced in top quality, with a high standard of delivery reliability. With this high volume of machinery – which is unique in Europe – CEWE has sufficient capacities to cope flexibly with the distinct seasonal peak during the Christmas season. Combined with even more effective training for seasonal staff at all of our plants and the successful application of new production methods such as lean management and 5S, in 2016 CEWE's plants have achieved an outstanding level of delivery service quality for the company's customers and business partners.

Despite the further significant increase in production volumes on the previous year, Christmas business in 2016 thus went entirely according to schedule.

Expansion in Commercial Online Printing

In 2016, CEWE continued to focus on shorter turnaround times and increased production efficiency at its Dresden plant. CEWE was thus able to cope with the continuous growth in the offset printing sector without creating additional capacities. CEWE continued to supply its customers punctually and with a high level of quality. The company's activities at its Dresden offset plant focused on optimising the value chain in relation to brochure printing. Brochures are now generally cut to size using sheeters and printed on the production line. LED drying permits rapid finishing, thus enabling a further overall improvement in the quality of the printing products and reducing the turnaround time. A further large-format printing machine also went online in 2016. While maintaining the same volume of capacity, 5 older printing machines were removed from the production system. The company thus now has five large-format printing machines at its Dresden plant. As well as this change in the field of printing, a further key change related to the continuing automation of the company's finishing and shipping processes.

CEWE also expanded its range of services in the Commercial Online Printing business unit. The company has further expanded its product range in its existing product categories. The breadth of the company's portfolio has also increased e. g. through further calendar formats, advertising products and carrier bags. Specialties such as special colours and products with gold and silver foil round off the product range of all of the company's online printing portals, such as Saxoprint, CEWE-PRINT.de and viaprinto.de. Self-designed business cards are now also available from CEWE-PRINT.de, while Saxoprint offers folding boxes which can be individually designed, with a broad range of basic models. Through its use of FSC®-certified paper and the option of climate-neutral printing, CEWE also provides another important contribution to ecological sustainability in its off-set printing segment.

Personnel

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

Workforce

On average, in 2016 the CEWE Group had 3,496 employees, of which 125 apprentices (previous year: 3,420).

Of this number, 2,392 employees or approx. 68 % (previous year: 2,298 or 67 %) worked at the Group's domestic plants and 1,104 employees or around 32 % (previous year: 1,122 or 33 %) at the CEWE Group's foreign plants.

Changes to collective wage agreement

The currently valid collective wage agreement is due to expire on May 31, 2017. The collective demographic agreement agreed as part of the last round of negotiations is now in force. Moreover, a collective bargaining agreement on the use of the demography-based amount was already concluded in 2014. A reduction in the volume of work hours for older employees was agreed as the relevant purpose for a collective bargaining agreement in 2016.

Occupational health and safety

Occupational health and safety is an important and integral aspect of employees' everyday work in the CEWE Group. As in previous years, CEWE registered a low level of sickness. At its German plants, this amounted to 4.1 % in 2016 (2015: 3.6 %), while the figure was 2.35 % (2015: 1.5 %) at its foreign plants. In 2015, 70 notifiable accidents and 23 commuting accidents were registered.

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

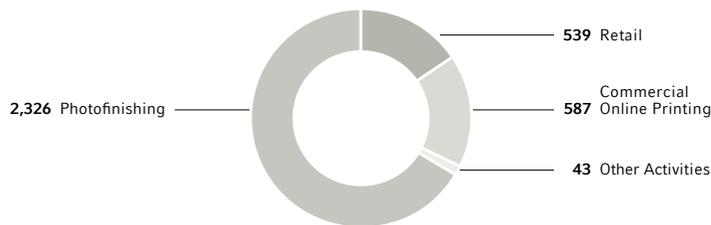
Volume of apprenticeships remains high

In 2016, CEWE trained 122 young people (2015: 123) in Germany for 13 different professions: industrial managers, warehouse logistics experts, photographers, electronics engineers for systems and equipment, mechatronics engineers, photographic media experts, IT experts for applications/system engineering, office administrators and dialogue marketing specialists, print finishing media technologists and printing media technologists as well as digital & print media designers. Students were also enrolled on its business information systems course, leading to a Bachelor of Science degree qualification. This continues to represent a volume of apprenticeships in excess of 5 % of all employees in Germany.

Positive cooperation

In the financial year 2016, the relationship with the works councils and the trade union represented at the company's plants, IG BCE, was once again trusting and constructive. CEWE would particularly like to thank all of the company's employees for their commitment and loyalty.

Average workforce of the CEWE Group in 2016 *number of employees*



Number of apprentices in Germany

| <i>annual average</i> | 2016 | 2015 |
|--|------------|------------|
| Office administrator | 2 | 1 |
| Dual course of studies: business management | 1 | 0 |
| Dual course of studies: media information technology | 1 | 1 |
| Dual course of studies: IT expert | 13 | 14 |
| Electronics engineer for systems and equipment | 6 | 6 |
| IT expert | 10 | 12 |
| Warehouse logistics expert | 4 | 4 |
| Photographer | 3 | 3 |
| Photographic media expert | 6 | 6 |
| Industrial manager | 18 | 17 |
| Dialogue marketing specialist | 7 | 8 |
| Media communication specialist | 2 | 2 |
| Mechatronics engineer | 7 | 5 |
| Digital & print media designer | 11 | 11 |
| Printing media technologist | 11 | 15 |
| Print finishing media technologist | 19 | 18 |
| Machinery and plant operator | 1 | 0 |
| Total number of apprentices in Germany | 122 | 123 |

Logistics

CEWE's logistics infrastructure provides the basis not only for the POS supply system but also, increasingly, for mailing of CEWE orders to the end-customer. Collection of image orders from the POS and their physical transfer to the company's plants is a further task area, albeit to a decreasing extent.

Continuous growth in volume of mail-order deliveries to end-customers

In 2016, the volume of direct deliveries to end-customers (mail-order shipments delivered by postal service providers) continued to rise throughout Europe. Since CEWE products are getting bulkier and increasing in value, a shift is underway from letters to parcels. Customers can opt to have their products delivered to their homes, to the POS of one of the company's business partners or to a self-service collection booth.

It is now also possible to order express shipping of all of the company's products.

CEWE is continuing to work towards the establishment of a sustainable delivery system. All CEWE packages are shipped CO₂-neutrally. For this purpose, CEWE uses the "GoGreen" service of Deutsche Post DHL, DPD's "DPD Total Zero" service and UPS' "Carbon Neutral" service. CEWE pays one cent for each shipment and thus supports the goal of climate protection, since delivery-related CO₂ emissions are offset through climate protection projects all over the world.

POS delivery remains a pillar of the logistics system

The POS remains a key pillar of CEWE's marketing operations. It enables CEWE to bring its products closer to the customer, while providing customers with the option of receiving their photo products at an alternative delivery address. This option remains highly popular with the company's customers, and much of the merchandise produced by CEWE is thus delivered to the POS of the company's business partners.

To ensure sustainability in this area, too, instead of transport companies parcel service providers are increasingly being tasked with POS delivery and collection.

Bag orders continue to decline. Products such as CEWE PHOTOBOOKS, CEWE CARDS and CEWE CALENDARS are increasingly ordered online and delivered to the POS by CEWE.



 www.gogreen.de

Purchasing and materials management

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

Central purchasing secures extension of cost/quality leadership position

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

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

Systematic management of purchasing potential and risks

Thanks to an even more uniform IT infrastructure in all of its business divisions, CEWE has comprehensive capabilities for identifying

potential within each individual category as well as any risks within the scope of its portfolio. Thanks to specific planning, purchasing potential was once again realised and purchasing risks were once again minimised in 2016.

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

Central purchasing strengthens CEWE’s capacity for innovation

CEWE’s central purchasing division forms an integral part of its innovation process.

In 2016, successful new developments were initiated and implemented through joint projects with innovative partners, thus actively shaping innovation at CEWE as well as the company’s future. As well as the use of new materials and products, production and process optimisations were implemented with new and existing suppliers. In the area of wall brackets, for instance, a new track system was implemented with a reduced volume of waste material and optimised assembly.

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



<http://company.cewe.de/en/about-us/cewe-group.html> > Code of Conduct (BME)

Process optimisation and transparency

The company's centralised electronic contract database has been significantly expanded. Contracts are now available online and are thus monitored centrally instead of locally. In many areas, we have established firmer foundations for our strong working relationships with our suppliers through new or extended contracts.

Purchasing sustainability

CEWE signed up to the code of conduct of the German Association for Supply Chain Management, Procurement and Logistics (Bundesverband Materialwirtschaft, Einkauf und Logistik e. V. – BME) in 2009 and has been a member of the United Nations Global Compact since 2010.

CEWE is also a member of the Lower Saxony Alliance for Sustainability (Niedersächsische Allianz für Nachhaltigkeit). This alliance aims to improve the capacity for innovation and to realise environmentally friendly economic growth in line with a model of sustainability.

In 2016, the company once again implemented its own supplier audits focusing on the issues of quality, product safety and social compliance (ban on child labour, high level of occupational safety/active health protection) for Far Eastern suppliers, for imported material groups. In these audits, CEWE was able to once again verify compliance with sustainability requirements throughout the value chain.

Regional sourcing of material, wherever possible, is particularly critical for sustainability in the area of purchasing. In 2016, parts of our material groups for our kiosk systems were changed over to European sources.

Improved supply of materials through modern logistics processes

We have now changed over our internal logistics system to new logistics concepts (pull principle, kanban supply) in all of the relevant sub-segments. The volume of production work in progress is reduced by means of these procedures. At the same time, the reliability of the production supply system is improved through an increased delivery frequency. At two plants in Germany, through the introduction of a warehouse management system CEWE has established additional opportunities for electronic documentation and management of these logistics processes.

Finance

Finance provides important contributions to the company's management and operational value creation activities

The finance department covers the areas of accounting and balance-sheet preparation, controlling, investor relations and financial and tax management. Particularly in the context of the preparation and analysis of information, it is of prime importance for an effective management system. CEWE's finance department is integrated in operational value creation activities for all of the company's departments. Relevant tasks include the preparation of business-related and notifiable information, its analysis and active incorporation in the decision-making process, coordination of internal and external financial communication, management of cost structures and thus value creation and important contributions to compliance and risk management.

Modern accounting and balance-sheet preparation require continuous improvements

Quality, safety and efficiency are particularly important for the complex processes of accounting and balance-sheet preparation. Accordingly, CEWE is continuously seeking to realise improvements in its operating procedures. Digitalisation is an important prerequisite for this task. This involves both system-based document flow and archiving processes and individual requirements within the scope of the accounting system. Adjustments and changes to tax regulations and IFRS standards are closely monitored and implemented within the scope of internal guidelines and processes. However, digitalisation of information retrieval and of workflows also has an impact on the requirements for good corporate governance, particularly in terms of appropriate risk management and an efficient internal control system.

Market and CEWE's business models influence controlling activities

As a company with a successful brand profile, it is increasingly important for CEWE to be familiar with the efficiency and effectiveness of its marketing expenses and to work towards their improvement. Controlling provides close support and guidance for this objective. Information analysis and the identification of opportunities involve an understanding of customer behaviour, the effect of marketing budgets, economic efficiency for the introduction of new products and the continuation of the existing product programme and also moving into new business areas.

Finance plays a role in defining new business models

The finance division supports e-commerce, which continues to grow in significance. This entails improvements in all customer communications activities, within the scope of financial processes. The company is continuously working on improvements to its collection processes, for improved efficiency and for communication of brand-related contents within the scope of handling of customer documents and customer relationships. New payment channels are regularly tested and launched in the company's various markets, if they deliver benefits for the customers or offer further turnover potential.

ECONOMIC REPORT

Markets

Overall economic environment

World economy: developed countries register lower pace of growth

According to the IMF's January update, in the financial year 2016 at +3.1 % the world economy's pace of growth fell slightly short of the previous year's level (+3.2 %). While the pace of growth in the developing countries and the emerging markets matched the previous year, at 4.1 % according to figures from the International Monetary Fund (IMF), at approx. 1.6 % growth in the developed markets was weaker than in 2015 (2.1 %).

The overall economic projections produced by the Eurosystem's experts for the euro currency area (December 2016) point to real GDP growth of 1.7 % in 2016. The ECB's economic bulletin as of the turn of the year 2016/2017 expects overall inflation to pick up by more than 1 %. While the ECB does not yet see any signs of a "convincing upward trend in underlying inflation", energy prices in particular rose at the end of the year. The euro's nominal effective exchange rate against the currencies of the Eurozone's 19 key business partners rose by 1.7 percentage points in 2016 and reached an index value of 94.2 % in December 2016 (first quarter of 1999: 100 %). In this context, in January the European Central Bank (ECB) confirmed its decision to leave its key interest rate at its record low of zero per cent while also expanding its purchasing programme for government bonds and other securities at least up to the end of 2017. However, from April onwards the ECB only intends to provide a monthly volume of up to 60 billion euros for this purpose, instead of the previous 80 billion euros.

According to the German government's annual economic report (January 22, 2017), in 2016 Germany registered a slightly higher pace of growth than in the previous year: its gross domestic product rose by 1.9 % (2015: +1.7 %) – of this figure, 1.1 percentage points are attributable to private consumption and 0.8 percentage points to government consumption. With a national budget surplus of 0.6 per cent in relation to the country's nominal gross domestic product in 2016, no new borrowing was necessary. Gross investments only contributed 0.1 % points to German GDP growth. The positive effect of the increase in gross fixed capital formation was almost entirely compensated for through the rundown of inventories. In 2016, the continuing growth once again resulted in a rise in the rate of employment: the workforce increased by 1 % to 43.5 million, while the unemployment rate declined by 0.3 percentage points to 6.1 % – its lowest level for 25 years. Gross wages and salaries increased by 2.5 % on average. Inflation was once again strongly shaped by the decline in crude oil prices in 2016. This had a stronger-than-expected dampening effect on the price trend. The consumer price index rose by just 0.5 per cent in 2016 by comparison with the previous year. The significantly higher core inflation rate of 1.2 per cent reveals the effect of energy prices on the low rate of inflation.

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. According to the market research company comScore, there were more than 49 million smartphone users in Germany in 2016. There are also 34 million tablet users in Germany (source: eMarketer, 2016). One important aspect is that the technical features of the cameras installed in mobile devices are increasingly high-end. This contrasts with an approx. 15 % decline in sales of digital cameras in Europe (source: German Association of Industrial Photography (Photoindustrie-Verband e. V.), 2016).

This phenomenon is readily explicable: the compact models in the entry segment of the camera market, in particular, are being increasingly replaced by smartphones and tablets and their integrated and ever-improving photo functionalities. A parallel trend is also apparent: the German Association of Industrial Photography predicts a positive market trend for compact system cameras with large sensors, albeit with a significantly lower volume than in the entry segment.

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. On the other hand, the decline in the market for traditional reflex camera (SLR cameras) will likely continue.

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

More photos have been created than ever before over the past few years (Allensbach Institute (IfD), 2016). Experts suggest that this pleasure in taking photographs also reflects the wide range of possibilities for their presentation. Traditional photo products such as photo books, calendars and greetings cards are buoying the market as much as canvas prints and photos behind acrylic glass. Whether it's to show off your wedding or your latest holiday – the volume of photo books has increased to 8.8 million units (source: German Association of Industrial Photography, 2016). This also reflects the trend of a higher level of quality: on average, 140 photos are captured in a photo book, and the average purchase price is also on the rise.

The photofinishing market is responding to this trend through products such as new formats and special types of paper. Photo calendars play an important role here. Wall decoration products such as canvas prints, combined materials and multiple-element products have also realised growth. The broad range of photo gift products such as customisable phone cases, cushions and Advent calendars and the possibility of enhancing these products with a personal photo have enabled a positive trend for this business unit, too.

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. The fact that ever more cameras are equipped with WiFi and Android technology is merely one example of this. 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

Online printing growth continues

The report on the position of the German printing industry produced by the German Federal Printing and Media Association (Bundesverband Druck und Medien – BVDM) for the first half of 2016 did not identify any uniform trend. Turnover of firms with 50 or more employees exceeded the level in the previous year by 0.2 %, but domestic turnover fell slightly, by 0.1 %. While the industry continued to cut back on personnel, productivity indicators were lower than in the previous year and prices of key intermediate goods rose, in the first half of the year sentiment in the printing industry was more positive than in the previous year. However, despite these optimistic trends the industry remains sceptical regarding its future business situation. This presumably chiefly reflects the continuing negative impetus from upstream industries: the publishing industry continues to report decreasing print runs, the retail industry for print products has been in decline for some years now, the moderate rate of growth for manufacturing industry is not providing any significant economic momentum and foreign competitors are increasingly competitive in several market segments (e. g. catalogues, books) (source: Printing Industry Report, BVDM, November 2016).

In December 2016, the development of the seasonally adjusted business climate index for the printing industry (assessment of its business situation and business forecast) reflected a negative trend. In December 2016, the index's level was 1.2 % below the previous month's value or 3.7 % below the previous year's level (source: BVDM economic telegram, December 2016).

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 2016. In particular, the availability of printing paper and printing plates was not jeopardised at any time. The price trend for purchased merchandise and services may be characterised as stable.

Online printing market: high barriers to market entry

Some smaller new market participants appeared in the past financial year 2016. They mainly originated in traditional printing firms or in advertising agencies. However, in no cases did new market participants with their own production facilities emerge as a relevant competitor as an "online printing firm". CEWE was able to expand its market share in the relevant online printing market through its CEWE-PRINT.de, Saxoprint and Viaprinto brands.

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

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

Retail market

CEWE RETAIL operates in Scandinavia and Central and Eastern Europe, with a clear focus on Norway and Poland. There are clear differences in terms of the market situations in some of these countries. These different situations are therefore outlined below.

Norway

Norway – which is one of the world's largest oil and gas exporters – is suffering due to the low price of oil. This country realises one fifth of its economic output through offshore oil production. The prospects for the Norwegian economy have therefore clouded over since late 2014. In 2016, general economic growth ground to a halt on the mainland (excl. offshore industry), having amounted to 1.3 % and 2.3 % in previous years (source: dnb.no). At 4.8 % (source: eurostat), unemployment reached its highest level in the past ten years, but is distributed highly unevenly across the country. The decline in prices of oil and certain other commodities have reduced the national income and weakened the Norwegian krone. This increased inflation to 3.5 % on average in the past year (source: inflation.eu) and reduced households' purchasing power. Real wages therefore fell by approx. 1 per cent, their strongest decline since 1981. The Norwegian kroner lost ground against the euro due to falling oil prices but has begun to recover again since late 2016. The adjustment of costs in the oil industry, improved competitiveness and also low interest rates and an expansionary fiscal policy are driving a turnaround.

At approx. 30 thousand euros, the level of real disposable income per capita significantly exceeds the European average. In the key month of December 2016, retail sales fell by 2.2 % on November, which was a stronger-than-expected decline (source: dnb.no).

Sweden

The Swedish economy is strongly export-oriented and is characterised by several large, globally focused companies. The Swedish economy's current upturn has resulted in a decline in unemployment. Private consumption and infrastructure and housing construction investments are key economic drivers and have evidently been supported by the country's expansionary monetary policy. However, this expansionary monetary policy and the very low interest-rate environment do entail risks. Household debt has already increased, and real estate prices have picked up strongly. Private consumption developed strongly in 2016. This trend is being encouraged by a slight rise in real disposable incomes, mainly due to the low price of oil as well as positive wealth effects on account of rising real estate prices. Gross wages rose by between 2.5 and 3 % in 2016. Unemployment was lower than in the previous year and amounted to 6.8 % (Dec 2016; source: eurostat), while GDP grew by 3.5 %. Inflation was running at 1.7 % in December 2016 (source: inflation.eu). Disposable income amounted to approx. 22 thousand euros.

Poland

The Polish economy suffered a loss of momentum over the course of 2016, since the EU development funds and controversial domestic policy curbed investments. The country's GDP grew by 2.8 % (source: GUS), the weakest rate of growth since 2013, despite the high volume of budgetary expenditure thanks to the government's stimulus measures and an improvement in the labour market. The overall situation for the zloty was weak. The zloty was adversely affected by political uncertainties in relation to budgetary discipline, the continuing conflict with the EU over divergent legal interpretations and also possible

rating downgrades. The unemployment rate was 6.0 % and was thus significantly lower than in the previous year (Dec. 2016; source: eurostat). Turnover in the Polish retail sector rose significantly, by 3.7 % in 2016. The rate of inflation amounted to 0.9 % in December 2016 (source: inflation.eu). Purchasing power per head of population is just short of 5.8 thousand euros and thus 55 % lower than the European average. The dominance of shopping centres is one peculiarity of the Polish retail market. There are currently more than 400 modern shopping centres in Poland, with 9.5 million square metres of retail space, which represents 71 % of the total retail space (source: JLL).

Czech Republic

The Czech Republic is one of Europe's most buoyant economies. This upturn has been driven by domestic consumption as well as the booming automotive industry. GDP grew by 2.4 % on the previous year (source: OECD). Inflation was running at 1.95 % in December 2016 (source: inflation.eu). An extremely tight labour market and the low rate of unemployment caused real wages to increase by 4 %. Together with positive consumer confidence, this buoyed private consumption. The Czech National Bank (ČNB) will stick with its exchange rate intervention policy, with the goal of keeping the exchange rate of the country's currency close to the level of 27 crowns to the euro.

By comparison with other European countries, the country has a top ranking in terms of its level of unemployment, which amounts to 3.7 % (Dec. 2016; source: eurostat). Retail turnover (excl. the automotive sector) increased by 5.6 % in 2016. Sales in the retail sector via mail-order companies or over the Internet registered the strongest rates of growth (+21.9 %) (source: czso.cz). Purchasing power per head of population amounts to approx. 7.3 thousand euros.

Slovakia

Slovakia's economy is largely dependent on mechanical engineering and automobile manufacturing and is thus highly prone to fluctuations. Domestic demand is a key source of momentum for this country's economy. In the spring of 2016, the jobless rate fell below the 10 % mark for the first time since 2009. Real incomes are rising strongly, and private households are thus consuming more. Moreover, several major investment projects in the automotive industry are prompting a positive economic cycle in Slovakia. In 2016, Slovakia's gross domestic product grew by more than 3 % and it was thus among the most dynamic Eurozone countries. The average gross monthly wage level is approx. 600 euros in the retail sector and overall approx. 880 euros. Unemployment fell to 9.0 % (Dec. 2016; source: eurostat). Inflation amounted to 0.18 % in December 2016 (source: inflation.eu). However, incomes are distributed highly unevenly in Slovakia. In the capital, Bratislava, they roughly match the EU average, but overall they are only approx. 60 % of this level.

Results

Photofinishing business unit

Developments in the Photofinishing business unit

CEWE PHOTOBOOK's success story continues: CEWE's bestseller has realised continuous growth, with sales of 6.2 million units in 2016 alone. In January 2016, its level of aided brand awareness amounted to 70 % (2015: 60 %) in Germany and thus increased significantly by comparison with the previous year (GfK).

CEWE CARDS, CEWE WALL ART and CEWE CALENDARS also performed very strongly in 2016. Strong Christmas business has delivered double-digit turnover growth. Within the scope of a consistent brand-building strategy, CEWE serves as the umbrella brand and is incorporated in the names of each of its brands. Consistent and long-term communication of brand elements such as the "CEWE wave", a colour scheme and typography ensure recognisability and trust among end-consumers.

Innovation and service

CEWE is the market leader, with many years of strong expertise in the field of photography. This photo service provider aims to offer a high-quality and comprehensive product range, with continuously new design elements (clip art, backgrounds, mounts, etc.). Innovations in general and product innovations in particular played a very considerable role in 2016. The already high quality of the CEWE PHOTOBOOK portfolio was further enhanced with the new product CEWE PHOTOBOOK on premium photographic paper. Without a doubt, the new product highlight in 2016 was the CEWE PHOTOBOOK gold, silver and special-effect print varnish finish which was presented

at photokina for the first time. The cover with raised (and therefore touchable) text, clip art, frames and designs provides a finish with a particularly high-quality look. In addition, various sizes, materials and models have been added to Advent calendars and phone cases, which are developing very positively.

For many years now, CEWE has pursued a long-term climate protection strategy which includes climate-neutral shipping. CEWE has now significantly expanded this strategy. With immediate effect, CEWE PHOTOBOOK and CEWE's other brand products will be produced climate-neutrally – demonstrably and without any additional costs for the company's customers. CEWE is thus assuming full responsibility for the climate and protecting our environment. CO₂ emissions are offset through protection of existing forests in Kenya through the Kasigau Wildlife Corridor project.

CEWE's quality commitment includes a strong service and customer focus. This encompasses a comprehensive customer service, a satisfaction guarantee for all CEWE brands and a range of ordering and collection options for its photo products. Speed and reliability of delivery are very important considerations for CEWE's customers. The express service for CEWE PHOTOBOOK has been expanded to include all of the company's product groups. This means that in case of time-critical orders customers can receive their products at least one day earlier than they would in case of a normal order.

CEWE's customer service is an important part of its brand promise. A team of experts is available every day between 8 a. m. and 10 p. m. (during the Christmas season, even up to midnight) to answer any questions on products or CEWE's ordering software and to help customers to create CEWE's photo products. The customer service department is directly present at the company's production plants and receives regular training. It is thus able to act competently and rapidly in response to customers' inquiries.

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

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

In 2016, these activities were once again honoured through top results in tests organised by prestigious specialist magazines. Overall, CEWE's products picked up more than 60 awards from German and international testers. For instance, CEWE PHOTOBOOK is Stiftung Warentest's current test winner.

An established name: CEWE PHOTOBOOK

CEWE PHOTOBOOK is Europe's most popular photo book. To satisfy customers' high expectations, this brand product undergoes continuous development, to ensure its long-term market leadership. With over 40 options available, CEWE PHOTOBOOK offers the broadest product range, can include up to 178 pages and can be assembled in many different ways. Various levels of paper quality and different covers and formats offer a suitable starting point for every project and for every taste. CEWE PHOTOBOOK is notable for its user-friendly ordering software, which is available for the operating systems Windows, Mac and Linux. More than 6,000 designs and items of clip art and a variety of mounts, backgrounds and layouts are available during the editing process and provide lasting enhancements of products' value.

In 2016, CEWE once again lived up to its role as an innovation leader in the photofinishing industry. The new CEWE PHOTOBOOK True Matte photographic paper offers top picture and product quality for particularly demanding requirements. The option of putting a finish on a CEWE PHOTOBOOK cover is unique. The covers for the Large, Large Panorama and XL Square formats provide a unique look and feel, with text and designs featuring gold, silver and raised special-effect print varnish finishes.

Positive trend: CEWE's other brands

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

CEWE WALL ART provides a perfect frame for special moments and lends rooms a personal atmosphere. This category is highly popular with our customers thanks to a choice of sizes, with pinpoint accuracy, and its excellent level of quality. This positive trend has also been reinforced through various innovations. Among other changes, the company has greatly expanded its range of canvas print and poster collages.

CEWE CARDS express joy and appreciation for special occasions. As well as product quality and a broad portfolio, high-quality designs are key to the success of this category. CEWE offers over 1,900 designs for a wide variety of occasions, such as Christmas, weddings, babies, birthdays, etc., to suit the needs of consumers. In 2016, hundreds of new designs based on the latest trends were introduced. In particular, the company expanded its range of designs featuring gold/silver finishes as well as special-effect print varnish. These lend our beautiful CEWE CARDS a visible and tangible 3D effect. Our "Square" card was introduced to round off our portfolio. This modern option is particularly suitable for invitations.

CEWE CALENDAR offers a suitable frame to record very special personal moments and to remember them every month or to offer them as a gift for your nearest and dearest. The company's very broad product portfolio, the high level of quality and its very high standard of delivery reliability – even during the peak season in the run-up to Christmas – resulted in a very strong performance in 2016. With its precious matt design, the True Matte wall calendar in the sizes A4 and A3 is a particularly high-quality Christmas present. The new wall calendar in an extremely large A2 size format offers enough space for the year's really important moments. The new A5 wall calendar is a compact companion for the entire year. It rounds off CEWE's wall calendar portfolio, with an attractive entry-level price of less than ten euros.

High-quality and stylish: new photo gifts and photos

With their individual photos, customers can create a unique character for their photo gifts. A comprehensive range caters to every possible wish (from magic mugs to puzzles, and from smartphone cases to Advent calendars and, above all, the large number of phone cases). High-quality and trendy products were once again added to CEWE's photo gift range in a targeted fashion in 2016.

A real leather sleeve bag was added to the existing materials (Hard Case, Silicon Case, Tough Case, Sideflip and Downflip Bag) in the individual phone cases product group. The range of more than 200 different models is being permanently updated and expanded. CEWE thus offers the largest and most up-to-date phone case portfolio on the market.

Advent calendars are all the rage. High-quality Advent calendars featuring photos and chocolate were once again added to the company's product portfolio in 2016, with XXL size Ferrero chocolates and children's chocolate. A calorie-free photo Advent calendar was also introduced in a large, A3 format, with a picture behind each door. These new products remained very popular with end-customers.

You can provide a creative setting for your favourite motifs with our contemporary art prints. These specially designed photos are delivered in high-quality decorative packaging and are particularly popular with our younger customers. Mini Prints, Square Prints and Fine Art Prints have been added to this trendy category. As well as a large number of innovative layouts, customers can now also creatively design the reverse side.

CEWE in the mobile world

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

The CEWE PHOTOWORLD app is at the heart of the company's mobile applications. Once installed on your smartphone or tablet, you can design and order photo products either on the move or at home on your sofa. In 2016, a comprehensive software update was released for this app. CEWE CARDS and CEWE WALL ART can now be produced and ordered using CEWE PHOTOWORLD. The CEWE PHOTOWORLD app was selected as the best photo book app in a comparative test in PC Tipp magazine (06/2016 issue).

Further CEWE applications include its CEWE POSTCARD and CEWE OPTIMIZE apps. The CEWE POSTCARD app is a small, self-standing app for sending postcards. Using the CEWE OPTIMIZE app, photos can be edited and optimised with just a few clicks. In addition, a self-standing CEWE PHOTOS app was introduced in 2016, a user-friendly option which enables users to rapidly order their photo prints.

CEWE's marketing activities in Germany and other countries

In 2016, the company used all available channels for marketing activities with the goal of consistent communication for its brand family clustered around its crowd-puller, CEWE PHOTOBOOK. These communication activities were adjusted and supplemented for the international market, in view of local factors in individual countries.

In 2016, the customer campaign through which customers invited cameras into their homes and spoke about the special occasions associated with CEWE PHOTOBOOKS and the experiences and the pleasure which they bring was supplemented with further occasions and target groups, and this campaign was stepped up at the international level. This campaign is now being run consistently in 14 countries, and its range is extended online through CEWE's brand websites as well as the sites of CEWE's business partners. Online marketing activities served as a targeted means of widening the impact of this TV campaign via the web and social media channels, and contents from this campaign were also included in the company's newsletter. Adverts in and partnerships with specific print media were used to provide additional support for the campaign.

In January, many customers choose to capture their nicest memories from the previous year in a CEWE PHOTOBOOK. To reinforce this trend and to acquire further new customers, in January 2016 CEWE was present on German TV for a third time. This was followed, for the first time, by a continuous TV presence up to Easter as well as various TV sponsorship activities which continued as far as the summer.

In 2016, CEWE was also once again present at many thematically related trade fairs. From trade fairs in the field of photography via travel, wedding and book fairs to consumer fairs, CEWE demonstrated its products' versatility and pursued a dialogue with consumers. photokina, the leading photography trade fair which takes place every two years, was a highlight in the trade fair calendar in 2016. At a 1,200m² stand with "the Pleasure of Photography" as its theme, CEWE once again presented itself to photography enthusiasts with a broad product range and a large number of innovations.

In many international markets, too, participation at trade fairs plays a key role, enabling the company to pursue a direct dialogue with end-customers and to present CEWE's various brands in suitably high-quality and highly relevant settings. Here too, the pegs used were the variety and the high level of customisability of CEWE products. At shows such as the "Salon de la Photo" in Paris, customers were offered many sources of inspiration relating to the use of CEWE's products – on the one hand, through selected examples and, on the other, through personal advice from CEWE employees as well as a large number of photography-related tips and tricks in localised CEWE magazines.

Core issues such as "travel" were also increasingly associated with the CEWE brand in foreign markets, thanks to CEWE's stand presence at travel fairs such as "Vakantiebeurs" held in Utrecht in January 2016, the "Salon de Tourisme" in March 2016 in Paris and the "Family Travel Show" which took place in London in October 2016. As a supportive measure, in 2016 an out-of-home campaign was run in central tourist spots in six major European cities for the first time.

In November and December 2016, as part of this campaign, customers talked about the joy of giving a CEWE PHOTOBOOK gift and presented their stories with strong emotional resonance. This "Christmas/giving" theme was featured and extended across all of CEWE's channels, with the aim of consistent 360-degree communication. In December, this theme was supported for the first time through a single-theme TV ad featuring striking messages on the subject of giving. Brand communication activities focused on CEWE PHOTOBOOK and CEWE CALENDAR in this period, across all of these channels. From early November to mid-December 2016, the CEWE brand was placed in selected TV slots. In Germany alone, millions of gross contacts were realised during this period in the target group. Moreover, as part of its Christmas campaign, for a period of five weeks CEWE appeared during the "best minute" slot ahead of ARD's "Tagesschau" and ZDF's "heute" news programmes. The company's Christmas TV advert focused on CEWE PHOTOBOOK and also, in supplementary tandem adverts, on CEWE CALENDAR. Additional coverage was achieved e. g. by placing CEWE's Christmas key visual on a split-screen during RTL's review of the past year "2016! Menschen, Bilder, Emotionen". A print campaign also supported the

company's Christmas campaign in many thematically related media. As in the summer campaign, a tailored mixture of PR measures in print and online media supported marketing activities during the Christmas period. The pegs used were customers' stories, CEWE's Christmas gift tips as well as the new products introduced in 2016.

In addition, in 2016 out-of-home placements offering a broad reach during the Christmas period were once again used at airports and on urban public transport in markets such as Germany, the Czech Republic and Hungary.

TV campaigns were used in Germany to achieve wide coverage, in both CEWE's own media and various online channels. They were also extended through various other measures, both online and offline. Moreover, CEWE is present in all of the usual search engines, through optimisation of its own websites (SEO) and also through advertising (SEA). Various social media activities offered customers a platform for dialogue with CEWE and for a discussion with one another, which regularly featured interesting photo-related content.

CEWE also offers its customers genuine added value in the newsletter and print-mailing segment. In 2016, its customers once again regularly received information and inspiration relating to photography and special themes. Rounded off with product information as well as tips & tricks provided in text, image and video format, a growing number of recipients were supplied with special interest-related content. Customers' stories were naturally also featured through this channel.

The issue of "content" once again played a key role in all of the company's markets in 2016. Newsletters, CEWE magazines and brochures, POS decorations and special TV reports were used to provide a wide range of tips on subjects relating to photography in general and to CEWE products in particular. For instance, at many of our plants customers and journalists were invited to participate in a live tour of the laboratories and to experience on site the production process for their personal gifts.

CEWE photography competitions as an additional communication channel

Each CEWE PHOTOBOOK is a contemporary document and reflects people's enthusiasm for the medium of photography. In all of its European markets, CEWE offers a platform for this enthusiasm through a large number of competitions in the field of photography and in relation to CEWE PHOTOBOOK. Even during the first round of the "Our world is beautiful" competition, with more than 94,000 submissions in total from almost 12,000 active participants from 19 countries it was one of Europe's largest photography competitions. These images were rated, commented on and shared via social media channels thousands of times – an impressive response. Accordingly, photokina 2016 saw the launch of the second round of the competition. Here too, the response is overwhelming – by the end of 2016, more than 40,000 images had already been submitted.

The CEWE PHOTOBOOK competitions also attracted a large number of entrants in various countries in 2016. In Germany and Austria alone, almost 1,600 customers participated in the most recent competition. All of these competitions are characterised by their variety of exciting stories and creative designs.

CEWE supports photography as a form of cultural expression

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

CEWE already established a partnership with Hamburg's Deichtorhallen/House of Photography at the end of 2013. Together with Europe's leading exhibition venue for photography, in 2016 CEWE once again realised various activities combining the worlds of art and everyday culture. These included an outdoor exhibition organised together with

this institution's cultural education programme. This exhibition was presented on the plaza of the Deichtorhallen. This photography exhibition consisted of 40 large-scale 100x150cm images and displayed the results of an "Invisible City"-themed workshop.

CEWE also supported committed photographers by enabling them to organise their own exhibitions. For instance, large-format images of the "Mud Flats" photographs taken by Martin Stock and Peter de Vries and Norbert Rosing's pictures "In the Kingdom of the Polar Bears" were presented to an interested public at the Kiel federal state parliament and Frankfurt's Leica Gallery respectively.

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

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

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

Photofinishing results

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

Seasonal migration remains intact

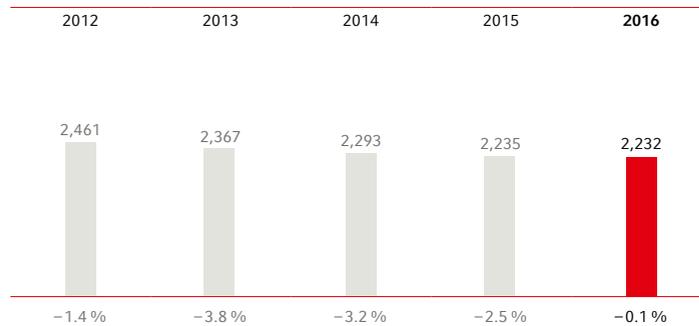
Digital products generate peak sales and particularly strong turnover and, above all, income in the fourth quarter. Many consumers appreciate CEWE PHOTOBOOKS, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART as well as further photo gifts as Christmas presents. The seasonal profile of CEWE's business has thus shifted very significantly towards the end of the year. As the graphic on page 76 shows, this shift remains intact.

Growing share of value-added products

Consumers are becoming more selective and demanding higher-quality photo products. Individual, "simple" photo prints produced in the laboratory are declining, both analogue photos (of course) and also digital photos. More popular high-quality value-added products are compensating for some of this decrease. CEWE's product mix is thus increasingly shifting towards these value-added products: the

share accounted for by the brand products CEWE PHOTOBOOK, CEWE CALENDARS, CEWE CARDS and CEWE WALL ART is continuously growing. The volume of photos which customers print out and purchase directly at CEWE PHOTOKIOSKS in the retail outlets of CEWE's business partners has likewise been on the rise for some years. These articles not only account for this seasonal migration as typical gifts, as outlined above. They also reinforce this shift in terms of turnover and earnings, since the proportion of "simple" individual laboratory photo prints declines in the first quarter of each year – and also in the second quarter and, above all, the third quarter – while the proportion of pictures integrated in value-added products increases very strongly in the fourth quarter. Since CEWE tends to realise a higher volume of turnover and stronger earnings per photo through value-added products, the seasonal migration is even more pronounced for turnover and, in particular, for income than in terms of volume, and this trend may remain intact in future: the move away from "mass" (a large number of lower quality, individual laboratory photos) to "class" (fewer high-quality photo products in absolute terms, but with a higher level of quality for each individual photo) continues.

Total volume of photos *millions of units*



Change on previous year

Photofinishing sales

- ▶ *Total volume of photos exceeds expectations, with 2.23 billion photos*
- ▶ *6.2 million CEWE PHOTOBOOKS (+2.6 % on the previous year), whose quality level continues to rise*
- ▶ *CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and photo gifts reinforce the trend of higher-quality products*
- ▶ *97.5 % of photos are digital*
- ▶ *More than 64 % of all photos are collected from retail stores*

Volume of photos slightly exceeds expectations

As a result of its move away from “mass” to “class”, for 2016 CEWE had expected a decline in its volume of photos to between 2.10 and 2.21 billion photos (between –6 % and –1 % on the previous year, 2015); as well as individual photo prints, this volume of photos also includes images forming part of other photo products, such as CEWE PHOTOBOOK, CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and other value-added products. With 2.23 billion photos produced (–0.1 % on the previous year, 2015), CEWE even exceeded this target, at the upper end of its predicted range.

The fourth quarter once again increased its share of the volume for the year as a whole. While the volume of photos declined in the first three quarters by –0.4 % (1.45 billion photos) in line with the seasonal migration, in the fourth quarter the volume actually increased slightly, by +0.5 % to 780 million photos (Q4 2015: 776 million photos). This marks the continuation of a long-term trend of a seasonal migration, with a rising volume share in the fourth quarter which now amounts to 34.9 % (2012: 31.6 %, 2013: 33.0 %, 2014: 33.3 %, 2015: 34.7 %).

CEWE PHOTOBOOK sales achieve further growth of 2.6 %

In the year under review, CEWE PHOTOBOOK’s sales growth remained positive: overall, more than 6.2 million CEWE PHOTOBOOKS were sold (+2.6 % on the previous year, 2015), which even slightly exceeded the planned target growth range of between +1 % and +2 %. CEWE PHOTOBOOK’s growth was even stronger in terms of the level of turnover. This development was supported through the continuing shift towards CEWE PHOTOBOOKS with a larger number of pages and in bigger formats, as well as further enhancements

Total number of CEWE PHOTOBOOKS thousands of units



Change on previous year

to books such as gloss and matt surface finishing, raised fonts in gold or silver print and the possibility of including videos in CEWE PHOTOBOOKS by means of a QR code.

Of the total annual volume of CEWE PHOTOBOOKS sold, in 2016 customers purchased more than 38 % in the fourth quarter: 2.375 million books (Q4 2015: 2.385 million books). The brand product CEWE PHOTOBOOK has once again made a very significant contribution to the company's success.

All of CEWE's brands continue to gain ground

Sales of the company's other value-added products also continue to enjoy dynamic growth. During the year 2016 as a whole, the product groups CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and photo gifts realised growth which in some cases reached clearly double-digit rates.

97.5 % of photos are digital

With the success of CEWE PHOTOBOOK and CEWE's other brands, digitalisation is thus increasingly approaching the 100 % mark. Following 96.8 % in 2015, in the year under review as many as 97.5 % of all photos were digital in origin. In 2016, the number of analogue photos from film declined slightly less strongly than expected, by -20.8 % to 56 million photos (target for 2016: between -29 % and -22 %). In the fourth quarter, the digital proportion of photos even amounted to 98.5 % (Q4 2015: 98.1 %).

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

The proportion of digital photos ordered via the Internet changed from 73.1 % in the previous year, 2015, to 71.8 % (1,562 million photos) in the year under review. The slight decline in the share of digital photos ordered over the Internet reflects the further strong growth in the volume of photos printed out directly at the retail outlets of CEWE's business partners, at CEWE PHOTOSTATIONS. Of the photos ordered over the Internet, 49.0 % are collected as finished products from the retail outlets supplied by CEWE. 51.0 % are delivered to customers' homes by post. Customers thus collected overall more than 64 % of all photos (both analogue and digital, ordered via the Internet and over-the-counter, including 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 else collected from stores.

Photofinishing turnover

- ▶ Stronger share of CEWE brand products reinforces Photofinishing turnover
- ▶ Turnover per photo continues to increase: +9.1 % to 20.25 euro cents per photo
- ▶ Photofinishing turnover of 452.0 million euros exceeds turnover target for 2016: +8.9 % on previous year
- ▶ Fourth-quarter turnover increases by 8.4 % to 190.0 million euros

Value-added products continue to strengthen Photofinishing turnover

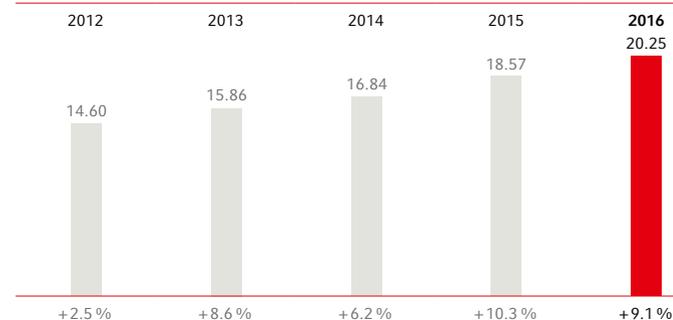
In 2016, CEWE brand products and value-added products once again accounted for an increased share of overall turnover. The trend of higher-quality photo products thus continues to strengthen the turnover trend. Turnover per photo once again rose in 2016: by 9.1 % from 18.57 euro cents per photo in 2015 to 20.25 euro cents per photo in the year under review. The fourth quarter of 2016 especially reinforced this positive trend: turnover per photo also climbed in the key Christmas quarter, by 7.9 % from 22.60 euro cents in the same quarter in the previous year to 24.38 euro cents.

Photofinishing turnover in Mio. Euro



Change on previous year

Photofinishing turnover per photo in euro cents



Change on previous year

Photofinishing turnover clearly exceeds expected range

Due to this positive turnover per photo trend on account of higher-quality products, at 452.0 million euros Photofinishing turnover in 2016 clearly exceeded the figure for the previous year (2015: 414.9 million euros, +8.9%). As a goal for 2016, CEWE had set a turnover target of between 407 million euros and 427 million euros. The realised Photofinishing turnover figure of 452.0 million euros thus exceeds this range.

In 2016, 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 8.4% from 175.3 million euros in the same quarter in the previous year to the current 190.0 million euros.

| Sales targets <i>billions of units</i> | Target | Actual | Deviation* |
|---|------------------|---------------|------------|
| Digital photos | 2.05–2.15 | 2.18 | +3.6 % |
| Photos from film | 0.050–0.055 | 0.056 | +6.7 % |
| Total volume of photos | 2.10–2.21 | 2.23 | +3.6 % |
| CEWE PHOTOBOOKS <i>millions of units</i> | 6.10–6.15 | 6.2 | +1.3 % |

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

| Q4 earnings <i>millions of units</i> | 2015 | 2016 | Change |
|---|-------|-------------|---------|
| Total volume of photos | 775.7 | 779.5 | +0.5 % |
| of which digital photos | 761.2 | 768.0 | +0.9 % |
| of which photos from film | 14.5 | 11.5 | -20.7 % |
| CEWE PHOTOBOOK | 2.4 | 2.4 | -0.4 % |

Photofinishing earnings

- ▶ *Photofinishing EBIT increased by 11.8 million euros in 2016: EBIT of 52.0 million euros (2015: 40.2 million euros, +29.5 %)*
- ▶ *At 9.4 million euros, operating EBIT before extraordinary expenses higher than adjusted figure for previous year: 52.8 million euros*
- ▶ *Photofinishing's operating margin once again increases in 2016 as a whole and now amounts to 11.7 % (2015: 10.5 %).*
- ▶ *Fourth quarter delivers 88 % of Photofinishing's EBIT for the year as a whole*

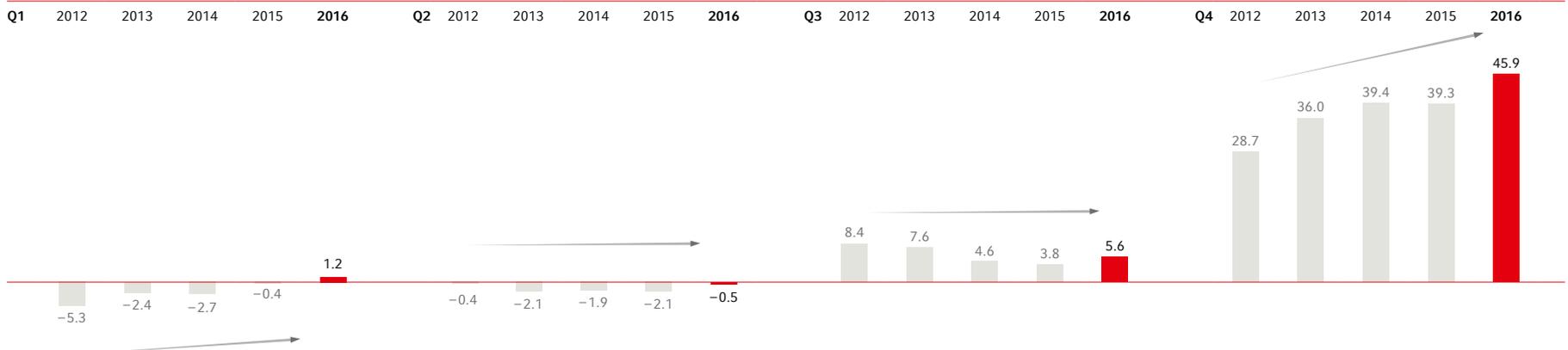
Back in the analogue era, CEWE realised the largest share of its annual profit in the holiday quarter (the third calendar quarter). At that time, the share of its annual profit delivered by the fourth quarter was almost zero. Due to the seasonal migration, the Christmas quarter (the fourth calendar quarter) now accounts for an even greater share of business: while the third quarter used to be the clear main quarter, with summer holiday photos, for many years now the seasonal peak has increasingly shifted to the fourth quarter, when CEWE PHOTOBOOK, CEWE CALENDARS, CEWE WALL ART, CEWE CARDS and photo gifts are in strong demand as Christmas gifts in particular.

Photofinishing's EBIT exceeds expectations: 52.0 million euros in 2016 as a whole

With an EBIT figure of 52.0 million euros, the Photofinishing business unit once again achieved earnings growth (+ 11.8 million euros), following a prior-year EBIT volume of 40.2 million euros. The Photofinishing business unit thus even exceeded its envisaged 2016 target range of between 37.0 million euros and 43.0 million euros, by 9.0 million euros.

Goodwill amortisation for two of the Group's Photofinishing companies with a total volume of -3.0 million euros, effects associated with the purchase price allocation for DeinDesign in the amount of -0.4 million euros and restructuring costs for a plant merger in the amount of -0.2 million euros have arisen as extraordinary expenses in the Photofinishing business unit in the current year under review. As extraordinary income, deliveries of initial stocks of photofinishing products and equipment to new and existing business partners have generated non-recurrent earnings contributions in the amount of +2.0 million euros. The sales of the US Internet presence "Smilebooks" (+0.4 million euros) and the plant which was closed in Grudziądz (Poland) in 2015 (+0.3 million euros) have also provided contributions.

Development of EBIT – seasonal breakdown before restructuring millions of euros



In 2015, restructuring costs arose as extraordinary expenses for the closure of a small customer service office at the Group's former photographic laboratory location in Dresden, (–0.4 million euros), as well as goodwill amortisation on two of the Group's Photofinishing companies (–2.6 million euros).

Adjusted for these one-off factors, at 52.8 million euros the operating EBIT figure for the Photofinishing business unit in 2016 was approx. 9.4 million euros better than in the previous year (2015: 43.4 million euros).

Further growth in Photofinishing's operating EBIT margin

In 2016, the trend of a changing product mix for Photofinishing which has been intact for some years now – the replacement of individual photos 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): 11.7 %, compared to 10.5 % in the previous year.

Photofinishing EBIT millions of euros



Change on previous year

Fourth-quarter EBIT once again increased

In accordance with the increasing core volume of demand in the fourth quarter and influenced by the continuing change in the product mix, as outlined above, from "simple" photo prints to value-added products, income from the company's main business unit, Photofinishing, once again rose in the Christmas quarter. EBIT increased by 6.6 million euros in the fourth quarter and amounted to 45.9 million euros (Q4 2015: 39.3 million euros). This seasonal migration is most strongly apparent at the level of earnings, driven by increasing sales of higher-margin value-added products during the Christmas season.

Purchase price allocation for DeinDesign finalised in 2016

Within the scope of the investment acquired in DeinDesign in the third quarter of 2015, the purchase price allocation required for this acquisition according to the IFRS was finalised in the third quarter of 2016. This has resulted in a corresponding restatement of this business unit's earnings in the previous year. The EBIT effect of the purchase price allocation resulting from the scheduled amortisation of intangible assets amounted to –0.4 million euros in the current year under review (Q4 2016: –0.1 million euros), while in the previous year, 2015, this figure was –0.2 million euros (Q4 2015: –0.1 million euros). The Photofinishing EBIT figure reported in the previous year therefore changed by precisely this amount and totalled 40.2 million euros (Q4 2015: 39.3 million euros).

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BEST IN PRINT

Commercial Online Printing business unit

Developments in the Commercial Online Printing business unit

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

Through its brands CEWE-PRINT, Saxoprint and Viaprinto, in Commercial Online Printing CEWE is now active in ten countries: as well as online shops in Germany, the United Kingdom, France, Spain, Italy, Switzerland and Austria, CEWE currently also markets business stationery in the Netherlands, Belgium and Poland. It also has plans to expand into further European countries. The aim is to exploit CEWE's existing structures in these countries, so as to enter markets rapidly and successfully. CEWE decides on which of its Online Printing brands to market in each country in line with specific market conditions.

CEWE-PRINT exploits the strong brand profile of the CEWE PHOTOBOOK brand

In its "Commercial Online Printing" business unit, through its CEWE-PRINT.de brand CEWE has been able to link its acquired brand "Saxoprint" and its organic growth brand "Viaprinto" with the strong brand profile of its highly respected CEWE PHOTOBOOK in order to exploit synergies: its existing Photofinishing brand CEWE PHOTOBOOK will positively influence Commercial Online Printing for the first time. Secondly, future advertising expenses are to be focused efficiently. For these reasons, in the Commercial Online Printing business unit the CEWE-PRINT brand will use the "CEWE" umbrella brand while also highlighting its print competence:

in those markets where the company has developed a strong level of awareness of CEWE PHOTOBOOK, CEWE-PRINT and the website www.CEWE-PRINT.de have benefited from its brand profile and themselves have a positive impact on this brand.

Target group-oriented B2B marketing

The advertising tied in with Germany's football Bundesliga was further supplemented in 2016 with target group-focused marketing in trade magazines and with partnerships focusing on the SME sector. In 2016, CEWE once again exploited the broad reach of this strategy in order to sharpen CEWE-PRINT's brand profile. Its marketing agenda also includes targeting new customers through online advertising and maintaining relationships with existing customers by means of newsletters and mailings.

Commercial Online Printing widens product range

New products featured in CEWE's Online Printing portals in 2016 included stickers, high-quality wall calendars, envelopes, ring binders, Post-it notes, presentation folders and stamps as well as brochures, in the form of a high-quality hardcover or softcover book. In the advertising products segment, roll-ups, trade fair walls, beach flags and banners and also advertising signs on hollow-cell and aluminium composite boards were added. Moreover, further paper and format options as well as gold and silver finishing have been added to the company's standard product range.



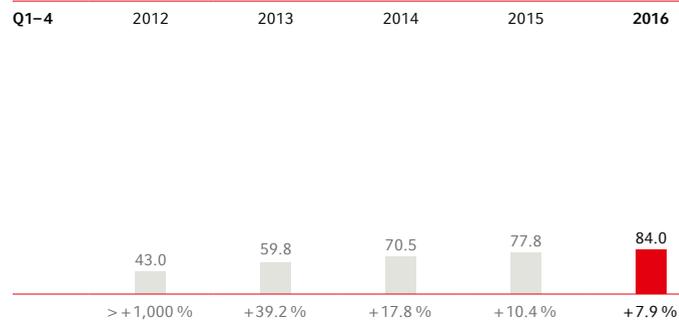
Results in the Commercial Online Printing business unit

- ▶ **Turnover increases to 84.0 million euros in 2016** (2015: 77.8 million euros, +7.9 %)
- ▶ **Earnings target achieved: Commercial Online Printing clearly positive with EBIT figure of 1.6 million euros**
- ▶ **EBIT figure before one-off factors even amounts to 3.3 million euros: operating EBIT margin of 3.9 %**

Turnover growth roughly matches the planned level in 2016

In 2016 as a whole, turnover in the Commercial Online Printing business unit rose by 7.9 % and totalled 84.0 million euros, compared to 77.8 million euros in the previous year. CEWE thus realised the (deliberately loosely worded) turnover target which it had set itself in this business unit of “approx. 86 million euros” for 2016. Intensive marketing activities once again supported this top-line growth in the past financial year. The sales trend in Germany and the key European countries was actually entirely consistent with CEWE’s planning. Only the trend in the United Kingdom fell short of CEWE’s expectations for 2016. This was due to the devaluation of the British pound following the Brexit decision as well as the tendency of some British customers to increasingly purchase products from British companies.

Commercial Online Printing turnover millions of euros



Change on previous year

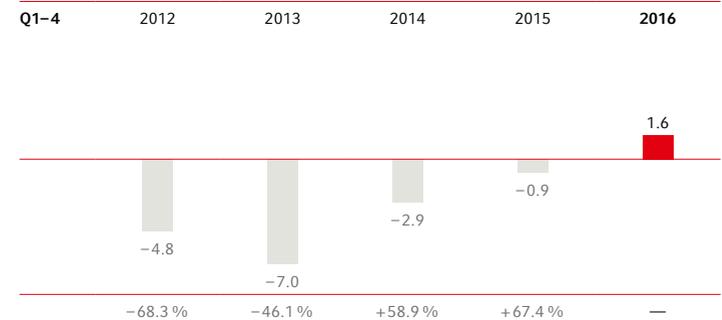
Fourth quarter increases share of turnover to 23.1 million euros

With growth of 1.6 %, the fourth quarter of 2016 increased its turnover contribution to 23.1 million euros (Q4 2015: 22.8 million). In Commercial Online Printing, too, the strongest month in terms of turnover falls in the fourth quarter: in November, many business customers are preparing for their Christmas business and increase their orders of printed advertising media. Turnover growth in the fourth quarter was weaker than growth over the year as a whole, since the development of the British market failed to match CEWE’s expectations.

2016 EBIT for Commercial Online Printing clearly positive at 1.6 million euros

To date, the growth investments required for brand-building have strongly influenced this business unit’s profit and loss account. Over the past few years, CEWE has exploited the profitability of its established Photofinishing core business unit in order to rapidly develop the high-potential growth business unit of Commercial Online Printing through intensive marketing. CEWE has thus generated a growing clientele in Commercial Online Printing which the company will continue to benefit from in future.

Commercial Online Printing EBIT millions of euros



Change on previous year

With an EBIT figure of 1.6 million euros, the Commercial Online Printing business unit clearly confirmed the “positive” EBIT goal for the year – even including the expenses resulting from the purchase price allocation for Saxoprint’s acquisition.

Earnings currently also include non-operating expenses resulting from the purchase price allocation for the Saxoprint Group. In particular, they comprise amortisation on identified intangible assets. For the financial year 2016 overall, this resulted in expenses of approx. –1.7 million euros (2015: –2.1 million euros).

Adjusted for this non-operating effect associated with the purchase price allocation for Saxoprint’s acquisition, Commercial Online Printing’s EBIT for 2016 even amounted to 3.3 million euros (2015: 1.2 million euros). This corresponds to an operating EBIT margin of 3.9%.

Fourth quarter delivers earnings of 1.1 million euros

As outlined above, the seasonal peak for Commercial Online Printing – with highly efficient utilisation levels for production facilities – likewise falls in the fourth quarter. With an EBIT figure of 1.1 million euros (2015: 1.6 million euros), the Commercial Online Printing business unit realised approx. 69% of its profit for the year in the fourth quarter. Due to the weaker-than-expected turnover growth in the United Kingdom, as outlined above, the earnings contributions provided by the Group’s UK business also fell short of expectations in the fourth quarter.

Retail business unit

Developments in the Retail business unit

CEWE RETAIL has both retail outlets and online shops

CEWE operates multichannel retailing in Poland, the Czech Republic, Slovakia, Norway and Sweden in the form of retail outlets and online shops. CEWE RETAIL offers its customers an attractive selection of cameras, lenses, accessories and services as well as CEWE’s entire Photofinishing range, not only in attractive locations in city centres and shopping centres but also over the Internet. The related turnover and earnings contribution provided by CEWE’s photofinishing product range is reported in the Photofinishing business unit.

CEWE RETAIL: strong performance for core business, repositioning successfully continued

In 2016, CEWE RETAIL once again maintained or even expanded its strong market position in Norway, the Czech Republic and Slovakia, since it was able to exploit the advantages resulting from a combination of attractive retail stores and its Internet business which has been established for many years now. In the year under review, the company continued to make extensive adjustments to its business model in Poland through repositioning: its branch structure was further optimised and it enhanced the attractiveness of its retail outlets in order to appeal to new customer groups.

Retail results

- ▶ *Repositioning of Retail pays off: EBIT now positive again, at 0.6 million euros*
- ▶ *Stronger focus on margins and decline in market for SLR cameras reduce turnover volume: 54.9 million euros (2015: 60.8 million euros)*

CEWE RETAIL realises turnover of 54.9 million euros in 2016

CEWE RETAIL's large and attractive product range and its strong customer focus remained a key competitive factor in 2016. Moreover, in the past year CEWE repositioned its Retail business in Poland especially, more strongly focused on sales of Photofinishing products (which are reported in the Photofinishing business unit) and introduced an optimised price strategy in order to improve margins for photo hardware.

Further decline in reflex camera business. In its strongest market, Norway, the Retail business unit was unable to compensate for these declines in turnover through other product categories. In the year under review, the company continued to consistently pursue its programme of closures of inefficient branches in Poland. Here too, online

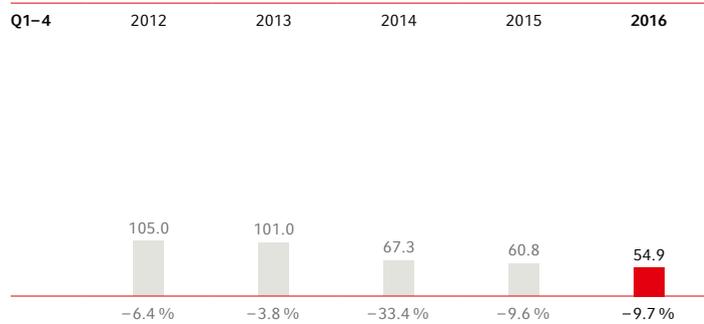
turnover was unable to fully compensate for the decline in turnover resulting from these closures. As well as the market-driven decline in turnover, the company's deliberate abandonment of this low-margin branch turnover was the main factor which further reduced the total annual turnover of the Retail business unit.

Including negative currency effects in the amount of 1.7 million euros, CEWE RETAIL thus realised overall turnover of 54.9 million euros (2015: 60.8 million euros, -9.7%). Adjusted for these currency effects, turnover decreased by 6.9% on the previous year's figure.

EBIT in the Retail business unit once again positive: 0.6 million euros

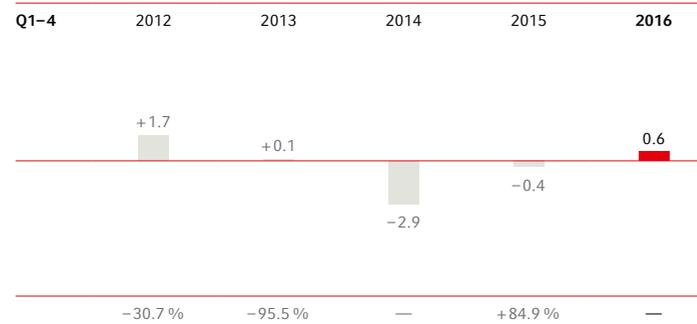
CEWE's successful repositioning – in Poland particularly – had a positive impact on earnings in 2016: cost savings were realised through the branch closures as well as the adjustment of the company's business model, and the focus on a higher-margin pricing policy was a factor in the decline in turnover as well as providing a positive contribution to the earnings situation. With an EBIT result of 0.6 million euros, following two years of negative consolidated income contributions the company has been able to move beyond the loss-making situation in its Retail business unit and once again report a positive EBIT figure (2015: -0.4 million euros).

Retail turnover millions of euros



Change on previous year

Retail EBIT millions of euros



Change on previous year

Other Activities business unit

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

Since its reporting for the financial year 2015, CEWE has reported its structural and company costs as well as the result of its real estate holdings and equity investments in its Other Activities business unit. These positions had previously been allocated to the Photofinishing business unit, even though they were not exclusively related to Photofinishing in terms of costs and were not directly allocable to Photofinishing in terms of business or products.

Structural and company costs mainly comprise the costs associated with the company's Supervisory Board and 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 2016, CEWE realised turnover in the amount of 2.2 million euros (2015: 0.6 million euros) in its Other Activities business unit. This turnover is entirely attributable to futalis, in which CEWE acquired a majority interest in the third quarter of 2015. In the year under review, the operating 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 amounted to –2.8 million euros (2015: –2.2 million euros). In addition, within the scope of the annual impairment test goodwill amortisation was recognised on the Group company futalis in the amount of –3.9 million euros, as well as expenses with a volume of –0.5 million euros for the purchase price allocation for futalis (2015: –0.2 million euros). Overall, the EBIT figure reported for the Other Activities business unit thus amounts to –7.2 million euros (2015: –2.4 million euros). In the previous year, futalis was only included in the scope of consolidation in August and therefore only contributed to the business unit's turnover and earnings for a period of five months.

Purchase price allocation for futalis finalised

Within the scope of the investment acquired in futalis in the third quarter of 2015, the purchase price allocation required for this acquisition according to the IFRS was finalised in the third quarter of 2016. This has resulted in a corresponding restatement of this business unit's earnings in the previous year. The EBIT effect of the purchase price allocation resulting from the scheduled amortisation of intangible assets amounted to –0.5 million euros in the current year under review (Q4 2016: –0.1 million euros), while in the previous year, 2015, this figure was –0.2 million euros (Q4 2015: –0.1 million euros). The previous year's EBIT figure for the Other Activities business unit changed by precisely this amount and totalled –2.4 million euros (Q4 2015: –1.1 million euros).

| EBIT by business units <i>in millions of euros</i> | Q1–4 2012 | Q1–4 2013 | Q1–4 2014 | Q1–4 2015 | Q1–4 2016 |
|--|-------------|-------------|-------------|-------------|-------------|
| Photofinishing | 31.4 | 35.8 | 39.4 | 40.2 | 52.0 |
| Retail | 1.7 | 0.1 | –2.9 | –0.4 | 0.6 |
| Commercial Online Printing | –4.8 | –7.0 | –2.9 | –0.9 | 1.6 |
| Other Activities | 0.0 | 0.0 | –1.0 | –2.4 | –7.2 |
| Group | 28.3 | 28.9 | 32.6 | 36.4 | 47.0 |

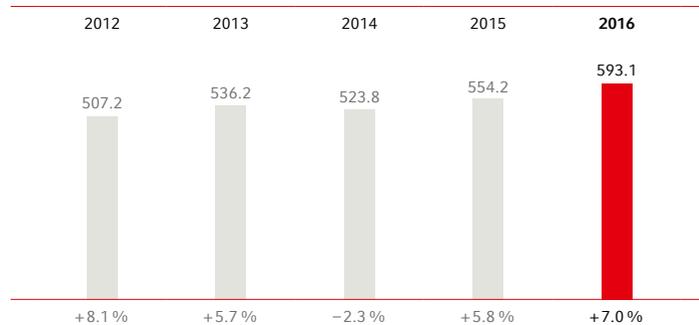
Consolidated profit and loss account

- ▶ *Group turnover increases to 593.1 million euros (2015: 554.2 million euros)*
- ▶ *All of the company's goals for 2016 achieved or surpassed: Group EBIT of 47.0 million euros*
- ▶ *Good fourth quarter with operating result of 49.6 million euros*
- ▶ *EBIT margin improves within the Group from 6.6 % (2015) to 7.9 % (2016)*
- ▶ *Normalised Group tax rate of 32.4 %*
- ▶ *Earnings per share at 4.25 euros (2015: 3.15 euros/share)*

Group turnover reaches 593.1 million euros in 2016

In 2016, rising turnover in the Photofinishing and Commercial Online Printing business units delivered turnover growth for the Group as a whole **1** of 7.0 % by comparison with the previous year: Group turnover increased from 554.2 million euros in 2015 to 593.1 million euros in the year under review.

Turnover millions of euros



Change on previous year

| Overall year 2016 millions of euros | Target | Actual | Deviation* |
|-------------------------------------|-----------|--------|------------|
| EBIT | 40–46 | 47.0 | +9.3 % |
| EBT | 39–45 | 46.2 | +10.0 % |
| Earnings after tax | 29–33 | 30.4 | -2.1 % |
| Earnings per share euro/share | 4.00–4.57 | 4.25 | -0.8 % |

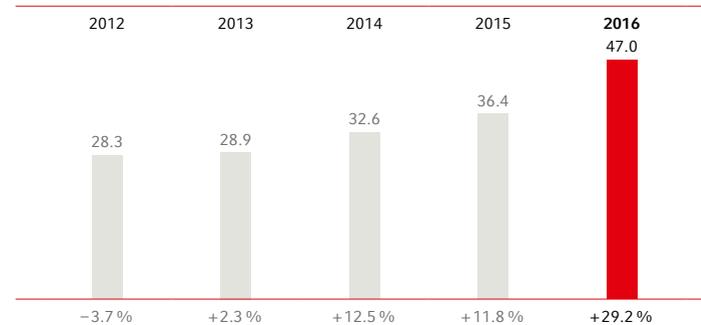
* Calculated on the basis of the mean value for the planned target range

The first three quarters of 2016 had already delivered strong results, with turnover growth in the Photofinishing and Commercial Online Printing business units, and at 228.5 million euros Group turnover for the fourth quarter of 2016 clearly exceeded the figure for the previous year, with a growth rate of 5.9 % (Q4 2015: 215.8 million euros).

EBIT target range for 2016 slightly exceeded

With a turnover volume of 593.1 million euros, CEWE has not only exceeded, by 18 million euros, its own target of between 555 and 575 million euros. With its Group EBIT figure of 47.0 million euros, CEWE is at the upper end of its target range of between 40 and 46 million euros (an increase of 1.0 million euros).

Operating result (EBIT) millions of euros



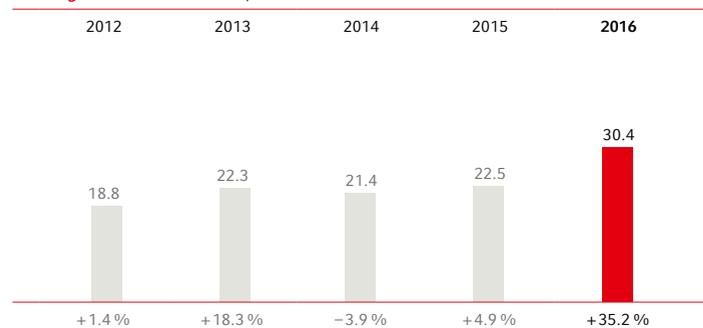
Change on previous year

Before the one-off factors already outlined in the sections for the business units (2016: goodwill amortisation –6.9 million euros, effects associated with purchase price allocations –2.6 million euros, restructuring –0.2 million euros, non-recurrent business through deliveries of initial stocks for business partners +2.1 million euros, the proceeds of the sale of the US Internet presence Smilebooks +0.4 million euros, the proceeds of the sale of the company's Grudziądz site +0.3 million euros), the consolidated operating EBIT figure amounted to 53.9 million euros (2015: 42.5 million euros incl. goodwill amortisation –2.6 million euros, effects associated with purchase price allocations –2.5 million euros, restructuring –1.0 million euros). With or without one-off factors, the EBIT figure is around 10 million euros higher than in the previous year.

Further increase in the earnings contribution provided by the fourth quarter

The fourth quarter is highly significant for the company's annual EBIT figure due to the clear seasonal peak in the Photofinishing business unit. In the quarter under review, the consolidated operating EBIT figure before one-off factors increased by 5.5 million euros and amounted to 49.6 million euros (Q4 2015: 44.2 million euros)

Earnings after taxes millions of euros



Change on previous year

The reported EBIT figure incl. the goodwill amortisation recognised in the fourth quarter (DeinDesign –2.1 million euros, futalis –3.9 million euros) and the effects associated with the purchase price allocations (DeinDesign –0.1 million euros, Saxoprint –0.4 million euros, futalis –0.1 million euros) amounted to 42.9 million euros. The reported EBIT figure for the previous year, 2015, in the amount of 40.8 million euros also included one-off factors in the form of goodwill amortisation (–1.2 million euros for CEWE's French company and –1.4 million euros for DeinDesign) and the effects associated with purchase price allocations (DeinDesign –0.1 million euros, Saxoprint –0.5 million euros, futalis –0.1 million euros). With or without one-off factors, the EBIT figure is around 6 million euros higher than in the previous year.

Group EBIT margin improved from 6.6 % to 7.9 %

The improvement in earnings in all three of the company's business units – i. e. Photofinishing, Retail and Commercial Online Printing – also resulted in an overall improvement in the Group's EBIT margin: 7.9 %, compared to 6.6 % in the previous year, 2015.

Earnings per share in euros



Change on previous year

Uneven development of business units shapes P&L structure

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

Changes in individual P&L items largely reflect business growth in 2016

Other operating income **2** is almost 1.2 million euros higher than in the previous year. CEWE realised irregular income unrelated to the period here, due to the disposal of fixed assets, e. g. through the sale of old printing machines no longer required or through the sale of its old production site in Grudziądz, Poland. The cost of materials **3** did not increase at the same rate as the turnover volume. The cost of materials ratio has declined by 0.9 percentage points to

28.4 %. The declining volume of Retail turnover with a high cost of sales ratio has more than made up for the business-driven growth in the Photofinishing and Commercial Online Printing business units and has reduced the cost of sales ratio for the Group as a whole. Moreover, in the Photofinishing business unit the cost of materials ratio has generally declined due to increased demand for printed photo products and the decrease in the volume of photos produced using the silver halide process. The absolute increase in personnel expenses **4** has resulted from new hirings in the Photofinishing business unit as well as the company's acquisitions of start-ups in 2015. Considered in relation to the simultaneous increase in Group turnover, in the past financial year the personnel expense ratio remained stable at 25.9 % (2015: 25.9 %). Other operating expenses **5** have decreased to 34.0 % of turnover (2015: 35.0 %). In absolute terms, this item increased by approx. 7.9 million euros in the year under review. In particular, this was due to an increase in marketing expenses and also – on turnover-driven grounds – increased fee and commission expense for business partners, which is also reported in this item. The increase in depreciation and amortisation **6** has mainly resulted from the goodwill amortisation recognised in the year under review as well as the amortisation on the purchase price allocations for DeinDesign, futalis and Saxoprint (as outlined in the sections for the Photofinishing, Commercial Online Printing and Other Activities business units). Operating depreciation and amortisation resulting from normal business activities have declined. At –0.8 million euros, the expenses associated with the financial result **7** remain at a low level (2015: –0.5 million euros) and include interest in the amount of 0.8 million euros from the tax refund for the 2008 assessment period, as outlined below.

| Consolidated profit and loss account <i>millions of euros</i> | Q1-4 2015 | % of turnover | Q1-4 2016 | % of turnover | Change as % | Change millions of euros |
|---|--------------|------------------|----------------------|--------------------------|----------------|-----------------------------|
| Revenues | 554.2 | 100 % | 593.1 | 100 % | +7.0 % | +38.9 ¹ |
| Change in inventories | 0.4 | 0.1 % | -0.5 | -0.1 % | — | -0.9 |
| Other own work capitalised | 0.9 | 0.2 % | 0.8 | 0.1 % | -8.7 % | -0.1 |
| Other operating income | 19.6 | 3.5 % | 20.8 | 3.5 % | +6.1 % | +1.2 ² |
| Cost of materials | -162.2 | -29.3 % | -168.6 | -28.4 % | -3.9 % | -6.4 ³ |
| Gross profit | 412.8 | 74.5 % | 445.6 | 75.1 % | +7.9 % | +32.7 |
| Personnel expenses | -143.7 | -25.9 % | -153.4 | -25.9 % | -6.7 % | -9.6 ⁴ |
| Other operating expenses | -194.0 | -35.0 % | -201.9 | -34.0 % | -4.1 % | -7.9 ⁵ |
| EBITDA | 75.1 | 13.6 % | 90.3 | 15.2 % | +20.2 % | +15.2 |
| Depreciation | -38.7 | -7.0 % | -43.3 | -7.3 % | -11.8 % | -4.6 ⁶ |
| EBIT | 36.4 | 6.6 % | 47.0 | 7.9 % | +29.2 % | +10.6 |
| Financial income | 0.4 | 0.1 % | 0.9 | 0.1 % | +115 % | +0.5 ⁷ |
| Financial expenses | -0.9 | -0.2 % | -1.7 | -0.3 % | -95.5 % | -0.8 ⁷ |
| EBT | 35.9 | 6.5 % | 46.2 | 7.8 % | +28.5 % | +10.3 |
| Income taxes | -13.5 | -2.4 % | -15.8 | -2.7 % | -17.5 % | -2.4 ⁸ |
| Earnings after taxes (attributable to the shareholders of CEWE KGaA) | 22.5 | 4.1 % | 30.4 | 5.1 % | +35.2 % | +7.9 |

Normalised Group tax rate of 32.4 %

When considering the Group's tax position ⁸, for the past financial year 2016 it should be noted that the goodwill amortisation recognised is not included in the calculation of the relevant taxable earnings, since this amortisation does not have any effect on taxes. Moreover, the still negative earnings of the start-ups DeinDesign and futalis have resulted in an increased tax rate, since use of the related loss carry-forwards will only have a positive impact on the tax rate in subsequent years.

On the other hand, the tax rate has been improved through an effect unrelated to the period: The legal dispute concerning recognition for tax purposes of a debt waiver in relation to the company's French subsidiary ended in CEWE's favour, with recognition of this debt waiver. This resulted in a one-off tax refund for the 2008 assessment period in the year under review. This is due to the fact that the tax burden was reduced in 2008 through a debt waiver which the German CEWE company had issued to the French CEWE company. Once the notice of assessment for the financial year 2008 was received, in July 2010 a tax liability was recognised in the same amount, since the tax authorities initially refused to approve this approach. CEWE lodged an appeal against this tax assessment and has now secured a tax refund incl. interest in the amount of 2.8 million euros. This was realised in the third quarter of 2016 and has improved CEWE's tax result and financial result accordingly.

Adjusted for these special balance-sheet items, a normalised tax rate of 32.4 % (2015: 33.0 %) applies.

The Group's tax rate for the reported EBT incl. all extraordinary items amounts to 34.3 % for the financial year 2016.

Earnings after tax of 30.4 million euros result in earnings per share of 4.25 euros

CEWE realised earnings after tax of 30.4 million euros (2015: 22.5 million euros) in the financial year 2016, i. e. within its target range of 29.0 to 33.0 million euros. Undiluted earnings per share accordingly amounted to 4.25 euros (2015: 3.15 euros), within the target range of between 4.00 and 4.57 euros.

| Q4 earnings <i>millions of euros</i> | 2015 | 2016 | Change |
|---|------|-------------|--------|
| Earnings from operating activities (EBIT) | 40.8 | 42.9 | +5.3 % |
| Earnings before taxes (EBT) | 40.8 | 41.7 | +2.2 % |
| Earnings after taxes | 26.0 | 25.5 | -1.7 % |

Balance sheet and financing

- ▶ *Solid balance sheet: equity ratio increases to a stable 53.8 %*
- ▶ *Operating net working capital reduced by 25.4 %*
- ▶ *Solid financing structure, net cash position of 48.3 million euros*

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, 2016. They are preceded by a section detailing general trends for the consolidated balance sheet by comparison with December 31, 2015.

Positive business factors result in increase in total assets

While the balance sheet as of December 31, 2015 was strongly affected by consolidation of these acquisitions, as of December 31, 2016 it has been influenced by the positive business factors. Non-current assets have risen by 4.5 million euros to 188.6 million euros due to investments, while current assets have increased on grounds of liquidity by 19.2 million euros to 192.4 million euros.

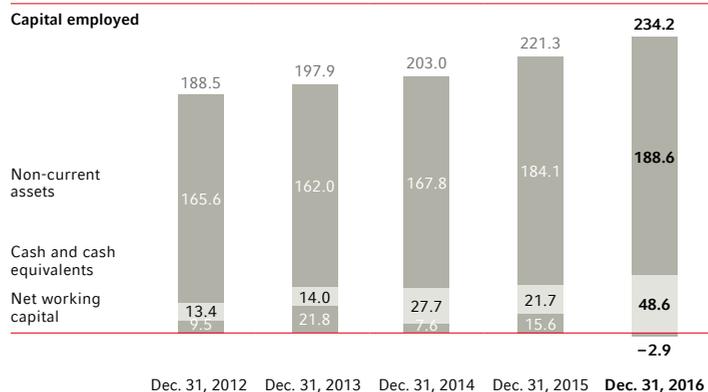
Solid balance sheet: equity ratio increases to 53.8 %

Equity has increased by a total of 17.9 million euros by comparison with December 31, 2015 and amounts to 204.9 million euros. In particular, this reflects positive comprehensive income in the past financial year, in the amount of 29.5 million euros. The company's equity ratio has risen by 1.5 percentage points to 53.8 %.

In the same period, the Group's debt increased by 5.7 million euros to 176.1 million euros. This is attributable to a 6.1 million euros increase in current liabilities and a further decrease in the volume of non-current liabilities in the amount of 0.3 million euros.

Balance sheet figures millions of euros



Management balance-sheet figures millions of euros**Capital employed increases by 12.9 million euros on business-related grounds**

On December 31, 2016, the capital employed totalled 234.2 million euros and was thus 12.9 million euros higher than in the previous year. As outlined below, the non-current assets included in this figure increased by 4.5 million euros to 188.6 million euros. This was mainly due to investments. ¹ Net working capital which has declined overall by 18.5 million euros – mainly due to a 12.8 million euros decrease in the volume of operating net working capital – has reduced the capital employed figure by –2.9 million euros in the year under review. ² Cash and cash equivalents have increased by 26.9 million euros to 48.6 million euros, partly due to these working capital-related effects. ³

| Capital employed millions of euros | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|--|---------------|--------------|----------------------|----------------|----------------|-----------------------------|
| Non-current assets | 184.1 | 83.2 % | 188.6 | 80.5 % | +2.5 % | +4.5 ¹ |
| + Net working capital | 15.6 | 7.0 % | -2.9 | -1.2 % | — | -18.5 ² |
| + Cash and cash equivalents | 21.7 | 9.8 % | 48.6 | 20.7 % | +124 % | +26.9 ³ |
| Capital employed | 221.3 | 100 % | 234.2 | 100 % | +5.8 % | +12.9 |

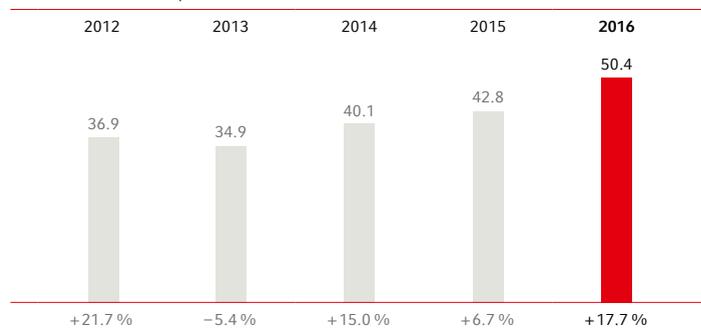
| Non-current assets <i>millions of euros</i> | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|---|---------------|---------------|----------------------|----------------|----------------|-----------------------------|
| Property, plant and equipment | 108.6 | 49.0 % | 124.5 | 53.2 % | +14.7 % | +16.0 ⁵ |
| Investment properties | 5.1 | 2.3 % | 4.9 | 2.1 % | -4.2 % | -0.2 |
| Goodwill | 32.7 | 14.8 % | 25.8 | 11.0 % | -20.9 % | -6.8 ⁶ |
| Intangible assets | 23.6 | 10.6 % | 19.2 | 8.2 % | -18.4 % | -4.3 ⁷ |
| Financial assets | 4.3 | 1.9 % | 6.2 | 2.6 % | +45.0 % | +1.9 |
| Non-current receivables from income tax refunds | 0.5 | 0.2 % | 0.0 | 0.0 % | — | -0.5 |
| Non-current financial assets | 1.6 | 0.7 % | 0.5 | 0.2 % | -71.0 % | -1.2 |
| Non-current other receivables and assets | 0.4 | 0.2 % | 0.6 | 0.3 % | +55.4 % | +0.2 |
| Deferred tax assets | 7.3 | 3.3 % | 6.8 | 2.9 % | -7.1 % | -0.5 |
| Non-current assets | 184.1 | 83.2 % | 188.6 | 80.5 % | +2.5 % | +4.5 ⁴ |

Increase in non-current investments, due to acquisitions

In the past financial year, non-current assets ⁴ increased by 4.5 million euros, particularly due to investments in property, plant and equipment. The company has invested 11.9 million euros in point-of-sale presences, 11.5 million euros in digital printing and finishing, 8.1 million euros in offset printing and finishing, 4.1 million euros in IT infrastructure and 9.0 million euros in various items of property,

plant and equipment ⁵ which, after depreciation, disposals and price adjustments, have increased by 16.0 million euros. Investments in intangible assets ⁷ amounted to 5.1 million euros and thus fell short of the depreciation figure of 9.2 million euros. Overall, 50.4 million euros were invested in 2016, compared to 42.8 million euros in the previous year. Within the scope of the regular impairment tests required by the IFRS for fixed assets, property, plant and equipment have undergone an unscheduled writedown of 0.7 million euros and intangible assets an unscheduled writedown of 0.5 million euros. Goodwill amortisation ⁶ was also recognised in this respect, in the amount of 3.0 million euros in the Photofinishing business unit and in the amount of 3.9 million euros in the Other Activities business unit, as outlined in the “Results” section.

Investments *millions of euros*



Change on previous year

| Net working capital <i>millions of euros</i> | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|--|---------------|---------|----------------------|----------------|----------------|-----------------------------|
| Operating net working capital | 50.2 | 22.7 % | 37.5 | 16.0 % | -25.4 % | -12.8 |
| - Other net working capital | -34.6 | -15.6 % | -40.4 | -17.2 % | -16.6 % | -5.7 |
| Net working capital | 15.6 | 7.0 % | -2.9 | -1.2 % | — | -18.5 ⁸ |

The decline in net working capital ⁸ has resulted from the decrease in operating net working capital as well as the further reduction in

other net working capital and is outlined in detail in the following sections.

| Operating net working capital <i>millions of euros</i> | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|--|---------------|---------|----------------------|----------------|----------------|-----------------------------|
| Inventories | 50.7 | 22.9 % | 49.4 | 21.1 % | -2.6 % | -1.3 ¹⁰ |
| + Current trade receivables | 90.4 | 40.9 % | 84.2 | 35.9 % | -6.9 % | -6.3 ¹¹ |
| Operating gross working capital | 141.1 | 63.8 % | 133.5 | 57.0 % | -5.4 % | -7.6 |
| - Current trade payables | 90.9 | 41.1 % | 96.1 | 41.0 % | +5.7 % | +5.2 ¹² |
| Operating net working capital | 50.2 | 22.7 % | 37.5 | 16.0 % | -25.4 % | -12.8 ⁹ |

Operating net working capital reduced by 25.4 %

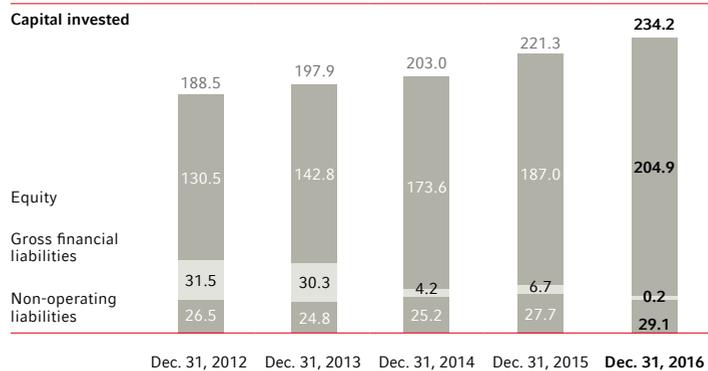
By comparison with December 31, 2015, operating net working capital ⁹ decreased by 12.8 million euros to 37.5 million euros. As of December 31, 2016, the scope of operating net working capital was at 15 days significantly lower than the level of 21 days reached in the previous year. CEWE has reduced its inventories ¹⁰ by 1.3 million euros to 49.4 million euros, in particular due to a rundown of stock in the Retail business unit. The scope of its inventories has thus decreased by two days to 19 days. Trade receivables ¹¹ have declined by 6.3 million euros to 84.2 million euros. The average

payment period has thus decreased from 38 days as of December 31, 2016 to 33 days. This is mainly due to payments brought forward by various business partners. In addition, the increasing proportion of mail-order business and the positive development of direct business are resulting in shorter payment periods by comparison with point-of-sales distribution. On the other hand, trade payables ¹² have risen by 5.2 million euros to 96.1 million euros on business-related grounds. In the context of the stronger increase in turnover, the accounts payable collection period remained the same as in the previous year and amounted to 38 days.

| Other net working capital <i>millions of euros</i> | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|--|---------------|----------------|----------------------|----------------|----------------|-----------------------------|
| Non-current assets held for sale | 1.2 | 0.5 % | 0.5 | 0.2 % | -54.6 % | -0.6 |
| + Current receivables from income tax refunds | 1.1 | 0.5 % | 1.3 | 0.6 % | +15.6 % | +0.2 |
| + Current financial assets | 2.5 | 1.1 % | 3.0 | 1.3 % | +20.9 % | +0.5 |
| + Other current receivables and assets | 5.7 | 2.6 % | 5.5 | 2.3 % | -3.7 % | -0.2 |
| Other gross working capital | 10.5 | 4.7 % | 10.3 | 4.4 % | -1.4 % | -0.1 ¹⁴ |
| - Current tax liabilities | 7.1 | 3.2 % | 11.3 | 4.8 % | +58.3 % | +4.1 ¹⁶ |
| - Current other accruals | 2.9 | 1.3 % | 3.5 | 1.5 % | +18.6 % | +0.5 |
| - Current financial liabilities | 0.3 | 0.2 % | 1.5 | 0.6 % | +321 % | +1.1 |
| - Current other liabilities | 34.7 | 15.7 % | 34.5 | 14.7 % | -0.6 % | -0.2 |
| Other current liabilities | 45.1 | 20.4 % | 50.7 | 21.6 % | +12.4 % | +5.6 ¹⁵ |
| Other net working capital | -34.6 | -15.6 % | -40.4 | -17.2 % | -16.6 % | -5.7 ¹³ |

Other net working capital provides stronger contribution to financing
Since the start of the year, other net working capital ¹³ has decreased by 5.7 million euros and has provided a stronger contribution to the company's financing, in the amount of -40.4 million euros. While

other gross working capital ¹⁴ decreased slightly, by 0.1 million euros to 10.3 million euros, other current liabilities ¹⁵ increased by 5.6 million euros. This increase is mainly attributable to the rise in tax liabilities ¹⁶ due to the company's business development.

Management balance-sheet figures millions of euros**Capital invested: increase in equity – further reduction in Group’s debt**

On December 31, 2016, the capital invested – identical with the capital employed – totalled 234.2 million euros ¹⁷ and was thus 12.9 million euros higher than in the previous year. While the equity ¹⁸ included in this amount has increased by 17.9 million euros to 204.9 million euros, gross financial liabilities ²¹ have decreased by 6.5 million euros to 0.2 million euros. Non-operating liabilities ²⁰ have increased by 1.4 million euros to 29.1 million euros, mainly due to the company’s pension accruals ¹⁹. Overall, the Group’s debt has decreased by 5.0 million euros to 29.3 million euros.

| Capital invested millions of euros | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|--|---------------|---------------|----------------------|---------------|----------------|-----------------------------|
| Equity | 187.0 | 84.5 % | 204.9 | 87.5 % | +9.6 % | +17.9 ¹⁸ |
| Non-current accruals for pensions | 22.9 | 10.4 % | 25.5 | 10.9 % | +11.0 % | +2.5 ¹⁹ |
| + Non-current deferred tax liabilities | 4.1 | 1.8 % | 2.9 | 1.2 % | -28.3 % | -1.2 |
| + Non-current other accruals | 0.2 | 0.1 % | 0.0 | 0.0 % | — | -0.2 |
| + Non-current financial liabilities | 0.0 | 0.0 % | 0.2 | 0.1 % | — | +0.2 |
| + Non-current other liabilities | 0.5 | 0.2 % | 0.5 | 0.2 % | +1.0 % | +0.0 |
| Non-operating liabilities | 27.7 | 12.5 % | 29.1 | 12.4 % | +5.2 % | +1.4 ²⁰ |
| Non-current interest-bearing financial liabilities | 1.8 | 0.8 % | 0.0 | 0.0 % | — | -1.8 |
| + Current interest-bearing financial liabilities | 4.9 | 2.2 % | 0.2 | 0.1 % | -95.7 % | -4.7 |
| Gross financial liabilities | 6.7 | 3.0 % | 0.2 | 0.1 % | -96.9 % | -6.5 ²¹ |
| Capital invested | 221.3 | 100 % | 234.2 | 100 % | 5.8 % | +12.9 ¹⁷ |

| Net cash position <i>millions of euros</i> | Dec. 31, 2015 | % of CE | Dec. 31, 2016 | % of CE | Change as % | Change millions of euros |
|--|---------------|---------|----------------------|----------------|----------------|-----------------------------|
| Gross financial liabilities | 6.7 | 3.0 % | 0.2 | 0.1 % | -96.9 % | -6.5 ²³ |
| - Cash and cash equivalents | 21.7 | 9.8 % | 48.6 | 20.7 % | +124 % | +26.9 ²⁴ |
| Net cash position | -15.0 | — | -48.3 | — | +222 % | -33.3 ²² |

Solid financing structure, net cash position of 48.3 million euros

As of December 31, 2016, CEWE's net cash position ²² amounts to 48.3 million euros and has thus increased by 33.3 million euros due to the scheduled 6.5 million euros decrease in gross financial liabilities ²³ and a 26.9 million euros increase in cash and cash equivalents ²⁴. This is mainly due to the one-off working capital effects outlined above (cf. page 92). Due to the seasonal profile of the company's business over the course of the year, as of the balance sheet date gross financial liabilities are always at their lowest level of the year and the net cash position at its highest level. The necessary investments and considerable fixed costs significantly reduce the net cash position in the first few months of each year.

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 106.3 million euros (previous year: 116.2 million euros). After deducting the total loan volume drawn down (0.2 million euros, previous year: 6.7 million euros) and allowing for the company's existing liquidity (48.6 million euros, previous year: 21.7 million euros), its liquidity potential totalled 154.7 million euros (previous year: 131.2 million euros). At the present time, there are no concrete plans for major individual investments or M&A projects, but this financing structure offers major strategic leeway. As well as drawn-down fixed rate loans (0.2 million euros, previous year: 3.2 million euros), the company has long-term revolving credit lines which have been granted for up to four 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 all times.

All long-term credit commitments are subject to normal bank covenant agreements for an adjusted equity ratio of 22.5 % and net debt leverage of 3.0, in each case calculated as of the end of the financial year. No other significant collateral was provided. The agreement of these ratios also ensures adequate strategic leeway. The company regularly exceeded or undershot these conditions by large margins (equity covenant: 49.5 %, previous year: 46.3 % and net debt leverage: -0.54, previous year: -0.20). Over the course of the year, these indicators followed the seasonal nature of the company's business and fluctuated accordingly. These loans have been granted subject to normal market terms. The CEWE Group's regular investment budget is fully financed out of its operating cash flow. As well as equalisation of liquidity in the course of the year, these credit facilities are also available for larger strategic measures.

Golden balance-sheet rule complied with

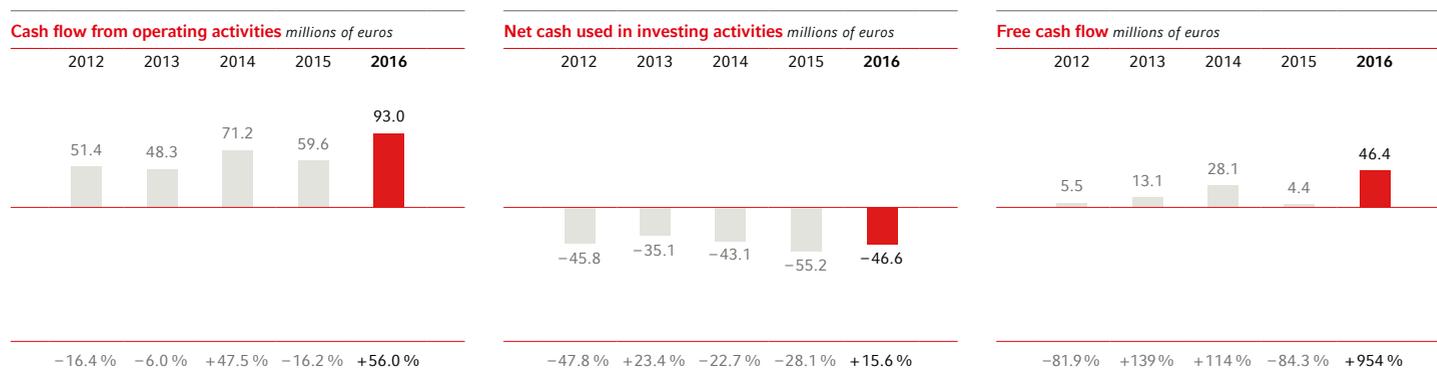
Overall, the stability of CEWE's balance sheet has once again been confirmed through the traditional golden balance-sheet rule: even in case of a continuing high ratio of fixed assets to total assets, non-current assets (49.5 % of the balance sheet total, previous year: 51.5 %) are fully covered by equity (53.8 %, previous year: 52.3 %) and by non-current liabilities (7.6 %, previous year: 8.2 %).

Cash flow

- ▶ *Operating result and, above all, working capital cause cash flow from operating activities to increase to 93.0 million euros*
- ▶ *Decrease in net cash used in investing activities*
- ▶ *Christmas business results in 6.0 million euros growth in free cash flow for the fourth quarter*

Free cash flow increases by 42.0 million euros to 46.4 million euros
Due to the increase in cash flow from operating activities to 93.0 million euros and the 8.6 million euro decline in cash outflows from investments, free cash flow improved by 42.0 million euros to 46.4 million euros.

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



| Cash flow from operating activities <i>millions of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 | Change as % | Change millions of euros | |
|--|---------------|----------------------|----------------|-----------------------------|----------|
| EBITDA | 75.1 | 90.3 | +20.2 % | +15.2 | 2 |
| + Non-cash factors | 1.3 | 1.2 | -11.5 % | -0.2 | |
| +/- Decrease (+)/increase (-) in operating net working capital | -13.8 | 11.8 | — | +25.6 | 3 |
| + Decrease in other net working capital | 6.0 | 0.7 | -88.9 % | -5.4 | 4 |
| - Taxes paid | -9.1 | -11.8 | -29.0 % | -2.7 | 5 |
| + Interest received | 0.0 | 0.8 | >1,000 % | +0.8 | 6 |
| = Cash flow from operating activities | 59.6 | 93.0 | +56.0 % | +33.4 | 1 |

Operating result and working capital cause cash flow from operating activities to increase to 93.0 million euros

In the financial year 2016, at 93.0 million euros cash flow from operating activities **1** was 33.4 million euros higher than in the same period in the previous year (59.6 million euros). As well as the 15.2 million euros increase in the EBITDA figure **2** to 90.3 million euros, in particular operating net working capital **3** – which was reduced to 11.8 million euros in the year under review – contributed 25.6 million euros, i. e. much more cash than in the previous year. Inventories resulted in higher inflows than in the previous year. This was due to a rundown of stock in the Retail business unit in particular. Trade receivables gave rise to increased cash flows, since various business partners brought forward payments.

In addition, the increasing proportion of mail-order business and a positive trend for direct business are resulting in shorter payment periods by comparison with point-of-sales distribution. Trade payables increased in the past financial year and a cash flow advantage of 11.0 million euros thus resulted. This mainly reflects the business-driven increase in the Photofinishing business unit. In the year under review, at 0.7 million euros other net working capital **4** released 5.4 million euros less in cash than in the previous year, mainly due to the decreased value added tax payment burden in this year. On account of the company's earnings, the volume of income taxes paid through tax payments **5** increased by 2.7 million euros in the year under review, thus totalling 11.8 million euros. Interest received **6** relates to the interest accumulated on a tax refund.

| Cash flow from investing activities <i>millions of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 | Change as % | Change millions of euros |
|--|---------------|----------------------|----------------|-----------------------------|
| – Outflows from investments in fixed assets | –38.3 | –49.0 | –28.0 % | –10.7 ⁸ |
| – Outflows from purchases of consolidated interests/acquisitions | –15.4 | 0.0 | — | +15.4 ⁹ |
| – Outflows from investments in financial assets | –2.3 | –0.6 | 75.3 % | +1.7 ¹⁰ |
| + Inflows from investments in non-current financial instruments | 0.1 | 0.0 | –93.4 % | –0.1 |
| + Inflows from the sale of property, plant and equipment and intangible assets | 0.6 | 2.9 | +406 % | +2.4 ¹¹ |
| = Cash flow from investing activities | –55.2 | –46.6 | +15.6 % | +8.6 ⁷ |

Decrease in net cash used in investing activities

In 2016, net cash used in investing activities ⁷ decreased by 8.6 million euros on the previous year and amounted to 46.6 million euros. On the other hand, at 49.0 million euros outflows for investments in fixed assets ⁸ were 10.7 million euros higher than in the previous year (cf. comments on p. 91). However, by comparison with the same quarter in the previous year no outflows arose due to purchasing of consolidated interests and acquisitions ⁹. In the previous year, these

amounted to 15.4 million euros. In addition, outflows of 0.6 million euros arose for financial assets ¹⁰ (previous year: –2.3 million euros). Outflows for financial assets comprised seed capital invested in current and related business units, as well as the company's support for the High-Tech Gründerfonds seed investor. Inflows from the sale of property, plant and equipment and intangible assets ¹¹ totalled 2.9 million euros and were thus 2.4 million euros higher than the inflows in the previous year.

| Cash flow from financing activities <i>millions of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 | Change as % | Change millions of euros |
|--|---------------|---------------|----------------|-----------------------------|
| – Dividends paid | –11.1 | –11.5 | –3.6 % | –0.4 ¹³ |
| – Purchase of treasury shares | 0.0 | –1.3 | — | –1.3 ¹⁴ |
| + Sales of treasury shares | 0.1 | 0.0 | — | –0.1 |
| – Amounts paid out (–)/paid in (+) for stock option plans | –0.3 | 0.1 | — | 0.3 |
| + Inflows (+)/outflows (–) from change in financial liabilities | 1.6 | –6.5 | — | –8.1 ¹⁵ |
| – Interest paid | –0.7 | –0.6 | 17.9 % | 0.1 ¹⁶ |
| + Other financial transactions | 0.0 | 0.0 | –120 % | 0.0 |
| Cash flow from financing activities | –10.3 | –19.8 | –91.2 % | –9.4 ¹² |

Cash flow from financing activities amounts to –19.8 million euros

In 2016, cash flow from financing activities ¹² amounted to –19.8 million euros, a 9.4 million euros cash-out increase on the previous year. On the one hand, payments to shareholders in the year under review, 2016, changed by 1.5 million euros to –12.7 million euros. As well as the dividend payment ¹³ in the amount of 11.5 million euros, this also includes the purchase of treasury shares ¹⁴ in the amount of 1.3 million euros. On the other hand, outflows for the repayment of financial liabilities ¹⁵ arose in the amount of 6.5 million euros. In the previous year, inflows had resulted due to financial liabilities entered into, in the amount of 1.6 million euros. Interest payments ¹⁶ have thus continued to fall, to 0.6 million euros. As outlined in the section “Balance sheet and financing” (page 95), on account of its financing structure 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.

Christmas business results in 6.0 million euros growth in free cash flow for the fourth quarter

In the fourth quarter of 2016, the company’s cash flow from operating activities increased by 10.5 million euros to 59.6 million euros. This has resulted from the 5.0 million euros increase in the EBITDA figure to 58.8 million euros as well as the 4.5 million euros rise in cash flow from net working capital to 3.6 million euros.

As in the previous year, in the fourth quarter of 2016 CEWE once again invested in the necessary expansion of its capacities (–16.0 million euros; previous year: –10.7 million euros). Moreover, in the previous year payments arose with a volume of 0.4 million euros for companies acquired in previous financial years. The cash flow from investing activities thus amounted to –15.7 million euros (2015: –11.2 million euros), including inflows from the sale of fixed assets in the amount of 0.5 million euros.

The free cash flow reported for the fourth quarter accordingly totalled 44.0 million euros (2015: 37.9 million euros).

Return on capital employed

Page 84 | Consolidated profit and loss account

- ▶ **Average capital employed increases to 220.8 million euros, due to acquisitions**
- ▶ **ROCE increases to 21.3 %**

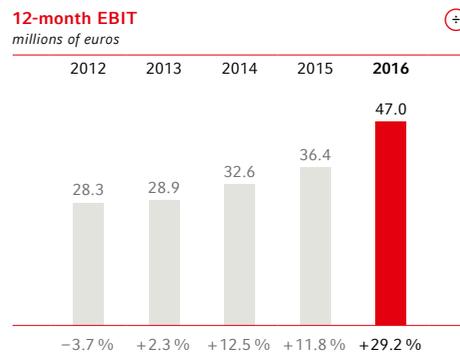
Average capital employed increased to 220.8 million euros, due to acquisitions

As of December 31, 2016, as outlined in the balance sheet chapter the capital employed figure was 234.2 million euros and thus 12.9 million euros higher than as of December 31, 2015. This reflects the seasonal nature of business. On December 31, 2016, at 220.8 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 8.9 million euros higher than in the previous year. This increase mainly related to the acquisitions of DeinDesign and futalis which were outlined as of December 31, 2015. These have now affected the annual average value over a period of four quarters for the first time.

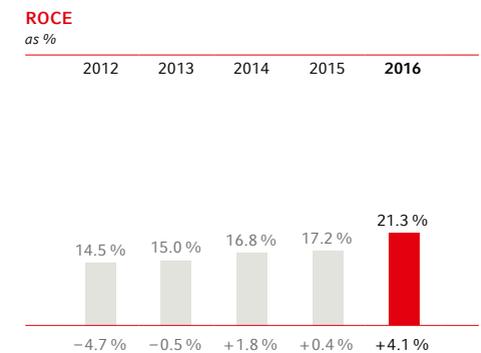
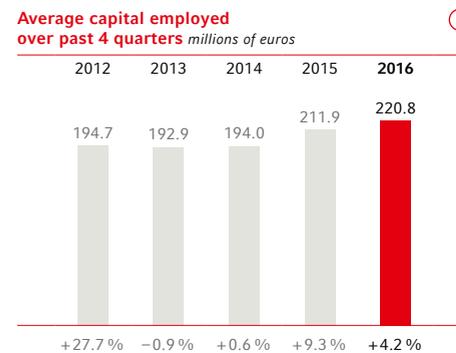
Page 89 | Balance sheet and financing

ROCE increases to 21.3 %

The return on capital employed (ROCE) – a ratio indicating the return on capital – has risen from 17.2 % to 21.3 % since December 31, 2015. The value of 21.3 % reflects a twelve-month EBIT figure of 47.0 million euros and an average volume of capital employed of 220.8 million euros. For the first time ever, all three of the company's strategic business units have provided a positive contribution to its profitability through their earnings trends. Despite the growth in the capital employed figure, the yield has continued to increase due to the rise in earnings for the EBIT figure.



Change on previous year



Overall statement on the economic situation

On the basis of the Group's development in the financial year 2016, the Board of Management considers that its economic situation is 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 achieved or even slightly exceeded.

In its core business unit, Photofinishing, the company is not only successfully realising a product transition comprising the transfer to digital turnover of the low level of remaining turnover realised from analogue photos from film, for its digital turnover too by means of value-added products – CEWE PHOTOBOOK particularly – it has successfully made up for the decline in laboratory-printed individual photos which is now under way. CEWE achieves a stronger level of value creation with these value-added products, which consumers purchase directly from CEWE in some cases. The company's preparations for its Christmas business over the course of the first ten months of each year entail very high "outlays". CEWE thus has the opportunity and also the basis to realise a slightly increased margin.

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 retail segment. Instead, it serves as a photo marketing showcase for CEWE's business partners and in several countries as a distribution channel for Photofinishing products. It successfully performs this role, as documented by its turnover volume in excess of 30 million euros. This turnover results from CEWE's photo products in its Photofinishing business unit and is accordingly recognised within this business unit, which handles most of the related advertising activities. However, these products are sold through the websites or branches of CEWE's Retail business unit.

Accordingly, the earnings realised by the Retail business unit through hardware alone (cameras, lenses, etc.) only partially reflect its actual results overall.

Commercial Online Printing is CEWE's third business unit. This is an emerging market segment in the printing market, for which CEWE is already well positioned thanks to 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 its acquisition of Saxoprint in 2012, CEWE added offset printing to CEWE's areas of expertise, to enable efficient production of large print runs. Commercial Online Printing has thus become a genuinely new business unit with a positive outlook for CEWE. The results for 2016 confirm this perspective: with a turnover volume of 84.0 million euros (2015: 77.8 million euros), Commercial Online Printing realised a positive EBIT figure of 1.6 million euros (2015: -0.9 million euros) for the year as a whole for the first time.

At the start of 2017, CEWE's business development matched the Board of Management's expectations and confirmed the targets which it had indicated for the financial year 2017 in its "Report on expected developments" chapter. A cause of uncertainty concerning the Group's EBIT trend in 2017 is the effect on demand of the increased rate of value added tax levied on photo books in Germany, Austria and a few other countries. This is outlined in the report on expected developments.

 Page 64 | Results

 Page 119 | Report on expected developments

 Sustainability report

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

Request hardcopy:
nachhaltigkeit@cewe.de

Sustainability

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

CEWE was one of the first SDAX companies to establish a sustainability report, in which it has now documented its activities every year for the past eight years. It does so in compliance with the current guidelines of the Global Reporting Initiative. The latest guideline (GRI G4) places a stronger emphasis on materiality in reporting and comprises both new and updated reporting requirements in relation to issues of management, ethics, integrity, the supply chain, anti-corruption activities and greenhouse gas emissions. This year's report has once again been reviewed by the auditor BDO AG, Wirtschaftsprüfungsgesellschaft, Hamburg. The Board of Management member Mr Thomas Mehls is responsible for these activities. He also chairs the sustainability coordination group, which comprises all of CEWE's areas of competence. The goal is thus to anchor issues of sustainability at every level of the company and to integrate them as a fixed element in all of its activities. As in previous years, the sustainability report for 2016 will be available as of this year's general meeting. Accordingly, individual areas are only briefly covered in the following section of this annual report. You may obtain a printed copy of the current German or English report by sending an e-mail to: nachhaltigkeit@cewe.de. You can also download CEWE's sustainability reports and films at <http://company.cewe.de/en/company/sustainability.html>.

Corporate responsibility

Responsibility in line with the model of a corporate good citizen

CEWE has a long-established tradition of assuming responsibility, generally in line with the good corporate citizen model. A good corporate citizen and thus a responsible business enterprise can be considered in reference to various areas of responsibility, each of which contributes in various ways to this enterprise's economic success. Besides its general social responsibility CEWE thus seeks, in particular, to act honourably in relation to its employees, customers, suppliers and competitors as well as its investors. CEWE considers itself to be bound by the laws of fair competition and expects compliance with applicable regulations in every area of its business activities. CEWE believes that sustainable activities are the sole means of ensuring a company's long-term success.

Integrity, honesty and responsibility also shape its daily activities in relation to its workforce of approx. 3,400 employees. Its compliance rules for the fulfilment of codes of conduct, laws and regulations have been defined for all of the countries in which it operates.

The Board of Management and the Supervisory Board are committed to the principles of sound and responsible management and supervision, in compliance with the German Corporate Governance Code.

CEWE also maintains an active dialogue with stakeholders, so as to comply with expectations at the local and international levels. Since 2014, the company has held internal and external stakeholder surveys to enable more concrete definition and planning of its key requirements.

CEWE's corporate culture is shaped by partnership and by respect for the individual. Reciprocal trust and respect and the principle of delegation of responsibility serve as the foundations of its partnership-based management model. Its employees are thus granted the greatest possible discretion and participate in decision-making processes and in the company's economic success through this position of responsibility. Well-informed and highly-motivated employees serve as a guarantee of quality, efficiency, innovation capacity and growth.

Economic responsibility

Capital growth through efficiency and responsibility

From an economic point of view, sustainability means investing in the company's fitness for the future. CEWE therefore began early on to continuously adjust to changed market conditions and to promote product innovations. This is true both of new product ideas and of innovative software solutions or mobile apps. Moreover, CEWE's economic forecast is based on technological and market trends which derive from a broad variety of sources. In this regard, CEWE's management will continue to consistently focus the company on attractive growth markets, to increase the efficiency of its processes and its use of resources and to deploy new IT technologies.

The CEWE Group aims to achieve a continuous ongoing improvement in its enterprise value through its capacity for innovation and its performance. The CEWE brand stands for a brand commitment which is reflected in software quality, printing and bookbinding quality, speed of production, quality of service and the diversity of its products.

Through this orientation, CEWE is clearly focused on optimising the company's long-term business situation. Earnings for a single quarter or sometimes even for an entire year are viewed in the perspective of the company's long-term strength. CEWE creates added value through its business activities rather than financial fine-tuning. CEWE's financial management reflects a conservative and long-term orientation and thus strengthens its operational value creation activities in the areas of research & development, marketing, distribution and production and all other functions, which are able to operate with freedom from financial constraints. For this purpose, the company's financing structure emphasises a high equity ratio and a solid supply of borrowed capital, with long-term facilities strongly represented. CEWE is interested in investors with a long-term outlook.

Moreover, a further consequence of CEWE's long-term outlook is its openness to investments and its capacity to handle them. However, each and every investment undergoes a substantial review process. This reflects CEWE's highly developed cost awareness, which is typical for the SME sector.

Quality management

CEWE's quality management activities match consumers' high expectations. Due to the exacting standard which it requires for its individual products, the company is highly accommodating in its dealings with customers, particularly in handling any complaints. Complaints also serve as an important form of feedback for product improvements and therefore have an important status within the continuous improvement process, which serves as the foundation of our quality management system.

As well as the company's evaluation of complaints, a large number of internal and external tests are implemented with the goal of continuous improvements in product quality. Product quality is shaped by printing and photographic processes and also by picture optimisation within the scope of CEWE's own digital production workflow. This is reflected in terms of the general sense of responsibility for quality at the company's headquarters and at all of its plants.

CEWE's quality management process begins with the selection of its procedures and materials used. All of the materials used are regularly reviewed and evaluated together with a quality control process for the company's suppliers.

It maintains a high level of photographic processing and electrophotographic digital printing procedures, to ensure uniform colour throughout the company. For this purpose, CEWE

continuously develops its process review mechanisms. For ink-jet printing, twelve-colour systems are used with pigment-based inks which guarantee a maximum colour space, improved shades and optimum stability.

Processing of digital data is particularly important in this process. CEWE's digital production workflow is itself programmed and undergoes continuous improvement processes. Likewise, for image processing the best possible software is used, with adjustment of this software's parameters and continuous testing.

For the quality control procedure at the end of the complex production process, high-grade products in particular are all reviewed 100 %, while all other products are checked in line with statistical requirements.

The company's efforts to achieve the highest levels of quality were confirmed by its most recent win in the "photo books" category in the test conducted by Stiftung Warentest (11/2015 issue).

Materials and product safety

Product safety and eco-friendliness are the key criteria for materials and product safety. The marketability of all of the company's materials is continuously reviewed, in close coordination with its suppliers. Current legislation is actively monitored, and the company also implements additional product tests in compliance with all of the current recommendations of the German Federal Institute for Risk Assessment (Bundesinstitut für Risikobewertung – BfR). For the key area of digital printing paper, all of CEWE's plants are FSC® certified (Forest Stewardship Council for sustainable forestry). CEWE has a long-established tradition of exclusively using FSC®-certified paper for its CEWE PHOTOBOOK and other digital printing products.

Environmental responsibility

CEWE expresses its environmental policy succinctly: “Save energy, protect water, use resources sparingly, ensure occupational safety”. This covers all of the key environmental impacts of CEWE’s activities. The company is focusing on improvements in individual areas. Implementation of these goals and environmental responsibility have been underpinned by the introduction of the environmental management system DIN EN ISO 14001. The company’s headquarters in Oldenburg have been certified since 2011, as have its German photo laboratory and digital printing plants in Freiburg, Mönchengladbach and Munich since early 2013. In 2015, the energy management system DIN EN ISO 50001 was successfully established and certified at all of the company’s German plants.

Saving energy and our carbon dioxide footprint

CEWE has participated in the Carbon Disclosure Project (CDP) (www.cdp.net/de) every year since 2010. The 350 largest public limited companies in Germany, Austria and Switzerland (“DACH”) publish their carbon dioxide emissions through this project. Due to the high level of quality and the transparency of its published figures, in 2015 CEWE was selected as a DACH index leader in the “Other German companies” segment, with a disclosure score of 100 %. The CDP assessment system was revised in 2016. With an A- rating, CEWE was recognised as an index leader in the Industrial segment.

CEWE’s current CO₂ emissions are published every year in its sustainability report as well as the CDP report. As well as emissions directly caused through gas consumption for heating purposes and electricity consumption, CO₂ emissions which CEWE does not cause directly but which are associated with its business activities (e. g. the supply of goods and delivery logistics) also play a major role.

Accordingly, the company’s energy saving management programme not only focuses on internal processes but also considers optimisation of supplier and distribution logistics. Examples of this include the company’s participation in the climate-neutral postal delivery service of Deutsche Post DHL GoGreen and UPS’ Carbon Neutral scheme for CO₂-neutral mail-order shipping. A further example was the company’s implementation of a Green IT strategy in cooperation with the universities of Oldenburg, Osnabrück and Göttingen.

The company’s efforts have resulted in the grant of a “Blauer Engel” award for its new data centre at its Oldenburg headquarters. The company established its Green IT system in line with the latest ecological criteria and commissioned it in early 2012. This has reduced power consumption and thus also CO₂ emissions by approx. 150 t/a. The company’s data centre was recertified in 2016.

In 2014, at its Eschbach (Freiburg) and Germering (Munich) plants, the company installed and commissioned two photovoltaic systems with a total peak output of 250 kW. In 2016, CEWE achieved CO₂ emissions savings here amounting to a good 100 t.

As a specific measure, since photokina 2016 CEWE has marketed all of its brand products on a climate-neutral basis. CEWE has thus been particularly active in fulfilling its environmental responsibility. At the present time, it is not yet possible to avoid many CO₂ emissions. CEWE is therefore sponsoring a certified offsetting project in Kenya, the Kasigau Wildlife Corridor, which recultivates and protects forests.

Conserving water

CEWE uses water for the photographic development of film and photographic paper. The conservation of water requires its economical use. In 2015, CEWE used around 2.2 l of water per m² of photographic paper. This represents a reduction of 60 % on the reference year, 2002. CEWE's successful efforts to achieve the lowest possible environmental impact for its waste water discharge volume are also worthy of mention. The central analysis laboratory at the company's Oldenburg plant continuously monitors all relevant waste water values for all of the company's laboratory sites.

Conservation of resources and production-integrated protection of the environment

The company's Oldenburg plant also analyses samples from the photographic developing baths at all of CEWE's plants. As well as a comparison of this analytical process review with a sensitometric process review – which examines the photographic properties of radiation-sensitive materials and the various steps in the photography process – compositions are calculated for all of the company's recycling processes. This enables recycling of photo chemicals while maintaining a consistently high level of quality. CEWE achieves average recycling levels here of 89 %.

Ensuring occupational safety

Occupational safety and protection of the environment are core issues at CEWE, which it pursues in line with best practice and beyond the scope of relevant legal requirements. Occupational safety and protection of the environment are directly linked in terms of the handling of chemicals such as those used in digital printing, book-binding and photographic processing.

For instance, polyurethane-based reactive adhesives are used for the adhesive binding of book blocks for CEWE PHOTOBOOK. This accounts for the very high level of tensile strength of the pages in a CEWE PHOTOBOOK. The company's adhesive binding machines use modern low-emissions jet systems. Additionally installed suction units ensure safety.

As with other potentially critical workplaces, external testing institutes are commissioned with the measurement and assessment of air standards, to ensure extensive occupational safety.

Liquid toners are mainly used for printing of CEWE PHOTOBOOKS, so that no particulate matter is produced. All of CEWE's digital printing machines have integrated filtration systems which clearly reduce ozone emissions to below the workplace exposure threshold value.

Water-based inks and immediately cross-linking UV inks are used for ink-jet printing for manufacturing of selected digital printing products such as canvas pictures, gallery prints, display shop products and gift products. This avoids the emissions which result from volatile hydrocarbons.

In the area of photographic processing, CEWE completely makes do without final baths containing formalin. Its CN film process only uses bleaching baths which are biologically degradable.

Social responsibility

As well as the qualifications and the performance of its employees, the economic success of the CEWE Group also critically hinges on their motivation and commitment. For full leveraging of these key factors, CEWE offers and supports a broad range of development opportunities for its employees. This begins with initial training and covers employees' entire careers, with advanced training as well as personnel development programmes. CEWE ensures a high level of safety in the workplace and promotes occupational health and safety.

CEWE's employees

In 2016, around 48 % of the company's workforce in Germany was female (previous year: 48 %; all of the figures in this section refer to the company's German plants). The high level of employee satisfaction is reflected in terms of the level of fluctuation, even if this was slightly higher in 2016 than in the previous year, due to restructuring measures. It amounted to 10.5 % in 2016 (previous year: 8.6 %). In 2016, the average length of service with the company was 10.9 years (previous year: 10.5 years). There are thus a large number of anniversaries to celebrate every year: in 2016, 167 employees reached anniversary milestones in their service with the company. A significant number of them have been with CEWE for more than 25 years.

In the past year, CEWE was once again the largest employer and training provider in the photography industry. In the past financial year, in Germany the company had 122 apprentices for 17 different professions (previous year: 123). This continues to represent a volume of apprenticeships in excess of 5 % of all employees in Germany.

CEWE FORUM

Advanced training is fun, it inspires employees and it promotes satisfaction and self-confidence. CEWE's advanced training programme also reflects its capacity for innovation. There were thus many good reasons to offer the company's employees its extensive training programme, CEWE FORUM, for a third consecutive year. This is designed to ensure that the company's employees enjoy this training while developing their skills in line with the company's guiding principles and performing their work roles confidently and with a sense of satisfaction. The CEWE FORUM is open to executives as well as specialist staff of CEWE. CEWE aims to achieve the greatest possible level of business success. To realise this goal, the range of seminars has been drawn up in line with the company's key principles, enabling executives at every level and also specialist staff to come together and to exchange their individual insights in specially designed seminars.

Talent management – CEWE's Junior Management Programme

People produce outstanding performances above all if they are given appropriate roles and the chance to develop continuously. CEWE's Junior Management Programme helps to provide the instruments to prioritise the placement of gifted young staff in positions with promising prospects.

The first year group was launched back in 2011 and successfully completed this programme in mid-2013. The fourth year group is now in progress and is enthusiastically pursuing nine modules over a period of 13 months. During this time, participants are also supervised by the members of the Board of Management, in joint meetings and discussion groups such as "Fireside evenings".

Leadership – setting an example

In 2013, the company launched CEWE's Leadership Programme which consists of two-day workshops attended by 20-strong groups of executives, regardless of hierarchy or the locations of their plants. The company seeks to strengthen the level of compliance with its leadership mission, to sensitise executives to their own leadership behaviour and to identify priorities for their personal development as well as broader options. CEWE's Leadership Programme is entirely consistent with the guiding principles of CEWE's leadership model.

Holistic healthcare

Holistic health awareness for employees is a key element of a company's sustainable and positive long-term development. Healthy employees simply feel better – and they are also more effective, more reliable and better motivated. For this reason, too, CEWE emphasises healthy workplaces and actively supports its employees through various preventative healthcare measures.

From a company sports programme to advice for individual employees – CEWE employees benefit from a wide range of services promoting a healthy lifestyle. CEWE prepares its executives for everyday work with seminars on healthy work styles and healthy leadership techniques.

Health day – maintaining a dialogue with employees

A few years ago, CEWE established its health day as part of the company's health management programme. Since this time, this day has been held every year at the company's headquarters in Oldenburg.

For an entire working day, CEWE encourages a dialogue with its roughly 900 employees on health and environmental issues associated with their work and personal lifestyles.

In 2016, the company's health day covered the theme of "Stress and psychological strain". At least 200 employees attended at least one event at this health day. In addition to events held in the marquee, the day also included introductory courses and presentations. Checkups such as a back checkup and heart rate variability measurement were highly popular and so too were introductory courses such as "fitness boxing" and mindfulness through resilience and wellbeing, as well as specialist presentations.

Seminars and lectures

As part of the CEWE FORUM and the CEWE KNOWLEDGE programme, CEWE offers its executives and employees seminars and lectures on healthy work styles and healthy leadership techniques. Tackling stress: Keeping calm and avoiding stress – Maintaining health and avoiding burnouts, Allround fitness – Nutrition, exercise and mental fitness, are just a few of the seminars which the company offers as part of an extensive range. Employees and executives are increasingly requesting a broader selection of tools for their personal health management needs. CEWE's holistic healthcare programme is to undergo continuous development.

Occupational safety

Employees are only able to work productively and to make optimal use of their potential in a pleasant and safe working environment. Occupational health and safety is therefore a key principle in all of CEWE's activities.

CEWE encourages and monitors safe work practices by means of risk assessments, safety regulations and seminars. As well as routine safety instruction, employees attend annual fire safety assistance and first-aid training sessions.

Career and family

CEWE takes seriously its responsibility to its employees and offers them a safe work environment as well as opportunities for their personal development. CEWE is innovative and successful thanks to the diversity of its employees and their ideas and opinions. Employees' potential is encouraged regardless of their gender or their family circumstances. CEWE is thus in tune with social changes.

A variety of different measures are required in order to ensure the compatibility of employees' careers and their family needs. Childcare services during parents' work hours are always an important issue. CEWE thus continues to cooperate with "AWO Eltern- und Seniorenservice Oldenburg", which offers CEWE employees free consultations in order to arrange the placement of children – including during school holidays – and also senior citizens.

Parents require childcare support above all for non-everyday situations. School holidays are one such situation: schools and childcare facilities close down, and employees' annual leave is not enough to cover all of their children's holidays. To ease the burden on its employees during this special situation, for the last two years CEWE has offered a two-week childcare support service during the summer holidays. A total of 80 children of CEWE employees attended this programme during the two-week period in 2016. In cooperation with the "Spielefeuerwehr" children's entertainment company, they planned a great stage show and also visited their parents' workplace.

By way of a further improvement in the compatibility of its employees' careers and their family needs, on July 2, 2014 CEWE opened its own large-scale daycare facility "cewelino". This new company childcare service offers CEWE employees a total of ten places for children under the age of three on the CEWE site, from Monday to Friday. This facility has everything to suit the needs of small children. It includes a pleasant outdoor area with toys and exercise activities as well as a child-friendly indoor area which caters to all of the needs of children under the age of three.

On October 10, 2014, CEWE was one of the first-ever companies to receive an "Excellent employer" certificate as well as a "Parent-friendly employer" submodule from the SOS Children's Villages' Global Partner initiative. This quality seal was developed together with the TÜV Rheinland certification company, which audited this new career and family compatibility standard within the scope of a certification process. CEWE was awarded this seal upon successfully completing this certification process. Europe's leading photography service provider and innovative Online Printing partner is thus one of the first companies to have received this award from TÜV Rheinland and the SOS Children's Villages' Global Partner initiative. All of the elements of CEWE's personnel management strategy were assessed in terms of balancing work needs with a modern understanding of the role of mothers and fathers. In 2016 CEWE was audited for the first time in relation to its "health management system". CEWE's health management programme "cewe vital" was assessed. CEWE passed with flying colours! CEWE is thus not only an "excellent employer" and "parent-friendly" – with immediate effect, it can now also count itself among the healthiest companies.

Within the scope of this audit, independent auditors carry out a detailed analysis of the quality and effectiveness of a company's health management programme (HMP).

CEWE's existing healthcare structures and the measures offered to the company's employees were analysed. The key point is the extent to which the healthcare system is based on a holistic strategy and whether the measures implemented are monitored.

Particular emphasis is placed on a highly systematic approach to the concept for the company's health management programme and its implementation. The effectiveness of the process is monitored and documented by means of surveys. The sample interviews carried out with employees indicate a very high level of satisfaction on the part of CEWE's employees.

CEWE has also taken part in the Hertie Foundation's "audit berufundfamilie" work and family audit programme. The charitable Hertie Foundation awarded CEWE an "audit berufundfamilie" certificate in August, for its family-oriented personnel policy. This recognised quality seal certifies employers' high level of competence in balancing family and career needs. Practical implementation is continuously verified. Leading German industrial associations recommend this audit, of which the German Federal Minister for Family Affairs and Federal Minister for Economic Affairs and Energy serve as patrons.

Responsibility for society at large

Social commitment is firmly anchored in CEWE's corporate culture. CEWE maintains contact with representatives from the fields of politics and economics as well as other social stakeholders. Due to its strong community roots, CEWE has traditionally sponsored a wide variety of projects throughout Europe at its various plant locations and also supports employees pursuing charitable activities. The company's social commitment extends to four core areas: social affairs, sport, culture and education. The company prioritises long-term projects where it is able to contribute its expertise and experience and can support young people. In addition to national emergency projects, at its plant locations the company also provided a broad range of assistance in support of an intact and attractive community.

Social commitment

The company's social welfare projects focus on families and children in crisis situations. As well as the Philipp Lahm Foundation, CEWE's partners include institutions for the disabled, hospices for children and adolescents, and a wide range of medical centres. In 2016, CEWE once again filled its partnership with SOS Children's Villages with life through a large number of aid projects, with the participation of various plants throughout Europe. Twelve CEWE plants have now established partnerships. While CEWE's plants in Germering, Eschbach and Mönchengladbach support regional children's villages, the company's Oldenburg plant also focuses on Ghana and sponsors the children's village in Kumasi as well as the associated school. CEWE also participates in current emergency

projects in addition to these partnerships. In 2016, the company focused on assistance for unaccompanied child refugees. In 2016, CEWE once again donated 250,000 euros to this organisation.

Sponsorship of culture

CEWE actively contributes to cultural diversity at the locations of its plants by sponsoring cultural projects and cultural institutions. A particular area of focus is sponsorship of photography as a form of cultural expression. CEWE is a partner of well-known photography festivals. It also organises and supports prestigious photography competitions. Examples of our strong commitment include our support for the “Wunderwelten” photography festival in Friedrichshafen, the presentation of the photography competition “Our world is beautiful” at the gala evening held at Vienna’s Novomatic Forum, CEWE’s partnerships with “Mundologia” in Freiburg, the “Stapelfelder Fototage”, the “Horizonte” photography festival in Zingst, the “Oberstdorfer Fotogipfel” photography festival and the “Internationale Naturfototage” in Fürstenfeldbruck.

Moreover, together with the company’s partner Deichtorhallen Hamburg a photography workshop in the field of cultural education took place in 2016, with a subsequent outdoor exhibition hosted on the plaza in front of the House of Photography.

Education and support for young people

CEWE maintains links with a large number of educational establishments, through a broad-based network. This encompasses close links with various schools and universities, ensuring a continuous exchange between the realms of theory and practice. This continuous form of cooperation encourages innovations and offers numerous opportunities for ongoing development. Support for young people in the form of apprenticeships is another priority area. CEWE offers tomorrow’s specialists excellent prospects and opportunities through its partnership of many years’ standing with the state vocational college Photo+Medienforum Kiel, its award of the Heinz Neumüller Prize for outstanding degree results and its award of scholarships for doctoral studies, master’s degrees and research projects at the University of Oldenburg, Jade University of Applied Sciences and Cologne University of Applied Sciences. For the past 17 years, the company has also hosted the corporate planning exercise “Management Information Game” at its headquarters for pupils of Oldenburg’s Liebfrauenschule school.

Sport sponsorship

Many sport associations benefit from CEWE’s support. This is true of football, handball, basketball, hockey as well as running and equestrian sport, to name just a few examples. In 2016 for the first time ever, as a new project CEWE included in its sponsoring activities team shirts for youth football teams all over Germany. More than 1,200 youth teams were delighted with their sponsored shirts. These sponsorship projects enable the company to present its expertise as a printing partner in this field and facilitate the long-term positioning of its premium brand CEWE PHOTOBOOK.

EVENTS AFTER THE BALANCE SHEET DATE

Events of particular significance after the balance sheet date

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

FORECAST, OPPORTUNITIES AND RISK REPORT

Risk report

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

Management's overall assessment of risks and opportunities

The overall level of risk is assessed through the company's opportunities and risk management system, in combination with its planning, management and control systems. Individual risks and opportunities are assigned to three different categories on the basis of the gross

method: low level (less than 0.5 million euros), medium level (0.5 million euros to 2.0 million euros) and significant risks and opportunities (more than 2.0 million euros).

At the present time, individual risks – or risks arising in conjunction with others – are unlikely to impair the net assets, financial position and results of operations of the CEWE Group in a manner which jeopardises its existence.

In organisational terms, CEWE has fulfilled all of the necessary requirements for early identification of possible risks and opportunities.

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

Strategische Risiken

The core business units Photofinishing and Retail, the newly added business unit Commercial Online Printing and company's business unit focusing on the development of options for future business units all entail strategic risks.

Within the scope of our core business, the key strategic risks comprised the technology and innovation risk (medium-level risk), risks associated with the Retail business unit (medium-level risk), the risks associated with the CEWE brand (low-level risk) and the risk associated with investing in core business-related start-ups (slight risk). In response to the changing nature of mobile devices and the growing importance of the Internet as an ordering channel, CEWE has reinforced its programming and development capacities in this area. By concentrating its development activities in-house, CEWE is seeking to extend its lead over the competition. CEWE is seeking to respond to declining Retail turnover in the area of hardware (camera sales) – in the case of Fotojoker in Poland especially – by means of new web shops. Investments in core business-related start-ups such as DeinDesign are further measures to support core business over the medium and long term. The company's management monitors and reviews these investments very closely.

Online printing risk is a key strategic risk for CEWE's newly added business unit. Price opportunities are consistently exploited and turnover opportunities identified on the basis of permanent market price analyses, and appropriate measures are implemented to achieve the defined growth objectives.

The risk of investing in start-ups (in this case, Futalis) is typical of this development phase and is a strategic risk associated with the development of options for future business units. The management likewise monitors and reviews these investments very closely.

Operating risks

The market for films and analogue photos now accounts for less than 2.0 % of total turnover and continues to decline. The large volume of digital cameras has not resulted in an increase in the printing volume for individual digital photos, since many digital photos are kept on hard drives and are not printed out on photographic paper. With its product CEWE PHOTOBOOK and other value-added products such as CEWE CALENDARS, CEWE CARDS and CEWE WALL ART, the CEWE Group expects to achieve a further increase in its printing volume for these products. CEWE's immediate printing volume at the POS has also increased. On the Internet, as of the end of the year the company had once again increased its volume of calendars and cards – nonetheless, in principle there is a risk here of declining turnover.

As well as the volume trend, the price trend is also key for the company's success. CEWE's brand product CEWE PHOTOBOOK and the outstanding quality which this offers, the company's leading ordering assistant software package and its continuously expanded product range are the keys to success here. CEWE continues to work on improving the turnover generated by each CEWE PHOTOBOOK with high-gloss finishing, larger formats and more pages per book. In the analogue field, prices are being adjusted due to falling volumes, increased production expenses and higher photographic paper costs.

The rate of value added tax applicable for photo books in Germany from 2017 has now been clarified. As already notified when CEWE published its results for the first quarter of 2016 on May 12, 2016, in April 2016 the German Federal Ministry of Finance announced a non-objection regulation for the increase in the rate of value added tax on photo books (Finance Ministry's notice III C 2 -S 7225/12/10001, 2016/0368010). This non-objection regulation deferred until December 31, 2016 the increase in the rate of value added tax on photo books in Germany from 7 % to 19 %. This rise was originally due to come into effect on December 25, 2015. The regulation in question is now no longer applicable. Accordingly, since January 1, 2017 photo books have been subject to a 19 % rate of value added tax, instead of the previous 7 % rate. On the basis of the higher rate of value added tax, CEWE currently assumes an EBIT burden of between 0 euros and a high seven-digit figure at the most, e.g. due to a possible fall in demand resulting from consumer price increases.

CEWE is also well placed in its newly added business unit Online Printing, with CEWE-PRINT, Saxoprint and Viaprinto. As a rule, Online Printing production is subject to the risk of outages. This risk is countered by means of organisational and technological measures.

In regard to our suppliers of photographic paper, volumes have been consolidated with one main supplier and safeguarded through a long-term contract; however, alternative suppliers are also present on the market. There are also other attractive providers of paper for digital printing. The risks on the supply side are therefore seen as slight.

The purchasing risk for investment goods and photography bags has been reduced through new suppliers and a risk-oriented selection of suppliers. In general, alternative suppliers for strategic articles have been established in view of risk considerations.

The significance of major customers continues to rise due to increasing concentration within the Retail business unit. The fact that CEWE's five largest customers account for a turnover share of less than 28 % with their individual distribution channels should be positively emphasised by comparison with other companies. Nonetheless, a medium-level risk still applies in relation to the loss of major customers. This is offset by an increasing share of direct business with consumers in several of CEWE's markets.

In the area of environmental risk, which is regularly monitored by means of internal checks at all of the company's production plants, once again no violations of environmental standards were reported in 2016; this risk is classified as low.

The CEWE Group depends on a large number of IT systems. The ongoing integration of IT systems in the company's business processes enhances the status of IT. Dependency on the availability and quality of data poses a medium level of risk potential. The non-availability of commercial or technical IT systems and applications may directly affect production or the company's logistics department. To minimise these risks, the CEWE Group has stable and generally redundant IT systems for specific users, back-up procedures, virus and access protection systems, encryption systems and

integrated IT infrastructures and applications which are standardised throughout the Group. In the past financial year, the Group's commercial and technical IT systems were once again audited by external audit firms, to achieve further improvements in IT security and for increased efficiency.

The skills and commitment of all of our employees are critical to the successful development of the CEWE Group. There is a risk of the company losing good personnel and failing to recruit a sufficient number of specialist staff. To reinforce and strengthen these factors, CEWE has implemented a large number of personnel measures, also in response to the process of demographic change. These include an interesting range of initial and advanced training courses, attractive benefits and a performance-oriented remuneration package, as well as our "Balancing family and career needs" project. Human resources activities also focus on support for female employees. For key positions especially, stand-in and succession planning arrangements are regularly analysed, so as to appoint new junior executives in good time.

Operational risks resulting from the failure of machinery are seen as medium-level risks, due to back-up facilities at other plants.

Thanks to the support of a large number of transport companies, the logistics risk is seen as limited.

Financial risks

Reporting on the use of financial instruments is integrated within the general report on risks and opportunities, to ensure the uniform presentation of this information.

The management of liquidity, currency and interest rate risks and marketing of silver are handled by the CEWE Group's Central Services, in close coordination with the responsible departments of the respective Group companies. The Group's operating companies are responsible for the management and supervision of default risks; here too, the Group's Central Services maintain a close dialogue with the affected departments of the Group's companies, which is characterised by intensive information sharing.

Liquidity risks resulting from fluctuating cash flows are identified early on within the scope of CEWE's liquidity planning. The Group's use of liquid resources is optimised by means of cash pools as well as supplementary cash management measures. Due to its solid credit rating and the credit lines which its banks have granted with binding effect, CEWE has access to extensive liquid resources. The organisation of external and internal payment transactions and the structure of its credit facilities are tailored to the extremely seasonal nature of its business and the related cash flow. CEWE generally negotiates credit agreements with its partner banks and concludes new ones in good time prior to the expiry of its old agreements. It thus maintains its extensive credit facilities and secures long-term, staggered durations and lending conditions in keeping with its solid credit rating.

In terms of its currency risks, exchange rate fluctuations have only a very limited effect on CEWE's competitiveness and earnings. The overwhelming portion of the Group's operating business is handled in the euro. Functional currencies of the Group other than the euro account for a good third of its volume of business. Almost all of the Group's foreign currencies relate to local production plants with same-currency cash flows (natural hedge). Nonetheless, a medium-level risk applies for CEWE here.

Currency risks also apply due to translation at the year-end rate into the functional currency of the respective foreign company for trade receivables and payables and other monetary items within the meaning of IAS 21. Overall, these possible cash risks are of minor significance. More extensive currency risks apply within the scope of measurement for consolidation (translation risks) and are not relevant for cash purposes. In line with this risk structure, CEWE does not use derivative instruments for hedging purposes or only uses them very rarely.

For CEWE, interest rate risks may arise due to potential fluctuations in the market interest rate. In principle, these risks may be significant for all of its assets (impairment tests for customer relationships, technologies and brands as well as goodwill) and debt positions (such as pension commitments and variable interest-rate financial liabilities), with a material impact on valuations and earnings from the point of view of interest rates. For the Group's financial positions, the risks are of very minor significance due to the financing structure and the strong seasonal fluctuations in net financial liabilities. Interest rate fluctuations resulting from revised credit risk premiums have

been reduced through fixed-rate loans entered into on a long-term basis, fixed margins as well as CEWE's solid long-term credit rating. The Group's solid equity ratio and the medium-term fixed-rate loans which it has drawn down strongly reduce the risk-related variable interest-rate risk segment. Here, the seasonal cash inflow also further minimises risk, since it strongly reduces or even eliminates the Group's variable financing requirement for roughly half of the year. During phases in which CEWE's growing cash position reduces or even eliminates financial liabilities through fully drawn-down loans, the interest rate risk thus only refers to the margin between the debit and credit interest rate. Moreover, in the area of interest rate risks on account of the prevailing risk structure derivative instruments are not used for hedging purposes or are only used very rarely.

In the area of film development (analogue photography) and the development of pictures on photographic paper (analogue and digital photography), silver residues are recovered by means of electrolytic procedures. The pure silver which results from this recycling process can be sold on the open market. CEWE does not pursue any other raw materials trading or resale transactions. The potential for silver recovery has also decreased significantly, due to the strong decrease in the volume of analogue photography as well as changes in photo products. This is significantly reducing the relevance of the income obtained from sales of silver. Pricing on the market for pure silver is determined by means of a precious metal's value preservation function as well as its use as an industrial metal and for jewellery. Due to the costs of possible cover transactions and the company's declared avoidance of speculative measures, derivative instruments are not used for hedging purposes or else only used very rarely.

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

Legal risks

Material legal risks include potential violations of legal regulations or internal guidelines. Malicious acts such as theft, fraud, breach of trust, embezzlement and corruption may result in significant material damage as well as damage to the company's image. CEWE uses various instruments to deal with these risks. These include its corporate governance system, its internal control system, its internal audit system and its Group controlling function.

Medium-level or significant legal risks from ongoing proceedings or other disputes are not apparent at the present time. Sufficient provision has been made to cover litigation risks resulting from current business transactions by means of appropriate accruals; this will not be discussed in any further depth here.

In the event of the theft of customer data and thus non-compliance with applicable data protection legislation, there is a risk of liability claims under civil law, fines, loss of customers and damage to the company's reputation. No such cases have resulted to date.

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 Photofinishing, Retail and Commercial Online Printing, 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 2017. The following report on opportunities therefore concentrates on events which may potentially result in a positive deviation from these planning figures.

Opportunities in the Photofinishing business unit

CEWE sees relatively minor opportunities (less than 500 thousand euros) in additional income from further turnover increases provided by new ordering applications for mobile devices, should these gain even stronger acceptance among end-consumers than currently envisaged.

Opportunities in the Retail business unit

CEWE operates around 143 stores through its own Retail operations in Norway, Sweden, Poland, the Czech Republic and Slovakia. In the past two years, CEWE has changed over its web shops in Norway, Sweden and Poland to IBM WebSphere Commerce. With further optimisation of these applications and increased distribution of this solution, CEWE sees potential opportunities for further increases in turnover and income in the online segment.

Opportunities in the Commercial Online Printing business unit

Through Saxoprint and CEWE-PRINT, CEWE is also expanding into neighbouring European countries in its Commercial Online Printing business unit. If these new portals realise a better launch than has been assumed in CEWE's planning, the volume of turnover may develop more favourably than planned.

Tax opportunities

In a tax discussion with the tax authorities which has been ongoing for some years now and which concerns the recognition for tax purposes of expenses resulting from a debt waiver in relation to a foreign CEWE company – these expenses have been fully set aside – a positive ruling for CEWE offered the opportunity of a one-off positive increase in earnings amounting to a few million euros. This tax opportunity was realised in the third quarter of 2016, in the form of a tax refund incl. interest in the amount of 2.8 million euros, and has improved CEWE's tax result and financial result accordingly.

Report on expected developments

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

In its Photofinishing business unit, CEWE continues to focus on expanding its CEWE PHOTOBOOK brand – positioned in the premium segment – in all of the other European countries supplied by CEWE as well as its core markets of Germany, Switzerland and Austria. Since 2013, other product brands – CEWE CALENDARS, CEWE CARDS and CEWE WALL ART – have now been marketed with the same positioning alongside the well-established CEWE PHOTOBOOK. The goal is to exploit the positive consumer response to CEWE PHOTOBOOK and its strong brand profile for the benefit of these other product groups. The advantages relating to product differentiation that are associated with the performance and quality standards maintained by the CEWE brand will be progressively exploited with respect to a growing product portfolio. This will also raise advertising efficiency and allow CEWE products to be “pre-sold” to consumers – a system that also benefits CEWE's business partners.

(2) Development of Commercial Online Printing

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

(3) Development of options for future business units

Through targeted equity investments in young companies, too, CEWE intends to continue to develop new future business units in line with its model for Commercial Online Printing. 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. Particularly through its interest in the High-Tech Gründerfonds (HTGF II) seed investor launched by the German government, CEWE gains a good overview of start-ups and potential investments. CEWE is already building the foundations for its next wave of development. The start of this process is CEWE's investments in the German government's risk capital funds for young technology companies and also the Capnamic fund. To start off with, these investments are limited. However, if a company's development is promising and it fits well with CEWE, CEWE may increase its shareholding. The acquisition of companies at later stages of development, the establishment of new business units and the ongoing development of existing business units are also possible.

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. The current goal is to ensure the ongoing development of the new business unit Commercial Online Printing and to strengthen CEWE's Photofinishing brands. This requires virtually all of the management capacities of the CEWE Group.

Ongoing work on technological foundations

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

Constant innovation also includes products and services

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

Global economy: stronger growth rate envisaged

The International Monetary Fund (IMF) predicts a stronger rate of growth in 2017 and 2018 than in previous years. Global gross domestic product is expected to pick up by 3.4 % in 2017 and by 3.6 % in 2018 (2016: 3.1 %). According to the IMF's forecast, the developed economies will also achieve faster growth than in the previous year (1.6 %): the experts anticipate growth of 1.9 % in 2017 and of 2.0 % in 2018. According to the current assessment, the emerging markets will even achieve growth of 4.5 % (2017) and 4.8 % (2018) (2016: 4.1 %). For the Eurozone, at +1.6 % in 2017 and 2018 the IMF predicts a growth rate similar to that in 2016 (1.7 %). For Germany, the IMF envisages growth of 1.5 % in each of these years, which is slightly weaker than in 2016 (1.7 %).

Assessment of CEWE's management regarding the overall economic conditions

Europe's overall economic environment has continued to improve, even though a moderate rate of growth is in prospect in 2017 and 2018. In CEWE's key Central European markets, the trend of a moderate rise in private consumer spending is likely to continue, since real disposable incomes should pick up further due to rising real wages and low inflation and the situation on the labour markets should improve slightly. In Germany, private consumption will remain the key growth engine for the economy, but in the view of the company's management the level of correlation with demand for CEWE products remains slight.

In view of the moderate growth momentum and the low price pressure due to energy prices in particular, the European Central Bank (ECB) is likely to continue to support the economy through its expansionary monetary policy measures. Debt financing terms for companies are therefore unlikely to deteriorate significantly. However, due to its extremely solid financing structure, with an equity ratio in excess of 50 %, CEWE is capable of financing both organic and inorganic growth through its own resources. The management does not expect the company's outstanding receivables to result in any significant burdens since receivables from business partners are largely hedged through loan insurance policies.

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

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

Photofinishing will realise further slight growth in future

CEWE is encouraging value-added products' growing market share in order to offset the decline of photos produced by means of the traditional chemical silver halide process. Aside from the very well advanced decline in analogue photos printed from film, this also encompasses the decrease in individual photos from digital files. Thanks to CEWE PHOTOBOOK, the European market leader, as well as its other value-added products and its strong Internet expertise, CEWE is in an excellent position to actively promote this change and conceivably even to benefit from it. The upshot of this is that the trend of value-added products should continue to strengthen Photofinishing in 2017 and offers the prospect of stable and possibly slightly increasing margins.

Seasonal migration to the fourth quarter likely to remain intact

The second and third quarters – previously the core season – are continuing to decline in significance in relation to the trend for the year as a whole. The growing significance of the fourth quarter for annual business compensates for this fact. Sales of higher-margin

value-added products are increasingly focusing on the fourth quarter. This trend in CEWE's core Photofinishing business unit has persisted for a number of years and is thus shaping global strategy for the Group as a whole. Commercial Online Printing will only moderately offset this trend: Commercial Online Printing business is also focused on the fourth quarter, albeit to a lesser degree. This is attributable to the advertising materials for CEWE's printing customers' Christmas business. These orders are mainly placed at the start of the fourth quarter.

Retail continues to focus on earnings growth

In 2016, the Retail business unit once again provided a turnover contribution of more than 30 million euros for the Photofinishing business unit through sales of CEWE photo products. Following two years of a negative earnings situation, the Retail business unit moved beyond this loss-making situation in 2016. In principle, the management expects that in 2017 it will be able to safeguard the profitability of the Retail segment, so as to maintain this marketing channel for 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.

CEWE's Retail business unit is responsible for making the necessary adjustments in line with a weak market trend (e.g. due to the decline in the reflex camera market). Accordingly, CEWE will continue to tackle the Retail business unit from two different angles: costs will be further adjusted in line with the turnover trend, while turnover will be supported through targeted measures. In principle, the management expects that in 2017 it will be able to further improve the profitability of the Retail business unit, so as to maintain this marketing channel for CEWE photo products. Turnover and earnings for these photofinishing products – which CEWE distributes through its own retail operations – are reported in the Photofinishing business unit.

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

At CEWE, Commercial Online Printing offers the customer a series of advantages: increased quality from state-of-the-art large-scale printing plants, whose consistent quality is generally superior to stationary printing firms, and also time savings thanks to user-friendly Internet ordering, fast production and rapid delivery. Customers are also able to produce low-price and demand-oriented small print runs, using CEWE's digital printing capacities. Consumers are keen to realise these advantages regardless of the overall economic situation, perhaps even more so in difficult economic times. In 2017, the management therefore once again expects the Commercial Online Printing business unit to deliver a turnover trend which will be largely independent of the general economic situation. Profitability is now more important than growth.

Commercial Online Printing to increase its bottom line

The marketing expenses necessary for the development of Commercial Online Printing had previously had a significant impact on this business unit's profit and loss account and given rise to a negative result up to 2015. CEWE exploited the strong profitability of its established Photofinishing business unit for rapid and steadfast expansion of its high-potential Commercial Online Printing business unit. In 2016, the volume of turnover achieved supported this level of marketing expenses for the first time, and Commercial Online Printing

ended the financial year with a clearly positive result. Moreover, the result for the Commercial Online Printing business unit currently still includes non-operating expenses which must be recognised in accordance with IFRS rules on account of the purchase price allocation for the company's acquisition of Saxoprint (for the financial year 2017, still approx. 0.7 million euros overall). Most of this special charge will cease to apply in late 2017, following a depreciation period of five years, thus further improving the company's earnings situation. For the year 2017, CEWE's management is confident that Commercial Online Printing will be able to continue to provide a positive contribution to consolidated income.

Higher rate of value added tax on photo books in Germany applicable from 2017

A non-objection regulation deferred until December 31, 2016 the increase in the rate of value added tax on photo books in Germany from 7 % to 19 %. This rise was originally due to come into effect on December 25, 2015. The regulation in question is now no longer applicable. Accordingly, since January 1, 2017 photo books have been subject to a 19 % rate of value added tax, instead of the previous 7 % rate. On the basis of the higher rate of value added tax, CEWE currently assumes an EBIT burden of between 0 euros and a high seven-digit figure at the most, e. g. due to a possible fall in demand resulting from consumer price increases.

EBIT earnings target range in 2017: +5 million euros

Despite the increased rate of value added tax on photo books, on average Group turnover will increase slightly in 2017, from 593.1 million euros in the previous year, 2016, to between 585 million euros and 615 million euros. The turnover trend in Photofinishing will be roughly stable or pick up slightly, while turnover in the Retail business unit will be more or less constant or else decrease slightly and Commercial Online Printing will achieve further turnover growth in most markets, with the possible exception of the British market following the Brexit decision (cf. the "Commercial Online Printing business unit" chapter).

Group EBIT will fall within a range of between 45 million euros and 51 million euros, the EBT figure will amount to between 44.5 million euros and 50.5 million euros and earnings after tax to between 30 million euros and 34 million euros.

This corresponds to an increase of approx. 5 million euros in the scope of the operating EBIT results by comparison with the goals for 2016.

The ROCE should nonetheless decline, since a further increase in the average level of capital employed included in this calculation may be expected.

The investments planned for 2017 will amount to approx. 55 million euros.

Minimum goal of dividend continuity

In general, CEWE pursues the goal of dividend continuity where this appears appropriate in view of the company's economic situation and the available investment opportunities. At the same time, the company's shareholders are to share in increased income. This policy clearly focuses on the absolute dividend value, with the payout ratio as a secondary element.

| Goal for 2017 CEWE Group | | | Change on previous year |
|-------------------------------------|----------------|-------------------|----------------------------|
| Digital photos | 2.08 to 2.18 | billion units | -4 % to 0 % |
| Photos from film | 0.040 to 0.045 | billion units | -29 % to -20 % |
| Total volume of photos | 2.12 to 2.23 | billion units | -5 % to 0 % |
| CEWE PHOTOBOOKS | 6.00 to 6.25 | million units | -3 % to +1 % |
| Investments* | 55 | millions of euros | — |
| Turnover | 585 to 615 | millions of euros | 1 % to +4 % |
| EBIT | 45 to 51 | millions of euros | -4 % to +8 % |
| Earnings before taxes (EBT) | 44.5 to 50.5 | millions of euros | -4 % to +9 % |
| Earnings after tax | 30 to 34 | millions of euros | 0 % to +13 % |
| Earnings per share | 4.23 to 4.81 | euro/share | 0 % to +14 % |

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

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Corporate governance report

CEWE largely complies with the stringent German standards

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

The Board of Management and the Supervisory Board have long subscribed to the principles of modern corporate governance. In view of the significance of these principles for investors, customers and employees especially, the Board of Management member Mr Andreas F. L. Heydemann served as CEWE’s Corporate Governance Officer in the period from early 2009 up to the end of 2015. He was succeeded in this role as of January 1, 2016 by Mr Oliver Thomsen, the head of the company’s Legal department, who reports directly to the Board of Management and the Supervisory Board.

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

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

We regularly monitor implementation of the Corporate Governance Code and adjust our related policies in line with current developments. On its website <http://ir.cewe.de/cgi-bin/show.ssp?companyName=cewe&language=English&id=6000> CEWE Stiftung & Co. KGaA transparently sets out its approach in relation to its corporate governance principles.

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

Declaration of conformity in accordance with § 161 of the German Stock Corporation Act (Aktengesetz – AktG) for the financial year 2016

The Board of Management of Neumüller CEWE COLOR Stiftung as the general partner and the Supervisory Board of CEWE Stiftung & Co. KGaA declare that since they presented their last declaration of conformity in February 2016 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, following their publication on June 12, 2015, and will continue to do so in future, with the following exception:

Standard limit for period of membership on the Supervisory Board (deviation from item 5.4.2 (2))

Fixing a standard period of membership 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.

Board of Management and Supervisory Board and their relationship

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

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

The competences of the Supervisory Board are also laid down in its rules of procedure. A key task of the Supervisory Board is its review

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

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

Diversity

Items 4.1.5, 5.1.2 and 5.4.1 of the German Corporate Governance Code, as amended on May 5, 2015, deal with the issue of diversity in terms of appointments to the Supervisory Board, the Board of Management and the company's executives. Within the scope of sound corporate governance, the management and the Supervisory Board of CEWE Stiftung & Co. KGaA have considered this issue in detail:

Makeup of the Supervisory Board

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

- The Supervisory Board of CEWE Stiftung & Co. KGaA traditionally comprises members with international experience.
- None of the members of the current Supervisory Board of CEWE Stiftung & Co. KGaA has any conflicts of interest.
- An age limit is stipulated for the members of the Supervisory Board of CEWE Stiftung & Co. KGaA in § 2.1 of the rules of procedure;

however, a standard period of membership is not specified.

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

Makeup of the Board of Management

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

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

Appointments to management positions

In compliance with item 4.1.5 of the German Corporate Governance Code, CEWE Stiftung & Co. KGaA has already implemented a large number of measures which are intended to promote diversity – in particular, a greater share of women – in management positions (see page 159).

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

- Flexible work time models
- 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.

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/cgi-bin/show.ssp?companyName=cewe&language=English&id=0> 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 well as an annual analysts’ conference, the company holds roadshows and telephone conferences for analysts as of the publication of its quarterly figures.

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

and voting instructions service for the company's general meetings. The general meeting votes on all of the matters referred to it.

The most recent general meeting of CEWE Stiftung & Co. KGaA took place on June 1, 2016.

Report on remuneration

In regard to the remuneration received by the Board of Management and the Supervisory Board in the financial year 2016, please see the detailed report on remuneration which is included as a component of the consolidated management report on pages 136 ff.

Disclosures regarding stock option plans

The 2010 Stock Option Plan approved by CEWE COLOR Holding AG through the resolution passed by its general meeting held on June 30, 2005 expired on May 31, 2015. On the basis of the resolution passed by the general meeting on June 4, 2014, on September 1, 2014 the Board of Management approved the Stock Option Plan (SOP 2014), as did the Supervisory Board of CEWE Stiftung & Co. KGaA on September 10, 2014 and the Board of Trustees of the managing partner

Neumüller CEWE COLOR Stiftung on September 11, 2014; in 2015, the Stock Option Plan (SOP 2015) was added (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). Finally, in the year under review the Stock Option Plan 2016 (SOP 2016) was approved (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). All of these programmes have the same structure. These options were offered at the highest level of the Group's management, in Germany and other countries, at a premium of 0.50 euros per option. Overall, in the Stock Option Plan 2016 9,600 options were awarded to the members of the Board of Management (SOP 2015: 10,800) and 97,100 options to the company's other executives (SOP 2015: 92,920). 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 % of the underlying price on ten consecutive stock exchange trading days. Each Stock Option Plan has a term of five years. The key details of the Stock Option Plans are as follows:

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 www.cewe.de

| Key details of the Stock Option Plans 2014, 2015 and 2016 | Start of term | End of waiting period | End of term | Underlying price <i>in euros</i> | Performance target <i>in euros</i> |
|--|-----------------|-----------------------|-------------------|-------------------------------------|---------------------------------------|
| SOP 2016 | January 1, 2017 | December 31, 2020 | December 31, 2021 | 74.00 | 92.50 |
| SOP 2015 | January 1, 2016 | December 31, 2019 | December 31, 2020 | 52.00 | 62.40 |
| SOP 2014 | January 1, 2015 | December 31, 2018 | December 31, 2019 | 53.00 | 63.60 |

Transparent communication

To ensure the highest possible level of transparency, the aim is for all of the target groups to be provided with the same information, at the same time. Both institutional investors and private investors are able to obtain timely information online on current developments within the Group. All press releases and ad hoc releases and the articles of association of the company are published on its website www.cewe.de. 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, 2016, the shares held by all of the members of the Board of Management and the Supervisory Board in CEWE Stiftung & Co. KGaA amounted to 63,299 of the total shares issued by the company. 62,550 shares are held by members of the Board of Management and 749 shares are held by members of the Supervisory Board.

Disclosures regarding directors' dealings

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

their close associates are required to disclose their dealings for own account in shares or related financial instruments, insofar as the total securities transactions which a person with management responsibilities and his close associates enter into equal or exceed an amount of not less than 5,000.00 euros in a given calendar year. Details of notifiable securities transactions entered into in the year under review, 2016, and up to the present day are provided on the company's website www.cewe.de.

Accounting and auditing

BDO AG, Wirtschaftsprüfungsgesellschaft, Hamburg, has been appointed as the auditor for the annual accounts and for the semi-annual financial report 2016 of CEWE Stiftung & Co. KGaA for the past financial year. The auditor will notify the Chairman of the Supervisory Board immediately of any grounds for bias or disqualification arising in the course of the audit. Moreover, the auditor will immediately report on any key incidents and findings resulting during his audit which are of material significance for the tasks of the Supervisory Board. The auditor will also notify the Supervisory Board in the event of discovering in the course of his audit facts which are not compatible with the declaration of conformity submitted by the Board of Management and the Supervisory Board in accordance with § 161 AktG.

Compliance

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

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

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

The company has also appointed an external lawyer as an ombudsman. Employees and also third parties may contact this person to point out possible violations of the law or policy violations within Group companies. The ombudsman has not been notified of any suspicious cases during the reporting period. 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 indicated in the risk report.

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 which are set out in further detail below:

- 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 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 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 regularly undergo impairment tests.

Moreover, all of the Group’s companies and profit centres regularly undergo “external auditing” in the areas of finance and accounting, IT, technical security and insurance policies as well as further “internal auditing” for other functional competences.

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

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

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

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

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

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

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

ACQUISITION-RELATED DISCLOSURES

Disclosures in accordance with § 315 (4) of the German Commercial Code (Handelsgesetzbuch – HGB)

Composition of subscribed capital, restrictions relating to voting rights or the transfer of shares (§ 315 (4) nos. 1 and 2 HGB).

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

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

Shares issued to employees within the scope of employee share programmes must be held up to the end of the year following their transfer. For the year under review, a total of 8,445 shares are affected.

The company is not aware of any more extensive restrictions of voting rights or transfer restrictions within the meaning of § 315 (4) no. 2 HGB.

Direct or indirect equity investments (§ 315 (4) 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. Neumüller, Oldenburg) | direct | 27.4 % |
| Neumüller Beteiligungsgesellschaft mbH, Oldenburg (heirs of Senator h. c. Neumüller, Oldenburg) | indirect | 27.4 % |

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

There are no shares conferring special rights.

Form of control of voting rights in case of employee participation (§ 315 (4) 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 (§ 315 (4) 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 (§ 315 (4) no. 7 HGB)

In accordance with the resolution passed by the general meeting on June 4, 2014, in the period to June 3, 2017 the company is authorised to acquire up to 10 % of its share capital, in total, as of the time of this resolution. 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;
- 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.

- The Supervisory Board is authorised pursuant to the resolution passed by the general meeting on June 4, 2014 to offer treasury shares purchased under this authorisation or a previous authorisation to the members of the Board of Management and the management of Neumüller CEWE COLOR Stiftung for purchase, as share-based remuneration, or to promise these shares or transfer them with a lockup period of not less than one year. The Supervisory Board will specify the details of share-based remuneration for the members of the Board of Management.

Material agreements which are subject to a change of control due to a takeover offer (§ 315 (4) 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 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 (§ 315 (4) 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.

REPORT ON REMUNERATION

In accordance with applicable legal requirements (§§ 285 (1) no. 9, 289 (2) no. 5, 314 (1) no. 6 and 315 (2) no. 4 of the German Commercial Code) and the recommendations of the German Corporate Governance Code (GCGC), as amended on May 5, 2015, the report on remuneration sets out the basic features of the remuneration system for the Board of Management of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA and its Supervisory Board. The individual remuneration packages of the members of the Board of Management and Supervisory Board are also presented and commented on. In the year under review and the previous year, no external remuneration expert was consulted for an assessment of the appropriateness of the remuneration received by the Board of Management and the Supervisory Board.

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

With effect as of January 1, 2016, Dr Christian Friege and Mr Patrick Berkhouwer were appointed to the Board of Management of Neumüller CEWE COLOR Stiftung. On the other hand, Mr Andreas F. L. Heydemann and Mr Harald Pirwitz had resigned from the Board of Management as of December 31, 2015.

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. It thereby complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG).

Elements of the Board of Management's remuneration system

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

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

In terms of its annual and multi-year shares (bonus I and bonus II), the bonus is based on earnings before taxes (EBT) as well as depreciation on property, plant and equipment and amortisation on intangible assets of the CEWE Group. Overall, it is limited to a maximum of 100 % of the fixed remuneration in a given year. Moreover, this only includes bonus shares which are relevant for depreciation purposes and which have been earned through earnings before tax (earned depreciation). A multi-year assessment basis for the variable remuneration components is established in that only 80 % of the calculated bonus share is paid out to the member of the Board of Management in the next year following the relevant financial year (bonus I). The 20 % remaining amount (bonus II) is credited to an account held by a personal bonus bank. This bonus bank balance is retained for the multi-year term of the contract of the respective member of the Board of Management. It attracts interest at a rate of 5.0 % p. a. and will be paid out at the end of the period, including this credited interest. Negative earnings before tax which exceed the level of annual depreciation will result in a negative bonus amount that will be deducted from the personal bonus bank account of the respective member of the Board of Management. Accordingly, the final balance of the bonus bank account upon expiry of the term of the Board of Management member's contract will only be paid out in case of a positive balance. In the event of the premature retirement of the respective member of the Board of Management, pro rata payment rules apply. Extraordinary developments (such as the disposal of shares in the company

and the realisation of hidden reserves) are not included in the calculation of bonus I and bonus II. In the event of a deterioration in the position of CEWE Stiftung & Co. KGaA, Neumüller CEWE COLOR Stiftung may reduce these amounts appropriately, if their continued grant would otherwise be unreasonable.

Stock option plans were established in 2014, 2015 and 2016 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 and SOP 2016) 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 and SOP 2016 plans, in line with their respective entitlements. The underlying prices, the performance targets and the fair value of the options within the scope of the currently applicable option programmes are as indicated below; for further details of the programmes, please see pages 211 ff.

 Page 211 ff. | Stock option plans D53

| Stock option plans fair values, underlying prices and performance targets | Number of participants | Number of rights issued | Fair value EUR/opt. | Fair value in euros | Underlying price EUR/opt. | Performance premium | Performance target EUR/opt. |
|--|---------------------------|----------------------------|------------------------|------------------------|------------------------------|------------------------|-----------------------------------|
| SOP 2016 | 8 | 9,600 | 18.06 | 173,376.00 | 74.00 | 125 % | 92.50 |
| SOP 2015 | 9 | 10,800 | 9.16 | 98,928.00 | 52.00 | 120 % | 62.40 |
| SOP 2014 | 9 | 10,800 | 7.10 | 76,680.00 | 53.00 | 120 % | 63.60 |

The company has taken out a Group financial loss liability insurance policy for all of the members of the Board of Management, the managing directors and the executives of the CEWE Group, both in Germany and in other countries. This policy is concluded or extended annually. This insurance covers the personal liability risk in the event of this group of persons being sued for financial losses resulting from their activities (D & O insurance). Cover for the members of the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration. The policyholder thus bears 10 % of a potential loss, up to one-and-a-half times their fixed annual remuneration. The individual member of the Board of Management is free to arrange additional cover privately, on their own account. Insurance cover also

applies through a special criminal law insurance policy for all of the company's employees (total annual expenditure: 52 thousand euros, previous year: 52 thousand euros). The company's statutory representatives and the members of its supervisory body are also jointly insured against any violations which they commit, or are alleged to have committed, in the performance of their duties. The company has also taken out an accident insurance policy (total annual expenditure: 6 thousand euros, previous year: 6 thousand euros) for all of its executives. This includes all of the members of the Board of Management.

Individual remuneration of the Board of Management for 2016

In addition to applicable accounting principles, the following presentation of the remuneration paid out in the financial year 2016 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 and variable remuneration in the financial year 2016, amounts to a total of 4,606 thousand euros (previous year: 3,124 thousand euros). The breakdown of these payments is as follows for the individual members of the Board of Management:

| Remuneration granted | Figures in euros | Dr Rolf Hollander Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung | | | | Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung, since January 1, 2016 | | | | Dr Reiner Fageth Head of Technology and R & D, Neumüller CEWE COLOR Stiftung | | | |
|---------------------------------------|------------------|--|----------------|----------------|----------------|---|----------------|----------------|----------------|--|----------------|----------------|----------------|
| | | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 |
| Fixed gross remuneration | | | | | | | | | | | | | |
| Fixed remuneration | | 480,000 | 480,000 | 480,000 | 480,000 | 0 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Side benefits | | 22,550 | 23,497 | 23,497 | 23,497 | 0 | 23,898 | 23,898 | 23,898 | 11,281 | 13,072 | 13,072 | 13,072 |
| Total fixed gross remuneration | | 502,550 | 503,497 | 503,497 | 503,497 | 0 | 263,898 | 263,898 | 263,898 | 251,281 | 253,072 | 253,072 | 253,072 |
| Variable remuneration | | | | | | | | | | | | | |
| One-year variable remuneration | | 246,194 | 309,353 | 0 | 384,000 | 0 | 92,263 | 0 | 192,000 | 73,426 | 92,263 | 0 | 192,000 |
| Multi-year variable remuneration | | | | | | | | | | | | | |
| Bonus bank | | 78,582 | 77,338 | 0 | 96,000 | 0 | 23,066 | 0 | 48,000 | 23,289 | 23,066 | 0 | 48,000 |
| Stock Option Plans 2014–2015 | | 8,520 | 10,992 | 0 | 10,992 | 0 | 10,992 | 0 | 10,992 | 8,520 | 10,992 | 0 | 10,992 |
| Total variable remuneration | | 333,296 | 397,683 | 0 | 490,992 | 0 | 126,321 | 0 | 250,992 | 105,235 | 126,321 | 0 | 250,992 |
| Pension expenses | | 2,000 | 0 | 0 | 0 | 0 | 224,753 | 224,753 | 224,753 | 203,000 | 229,323 | 229,323 | 229,323 |
| Total remuneration (GCGC) | | 837,846 | 901,180 | 503,497 | 994,489 | 0 | 614,972 | 488,651 | 739,643 | 559,516 | 608,716 | 482,395 | 733,387 |

| Remuneration granted | Figures in euros | Dr Christian Friege Head of National and International Distribution, Neumüller CEWE COLOR Stiftung, since January 1, 2016 | | | | Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung | | | | Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung | | | |
|---------------------------------------|------------------|--|----------------|----------------|----------------|---|----------------|----------------|----------------|---|----------------|----------------|----------------|
| | | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 |
| Fixed gross remuneration | | | | | | | | | | | | | |
| Fixed remuneration | | 0 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Side benefits | | 0 | 8,304 | 8,304 | 8,304 | 10,779 | 10,779 | 10,779 | 10,779 | 11,972 | 11,972 | 11,972 | 11,972 |
| Total fixed gross remuneration | | 0 | 248,304 | 248,304 | 248,304 | 250,779 | 250,779 | 250,779 | 250,779 | 251,972 | 251,972 | 251,972 | 251,972 |
| Variable remuneration | | | | | | | | | | | | | |
| One-year variable remuneration | | 0 | 92,263 | 0 | 192,000 | 73,426 | 92,263 | 0 | 192,000 | 73,426 | 92,263 | 0 | 192,000 |
| Multi-year variable remuneration | | | | | | | | | | | | | |
| Bonus bank | | 0 | 23,066 | 0 | 48,000 | 23,501 | 23,066 | 0 | 48,000 | 23,289 | 23,066 | 0 | 48,000 |
| Stock Option Plans 2014–2015 | | 0 | 0 | 0 | 0 | 8,520 | 10,992 | 0 | 10,992 | 8,520 | 10,992 | 0 | 10,992 |
| Total variable remuneration | | 0 | 115,329 | 0 | 240,000 | 105,447 | 126,321 | 0 | 250,992 | 105,235 | 126,321 | 0 | 250,992 |
| Pension expenses | | 0 | 216,054 | 216,054 | 216,054 | 191,000 | 206,817 | 206,817 | 206,817 | 205,500 | 235,240 | 235,240 | 235,240 |
| Total remuneration (GCGC) | | 0 | 579,687 | 464,358 | 704,358 | 547,226 | 583,917 | 457,596 | 708,588 | 562,707 | 613,533 | 487,212 | 738,204 |

| | Figures in euros | Thomas Mehls Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung | | | | Frank Zweigle Head of Administration, Neumüller CEWE COLOR Stiftung | | | | TOTAL Remuneration granted Board of Management of Neumüller CEWE COLOR Stiftung | | | |
|---------------------------------------|------------------|--|----------------|----------------|----------------|---|---------------|---------------|---------------|---|------------------|------------------|------------------|
| | | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 |
| Remuneration granted | | | | | | | | | | | | | |
| Fixed gross remuneration | | | | | | | | | | | | | |
| Fixed remuneration | | 240,000 | 240,000 | 240,000 | 240,000 | 48,000 | 84,000 | 84,000 | 84,000 | 1,488,000 | 2,004,000 | 2,004,000 | 2,004,000 |
| Side benefits | | 12,178 | 14,172 | 14,172 | 14,172 | 2,405 | 4,294 | 4,294 | 4,294 | 71,165 | 109,988 | 109,988 | 109,988 |
| Total fixed gross remuneration | | 252,178 | 254,172 | 254,172 | 254,172 | 50,405 | 88,294 | 88,294 | 88,294 | 1,559,165 | 2,113,988 | 2,113,988 | 2,113,988 |
| Variable remuneration | | | | | | | | | | | | | |
| One-year variable remuneration | | 73,426 | 92,263 | 0 | 192,000 | 0 | 0 | 0 | 0 | 539,898 | 862,931 | 0 | 1,536,000 |
| Multi-year variable remuneration | | | | | | | | | | | | | |
| Bonus bank | | 23,713 | 23,066 | 0 | 48,000 | 0 | 0 | 0 | 0 | 172,374 | 215,734 | 0 | 384,000 |
| Stock Option Plans 2014–2015 | | 8,520 | 10,992 | 0 | 10,992 | 8,520 | 10,992 | 0 | 10,992 | 51,120 | 76,944 | 0 | 76,944 |
| Total variable remuneration | | 105,659 | 126,321 | 0 | 250,992 | 8,520 | 10,992 | 0 | 10,992 | 763,392 | 1,155,609 | 0 | 1,996,944 |
| Pension expenses | | 200,000 | 224,135 | 224,135 | 224,135 | 0 | 0 | 0 | 0 | 801,500 | 1,336,322 | 1,336,322 | 1,336,322 |
| Total remuneration (GCGC) | | 557,837 | 604,628 | 478,307 | 729,299 | 58,925 | 99,286 | 88,294 | 99,286 | 3,124,057 | 4,605,919 | 3,450,310 | 5,447,254 |

Fixed remuneration for the members of the Board of Management in office as of December 31, 2016 will remain unchanged for the terms of their respective contracts. Mr Zweigle is exclusively granted fixed remuneration; he is not a beneficiary of a bonus bank scheme or of a pension commitment as is normally granted for Board of Management members. Dr Christian Friege and Mr Patrick Berkhouwer were appointed to the Board of Management of Neumüller CEWE COLOR Stiftung with effect as of January 1, 2016. Side benefits include the costs or the benefit in money's worth associated with provision of a company car, the conclusion of insurance policies and temporary housing and relocation costs.

In the year under review, the variable, performance-related remuneration for the active members of the Board of Management totalled 1,156 thousand euros and was thus 59.2 % higher than in the previous year (763 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 2016, which is paid out in 2017 (bonus I), will amount to 862 thousand euros and thus exceed the figure for 2016 (539 thousand euros) by 59.8 %.

A total of 216 thousand euros (previous year: 172 thousand euros) has been paid over to the bonus bank accounts, i. e. the accounts holding the remuneration comprising bonus II. As of December 31, 2016, 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 plus discounting (in the event that an obligation applies for a period of more than twelve months):

| Bonus bank <i>in euros</i> | Opening balance Jan. 1, 2015 | Amount added 2015 | Amount paid out 2015 | End balance Dec. 31, 2015 | Amount added 2016 | Reversals 2016 | End balance Dec. 31, 2016 |
|--|---------------------------------|----------------------|-------------------------|------------------------------|----------------------|-------------------|------------------------------|
| Dr Rolf Hollander | 287,109 | 78,582 | -293,702 | 71,989 | 77,338 | -5,055 | 144,273 |
| Patrick Berkhouwer | 0 | 0 | 0 | 0 | 23,066 | 0 | 23,066 |
| Dr Reiner Fageth | 17,000 | 23,289 | 0 | 40,289 | 23,066 | -1,687 | 61,667 |
| Dr Christian Friege | 0 | 0 | 0 | 0 | 23,066 | 0 | 23,066 |
| Carsten Heitkamp | 22,765 | 23,501 | 0 | 46,266 | 23,066 | -2,371 | 66,961 |
| Dr Olaf Holzkämper | 17,000 | 23,289 | 0 | 40,289 | 23,066 | -1,687 | 61,667 |
| Thomas Mehls | 28,529 | 23,713 | 0 | 52,242 | 23,066 | -2,185 | 73,123 |
| Frank Zweigle | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total active members of the Board of Management | 372,403 | 172,374 | -293,702 | 251,075 | 215,733 | -12,985 | 453,823 |

The indicated payout amounts for bonus bank balances include the contractually stipulated amount of interest. Including interest, in the previous year EUR 293,702 was paid to Dr Rolf Hollander.

The following table shows the inflow of cash in or for the financial year 2016 as a result of fixed remuneration, side 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 2016.

In the financial year 2016, the overall remuneration which the active members of the Board of Management of Neumüller CEWE COLOR Stiftung received as fixed and variable components totalled 4,072 thousand euros (previous year: 3,355 thousand euros). The higher variable remuneration figure for the previous year reflects the fact that portions of the Stock Option Plan 2010 were still exercised and paid out in the financial year 2015, and likewise a due bonus bank balance. 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 | Dr Rolf Hollander Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung | | Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung since January 1, 2016 | | Dr Reiner Fageth Head of Technology and R & D, Neumüller CEWE COLOR Stiftung | | Dr Christian Friege Head of National and International Distribution, Neumüller CEWE COLOR Stiftung since January 1, 2016 | | Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung | | Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung | |
|---------------------------------------|---|----------------|---|----------------|---|----------------|---|----------------|--|----------------|--|----------------|
| | <i>Figures in euros</i> | | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Fixed gross remuneration | | | | | | | | | | | | |
| Fixed remuneration | 480,000 | 480,000 | 0 | 240,000 | 240,000 | 240,000 | 0 | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Side benefits | 22,550 | 23,497 | 0 | 23,898 | 11,281 | 13,072 | 0 | 8,304 | 10,779 | 10,779 | 11,972 | 11,972 |
| Total fixed gross remuneration | 502,550 | 503,497 | 0 | 263,898 | 251,281 | 253,072 | 0 | 248,304 | 250,779 | 250,779 | 251,972 | 251,972 |
| Variable remuneration | | | | | | | | | | | | |
| One-year variable remuneration | 219,765 | 246,194 | 0 | 50,000 | 65,544 | 73,426 | 0 | 32,000 | 65,544 | 73,426 | 65,544 | 73,426 |
| Multi-year variable remuneration | | | | | | | | | | | | |
| Bonus bank 2010–2014 | 293,702 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stock Option Plan 2010 | 112,604 | 0 | 0 | 0 | 29,832 | 0 | 0 | 0 | 0 | 0 | 76,464 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total variable remuneration | 626,071 | 246,194 | 0 | 50,000 | 95,376 | 73,426 | 0 | 32,000 | 65,544 | 73,426 | 142,008 | 73,426 |
| Pension expenses | 2,000 | 0 | 0 | 224,753 | 203,000 | 229,323 | 0 | 216,054 | 191,000 | 206,817 | 205,500 | 235,240 |
| Total remuneration (GCGC) | 1,130,621 | 749,691 | 0 | 538,651 | 549,657 | 555,821 | 0 | 496,358 | 507,323 | 531,022 | 599,480 | 560,638 |

| Thomas Mehls Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung | | Frank Zweigle Head of Administration, Neumüller CEWE COLOR Stiftung | | TOTAL Remuneration received Board of Management of Neumüller CEWE COLOR Stiftung | |
|---|---------|--|--------|--|-----------|
| 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| 240,000 | 240,000 | 48,000 | 84,000 | 1,488,000 | 2,004,000 |
| 12,178 | 14,172 | 2,405 | 4,294 | 71,165 | 109,988 |
| 252,178 | 254,172 | 50,405 | 88,294 | 1,559,165 | 2,113,988 |
| 65,544 | 73,426 | 0 | 0 | 481,941 | 621,898 |
| 0 | 0 | 0 | 0 | 293,702 | 0 |
| 0 | 0 | 0 | 0 | 218,900 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 65,544 | 73,426 | 0 | 0 | 994,543 | 621,898 |
| 200,000 | 224,135 | 0 | 0 | 801,500 | 1,336,322 |
| 517,722 | 551,733 | 50,405 | 88,294 | 3,355,208 | 4,072,208 |

The remuneration received from the 2010 Stock Option Plan in 2015 results from the exercise of options. Upon expiry of the waiting period, from June 1, 2014 these options were exercisable for a period of one year; the term of the SOP 2010 ended on May 31, 2015. In accordance with the option terms and the resolutions passed by the Board of Management and the Supervisory Board, these options were exercisable in

the form of a privileged share purchase as well as a cash settlement. Insofar as the option of a cash settlement has been selected, CEWE Stiftung & Co. KGaA has directly fulfilled the payment claims of the option holders; these amounts have been duly declared for tax purposes. If the option of a privileged share purchase has been selected, the due purchase prices have been settled up promptly and in full.

The following situation applies in terms of the options exercised within the scope of the SOP 2010:

| Options exercised Stock Option Plan 2010 Active members of the Board of Management | Number of options Dec. 31, 2014 <i>in units</i> | Exercise in 2015 Shares purchased <i>in units</i> | Exercise in 2015 Cash settlement <i>in units</i> | Exercise in 2015 Total <i>in units</i> | Number of options Dec. 31, 2015 <i>in units</i> | Exercise in 2015 Shares purchased <i>in euros</i> | Exercise in 2015 Cash settlement <i>in euros</i> | Exercise in 2015 Total <i>in euros</i> |
|---|--|---|--|--|---|---|--|--|
| Dr Rolf Hollander | 3,500 | 0 | -3,500 | -3,500 | 0 | 0 | 112,604 | 112,604 |
| Dr Reiner Fageth | 1,000 | -300 | -700 | -1,000 | 0 | 8,820 | 21,012 | 29,832 |
| Carsten Heitkamp | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Andreas F. L. Heydemann | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dr Olaf Holzkämper | 2,500 | -500 | -2,000 | -2,500 | 0 | 14,425 | 62,039 | 76,464 |
| Thomas Mehls | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Harald H. Pirwitz | 1,000 | 0 | -1,000 | -1,000 | 0 | 0 | 30,148 | 30,148 |
| Frank Zweigle | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total active members of the Board of Management | 8,000 | -800 | -7,200 | -8,000 | 0 | 23,245 | 225,803 | 249,048 |

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

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

The members of the Board of Management have vested pension rights. The value of their pension entitlements amounts to two forty-fifths of the last fixed remuneration paid, for each year of their service on the Board of Management of Neumüller CEWE COLOR Stiftung. Overall, their respective pension entitlements are limited to two-thirds of their most recent fixed remuneration. The structure of the pension scheme applies equally for all of the members of the Board of Management of Neumüller CEWE COLOR Stiftung and thus likewise for the members of the Board of Management who were newly appointed as of January 1, 2016, Dr Christian Friege and Patrick Berkhouwer.

In principle, the commitments entered into do not include provision for dependants. However, provision has been made for the dependants of Dr Rolf Hollander, Dr Reiner Fageth, Dr Olaf Holzkämper and Patrick Berkhouwer. This is cost-neutral from an actuarial point of view, through a reduction in old-age benefits by comparison with the arrangements which apply in principle. The service cost for pensions in 2016 is as follows, subject to an actuarial interest rate of 1.70 % (previous year: 2.00 %) and use of the projected unit credit method in accordance with the IFRS.

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

50 % of their respective pensions. Dr Fageth and Dr Holzkämper will receive financially equivalent old-age pensions within the scope of the company's pension scheme, out of an employer-financed support fund. Reinsurance cover applies for these direct commitments and for support fund commitments in the form of insurance contracts.

| Pensions of the Board of Management of Neumüller CEWE COLOR Stiftung <i>in thousands of euros</i> | 2015 | | | | 2016 | | | |
|--|-----------------------------|------------------------------------|---------------------------|-----------------------------------|-----------------------------|------------------------------------|---------------------------|-----------------------------------|
| | Vested pension entitlements | Pension entitlements Dec. 31, 2015 | Service cost for pensions | Provision for pension liabilities | Vested pension entitlements | Pension entitlements Dec. 31, 2016 | Service cost for pensions | Provision for pension liabilities |
| Members of the Board of Management of Neumüller CEWE COLOR Stiftung | | | | | | | | |
| Dr Rolf Hollander (Chairman) | 0 | 312 | 0 | 6,790 | 0 | 312 | 0 | 6,711 |
| Patrick Berkhouwer (since January 1, 2016) | — | — | — | — | 9 | 0 | 201 | 227 |
| Dr Reiner Fageth | 9 | 34 | 201 | 644 | 10 | 34 | 212 | 941 |
| Dr Christian Friege (since January 1, 2016) | — | — | — | — | 11 | 0 | 188 | 217 |
| Carsten Heitkamp | 10 | 21 | 191 | 397 | 12 | 22 | 202 | 622 |
| Dr Olaf Holzkämper | 10 | 25 | 202 | 566 | 9 | 25 | 214 | 870 |
| Thomas Mehls | 10 | 21 | 200 | 421 | 13 | 21 | 214 | 673 |
| Frank Zweigle | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total active members of the Board of Management | 39 | 413 | 794 | 8,818 | 64 | 414 | 1,231 | 10,261 |
| Andreas F. L. Heydemann (to December 31, 2015) | 19 | 97 | 196 | 1,611 | 0 | 97 | 0 | 1,834 |
| Harald H. Pirwitz (to December 31, 2015) | 10 | 110 | 196 | 1,894 | 0 | 110 | 0 | 2,030 |
| Total retired members of the Board of Management | 29 | 207 | 392 | 3,505 | 0 | 207 | 0 | 3,864 |
| Total for CEWE Stiftung & Co. KGaA | 68 | 620 | 1,186 | 12,323 | 64 | 621 | 1,231 | 14,125 |

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 dependents or, in case of survival, as an old-age 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.

| | 2015 | | | 2016 | | |
|--|-----------------------------|------------------------------------|---------------------------|-----------------------------|------------------------------------|---------------------------|
| | Vested pension entitlements | Pension entitlements Dec. 31, 2015 | Service cost for pensions | Vested pension entitlements | Pension entitlements Dec. 31, 2016 | Service cost for pensions |
| Company pension scheme <i>in thousands of euros</i> | | | | | | |
| Members of the Board of Management of Neumüller CEWE COLOR Stiftung | | | | | | |
| Dr Rolf Hollander (Chairman) | 0.0 | 3.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Patrick Berkhouwer (since January 1, 2016) | — | — | — | 0.0 | 0.0 | 0.0 |
| Dr Reiner Fageth | 0.0 | 3.0 | 2.0 | 0.0 | 3.0 | 2.0 |
| Dr Christian Friege (since January 1, 2016) | — | — | — | 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 | 3.0 | 3.5 | 0.0 | 3.0 | 3.5 |
| 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 | 9.0 | 7.5 | 0.0 | 6.0 | 5.5 |
| Andreas F. L. Heydemann (to December 31, 2015) | 0.0 | 3.0 | 2.0 | 0.0 | 3.0 | 2.0 |
| Harald H. Pirwitz (to December 31, 2015) | 0.0 | 3.0 | 5.0 | 0.0 | 3.0 | 5.0 |
| Total retired members of the Board of Management | 0.0 | 6.0 | 7.0 | 0.0 | 6.0 | 7.0 |
| Total for CEWE Stiftung & Co. KGaA | 0.0 | 15.0 | 14.5 | 0.0 | 12.0 | 12.5 |

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. 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 (§ 315 (4) no. 9; cf. page 135).

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 6,000.00 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 1,000.00 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:

| | 2015 ² | | | | | | | 2016 ¹ | | | | | | |
|---|---|---|--|--|---|-------------------------|-------------------|---|---|--|--|---|-------------------------|-------------------|
| | Fixed remuneration thousands of euros | Attendance fees thousands of euros | Performance-related remuneration thousands of euros | Dividend-linked remuneration thousands of euros | Total remuneration thousands of euros | Shareholdings Number | Options Number | Fixed remuneration thousands of euros | Attendance fees thousands of euros | Performance-related remuneration thousands of euros | Dividend-linked remuneration thousands of euros | Total remuneration thousands of euros | Shareholdings Number | Options Number |
| Supervisory Board remuneration, shareholdings, options | | | | | | | | | | | | | | |
| Supervisory Board of CEWE Stiftung & Co. KGaA | | | | | | | | | | | | | | |
| Otto Korte (Chairman) | 12.0 | 7.0 | 28.0 | 26.0 | 73.0 | 0 | 0 | 12.0 | 7.0 | 29.5 | 27.0 | 75.5 | 0 | 0 |
| Professor Dr Hans-Jürgen Appelrath (to August 5, 2016) | 6.0 | 5.0 | 14.0 | 13.0 | 38.0 | 0 | 0 | 4.0 | 0.0 | 14.8 | 13.5 | 32.3 | 0 | 0 |
| Professor Dr Christiane Hipp | 6.0 | 5.0 | 14.0 | 13.0 | 38.0 | 0 | 0 | 6.0 | 5.0 | 14.8 | 13.5 | 39.3 | 0 | 0 |
| Corinna Linner | 6.0 | 7.0 | 14.0 | 13.0 | 40.0 | 0 | 0 | 6.0 | 7.0 | 14.8 | 13.5 | 41.3 | 0 | 0 |
| Professor Dr Michael Paetsch | 6.0 | 5.0 | 14.0 | 13.0 | 38.0 | 0 | 0 | 6.0 | 4.0 | 14.8 | 13.5 | 38.3 | 0 | 0 |
| Dr Hans-Henning Wiegmann | 6.0 | 5.0 | 14.0 | 13.0 | 38.0 | 0 | 0 | 6.0 | 4.0 | 14.8 | 13.5 | 38.3 | 0 | 0 |
| Subtotal | 42.0 | 34.0 | 98.0 | 91.0 | 265.0 | 0.0 | 0.0 | 40.0 | 27.0 | 103.3 | 94.5 | 264.8 | 0.0 | 0.0 |
| Vera Ackermann (Deputy Chairwoman) | 9.0 | 6.0 | 21.0 | 19.5 | 55.5 | 0 | 0 | 9.0 | 7.0 | 22.1 | 20.3 | 58.4 | 0 | 0 |
| Michael Bühl (to October 6, 2015) | 4.5 | 4.0 | 14.0 | 13.0 | 35.5 | 218 | 1,500 | 0.0 | 0.0 | 11.1 | 10.1 | 21.2 | — | — |
| Dr Christine Debus (since October 7, 2015) | 1.5 | 1.0 | 0.0 | 0.0 | 2.5 | 200 | 600 | 6.0 | 5.0 | 3.7 | 3.4 | 18.1 | 205 | 900 |
| Angelika Eßer | 6.0 | 5.0 | 14.0 | 13.0 | 38.0 | 498 | 0 | 6.0 | 4.0 | 14.8 | 13.5 | 38.3 | 503 | 0 |
| Philipp Martens (since October 7, 2015) | 1.5 | 1.0 | 0.0 | 0.0 | 2.5 | 0 | 0 | 6.0 | 5.0 | 3.7 | 3.4 | 18.1 | 0 | 0 |
| Udo Preuss (to October 6, 2015) | 4.5 | 4.0 | 14.0 | 13.0 | 35.5 | 20 | 0 | 0.0 | 0.0 | 11.1 | 10.1 | 21.2 | — | — |
| Markus Schwarz (since October 7, 2015) | 1.5 | 1.0 | 0.0 | 0.0 | 2.5 | 17 | 0 | 6.0 | 5.0 | 3.7 | 3.4 | 18.1 | 22 | 0 |
| Stefan Soltmann (to October 6, 2015) | 4.5 | 4.0 | 14.0 | 13.0 | 35.5 | 0 | 0 | 0.0 | 0.0 | 11.1 | 10.1 | 21.2 | — | — |
| Thorsten Sommer | 6.0 | 7.0 | 14.0 | 13.0 | 40.0 | 34 | 600 | 6.0 | 7.0 | 14.8 | 13.5 | 41.3 | 39 | 900 |
| Subtotal | 39.0 | 33.0 | 91.0 | 84.5 | 247.5 | 987 | 2,700 | 39.0 | 33.0 | 95.9 | 87.8 | 255.6 | 769 | 1,800 |
| Supervisory Board of CEWE Stiftung & Co. KGaA | 81.0 | 67.0 | 189.0 | 175.5 | 512.5 | 987 | 2,700 | 79.0 | 60.0 | 199.1 | 182.3 | 520.4 | 769 | 1,800 |

¹ Fixed remuneration and attendance fees for 2016, payable after the end of the financial year in 2017
Performance-related and dividend-linked remuneration for the financial year 2015, payable 10 working days after the general meeting in 2016

² Fixed remuneration and attendance fees for 2015, payable after the end of the financial year in 2016
Performance-related and dividend-linked remuneration for the financial year 2014, payable 10 working days after the general meeting in 2015

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 and the Supervisory Board

Remuneration of retired members of the Board of Management

Andreas F. L. Heydemann and Harald Pirwitz retired from the Board of Management as of December 31, 2015; the details of their remuneration in 2015 thus refer to the period of their service as active members of the Board of Management. The company's contract with Mr Harald Pirwitz expired on December 31, 2015 as scheduled. For the years 2016 and 2017, he will receive monthly non-competition compensation under a post-contractual non-compete clause. In accordance with the terms of the stock option plans, Mr Pirwitz kept his options under the 2014 and 2015 plans. Mr Pirwitz is expected to 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. Mr Heydemann was released from his work duties for the financial year 2016 up to the end of his contractual term of office on December 31, 2016. The company satisfied his entitlements, in particular his salary, bonuses I and II and side benefits. For the years 2017 and 2018, Mr Heydemann will receive monthly non-competition compensation under a post-contractual non-compete clause. Mr Heydemann will begin to draw pension benefits under the company's direct commitment to him as a member of the Board of Management in the year 2019. In detail, these two former members of the Board of Management received the following overall remuneration:

| Remuneration granted former members of the Board of Management | Figures in euros | Andreas F. L. Heydemann Head of IT and Legal, Neumüller CEWE COLOR Stiftung, to December 31, 2015 | | | | Harald H. Pirwitz Head of Distribution, Neumüller CEWE COLOR Stiftung, to December 31, 2015 | | | | TOTAL Remuneration granted Board of Management of Neumüller CEWE COLOR Stiftung | | | |
|---|------------------|--|----------------|----------------|----------------|--|----------|-----------|-----------|--|----------------|----------------|----------------|
| | | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 | 2015 | 2016 | Min. 2016 | Max. 2016 |
| Fixed gross remuneration | | | | | | | | | | | | | |
| Fixed remuneration | | 201,667 | 220,000 | 220,000 | 220,000 | 225,000 | 0 | 0 | 0 | 426,667 | 220,000 | 220,000 | 220,000 |
| Side benefits | | 18,277 | 9,475 | 9,475 | 9,475 | 14,144 | 0 | 0 | 0 | 32,421 | 9,475 | 9,475 | 9,475 |
| Total fixed gross remuneration | | 219,944 | 229,475 | 229,475 | 229,475 | 239,144 | 0 | 0 | 0 | 459,088 | 229,475 | 229,475 | 229,475 |
| Variable remuneration | | | | | | | | | | | | | |
| One-year variable remuneration | | 73,426 | 92,263 | 0 | 176,000 | 73,426 | 0 | 0 | 0 | 146,852 | 92,263 | 0 | 176,000 |
| Multi-year variable remuneration | | | | | | | | | | | | | |
| Bonus bank | | 23,289 | 23,066 | 0 | 44,000 | 23,925 | 0 | 0 | 0 | 47,214 | 23,066 | 0 | 44,000 |
| Stock Option Plans 2014–2015 | | 8,520 | 10,992 | 0 | 10,992 | 8,520 | 0 | 0 | 0 | 17,040 | 10,992 | 0 | 10,992 |
| Total variable remuneration | | 105,235 | 126,321 | 0 | 230,992 | 105,871 | 0 | 0 | 0 | 211,106 | 126,321 | 0 | 230,992 |
| Pension expenses | | 198,000 | 1,967 | 1,967 | 1,967 | 201,000 | 0 | 0 | 0 | 399,000 | 1,967 | 1,967 | 1,967 |
| Total remuneration (GCGC) | | 523,179 | 357,763 | 231,442 | 462,434 | 546,015 | 0 | 0 | 0 | 1,069,194 | 357,763 | 231,442 | 462,434 |

| | <i>Figures in euros</i> | Andreas F. L. Heydemann Head of IT and Legal, Neumüller CEWE COLOR Stiftung, to December 31, 2015 | | Harald H. Pirwitz Head of Distribution, Neumüller CEWE COLOR Stiftung, to December 31, 2015 | | TOTAL Remuneration received Board of Management of Neumüller CEWE COLOR Stiftung | |
|---|-------------------------|---|----------------|---|----------|--|----------------|
| | | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Remuneration received former members of the Management Board | | | | | | | |
| Fixed gross remuneration | | | | | | | |
| Fixed remuneration | | 201,667 | 220,000 | 225,000 | 0 | 426,667 | 220,000 |
| Side benefits | | 18,277 | 9,475 | 14,144 | 0 | 32,421 | 9,475 |
| Total fixed gross remuneration | | 219,944 | 229,475 | 239,144 | 0 | 459,088 | 229,475 |
| Variable remuneration | | | | | | | |
| One-year variable remuneration | | 65,544 | 73,426 | 65,544 | 0 | 131,088 | 73,426 |
| Multi-year variable remuneration | | | | | | | |
| Stock Option Plan 2010 | | 0 | | 30,148 | 0 | 30,148 | 0 |
| Other items | | 0 | | 0 | 0 | 0 | 0 |
| Total variable remuneration | | 65,544 | 73,426 | 95,692 | 0 | 161,236 | 73,426 |
| Pension expenses | | 198,000 | 1,967 | 201,000 | 0 | 399,000 | 1,967 |
| Total remuneration (GCGC) | | 483,488 | 304,868 | 535,836 | 0 | 1,019,324 | 304,868 |

For Mr Harald Pirwitz, the cash inflow resulting from the settlement of the 2010 Stock Option Plan in 2015 has derived from cash settlement of the remaining 1,000 options within the scope of the programme.

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

| Bonus bank former members of the Management Board | <i>Figures in euros</i> | Opening balance Jan. 1, 2015 | Amount added 2015 | Amount paid out 2015 | End balance Dec. 31, 2015 | Amount added 2016 | Amount paid out 2016 | Reversals 2016 | End balance Dec. 31, 2016 |
|--|-------------------------|---------------------------------|----------------------|-------------------------|------------------------------|----------------------|-------------------------|-------------------|------------------------------|
| Andreas F. L. Heydemann (to December 31, 2015) | | 17,000 | 23,289 | 0 | 40,289 | 27,659 | 0 | 0 | 67,948 |
| Harald H. Pirwitz (to December 31, 2015) | | 34,293 | 23,925 | 0 | 58,218 | 0 | -53,687 | -4,531 | 0 |
| Total retired members of the Board of Management | | 51,293 | 47,214 | 0 | 98,507 | 27,659 | -53,687 | -4,531 | 67,948 |

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

The bonus bank (bonus II) due for Mr Pirwitz (including the contractually stipulated interest) was paid out in June 2016 in the amount of 54 thousand euros. The bonus bank balance of Mr Andreas F. L. Heydemann will be paid out in June 2017 on the basis of its final amount, including due interest.

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, 2016 the company had made pension accruals in the amount of 11,180 thousand euros (previous year: 7,162 thousand euros). Pension payments for the financial year 2016 amounted to 496 thousand euros (previous year: 495 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.

Reimbursement of expenses and liability remuneration of the general partner

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, including remuneration and pension payments for its executive bodies. For salary payments, this is handled by means of the accelerated procedure; i. e. CEWE Stiftung & Co. KGaA pays the individual members of the Board of Management their salaries directly. In addition, for its management activities and to cover its personal liability Neumüller CEWE COLOR Stiftung receives annual remuneration – irrespective of any profit or loss – in the amount of 50,000 euros plus any value added tax applicable; for the previous year, 2015, its entitlement likewise totalled 50,000 euros.

MANAGEMENT DECLARATION

Management report

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

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.

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

For the full text of the company's declaration of conformity under § 161 AktG, please see pages 124 ff. of this annual report or the company's website <http://ir.cewe.de/cgi-bin/show.ssp?companyName=cewe&language=English&id=0>.

Relevant disclosures on management practices

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. 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. 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 <http://company.cewe.de/en/company/compliance/mission-statement.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.

 Pages 124 ff. | Declaration of conformity

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

 www.bme.de/Compliance

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:

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

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 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. The general partner Neumüller CEWE COLOR Stiftung (the management) 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 held at least four times a year. 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 and the Group and approval of the Group's quarterly and semi-annual financial statements. The management also ensures compliance with statutory, official and internal regulations and ensures that all of the

 <http://company.cewe.de/en/about-us/compliance.html>
> Our mission statement

companies of the CEWE Group comply with these regulations. 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 – both in writing and 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

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. 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. 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 involved in 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 of Neumüller CEWE COLOR Stiftung in relation to the work which they perform for CEWE Stiftung & Co. KGaA.

At 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 <http://company.cewe.de/en/about-us/compliance.html>) and the corporate governance report (pages 124 ff. of this annual report and online at <http://ir.cewe.de/cgi-bin/show.ssp?companyName=cewe&language=English&id=6000>).

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

 Page 15 | Report of the Supervisory Board

 Page 124 | Corporate governance

CEWE COLOR Stiftung also stipulate the consent of the Board of Trustees for certain extraordinary measures enacted by the management. The Board of Trustees is convened as required, but meets at least four times a year.

The general meeting of CEWE Stiftung & Co. KGaA

The annual general meeting of CEWE Stiftung & Co. KGaA took place on June 1, 2016 in Oldenburg. 60.6 % of the share capital was present here, which represents a stable level of participation. In particular, the annual general meeting passes resolutions regarding the approval of the annual financial statements, appropriation of unappropriated profits, ratification of the actions of the members of the management and the Supervisory Board, and the appointment of the auditor. The general meeting is also entitled to resolve amendments to the articles of association. The limited shareholders of CEWE Stiftung & Co. KGaA exercise their rights at the general meeting. They may exercise their voting rights in person or through a proxy appointed either by themselves or by the company. All documents and information for impending general meetings (including summaries of the shareholders' rights) will also be made available on CEWE's website.

Corporate governance report

In the financial year 2016, the management and the Supervisory Board of CEWE Stiftung & Co. KGaA pursued intensive discussions regarding the issue of corporate governance and the German Corporate Governance Code in particular. Corporate governance entails the management and supervision of companies on the basis of a sense of responsibility and with the goal of long-term value creation. For this reason, the company not only complies with almost all of the recommendations, but also with the proposals included in the Code. The rules and principles of the Code also determine the corporate policies of CEWE Stiftung & Co. KGaA.

On the quota targets

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

For the first management level below the top management, the management had resolved a target ratio of 20 % for the period up to June 30, 2017. For the second management level, the management had resolved a target ratio of 35 % for the period up to June 30, 2017. In the period under review, these goals were not yet achieved on account of the existing employment law framework as well as the business group's organisational structure.

The Supervisory Board has twelve members, of whom half are appointed by the company's shareholders and half by its employees. The shareholders and the employees have each appointed two female members. 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.

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 several commercial tenancy agreements with the community of heirs whose executor is Mr Otto Korte, member of the Supervisory Board.

Oldenburg, March 15, 2017

CEWE Stiftung & Co. KGaA

For the general partner Neumüller CEWE COLOR Stiftung
– The Board of Management –



Dr Rolf Hollander
(Chairman of the Board of Management)



Patrick Berkhouwer



Dr Reiner Fageth



Dr Christian Friege



Carsten Heitkamp



Dr Olaf Holzkämper



Thomas Mehls



Frank Zweigle

BOARD OF MANAGEMENT

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

Page 240 | structure and executive bodies

<http://company.cewe.de/en/about-us/cewe-group.html>
> Board of Management



Dr Rolf Hollander

Chairman of the Board of Management
of Neumüller CEWE COLOR Stiftung



Patrick Berkhouwer

Member of the Board of Management
of Neumüller CEWE COLOR Stiftung
Responsible for Foreign Markets and Expansion



Dr Reiner Fageth

Member of the Board of Management
of Neumüller CEWE COLOR Stiftung
Responsible for Technology and Research & Development



Dr Christian Friege

Member of the Board of Management
of Neumüller CEWE COLOR Stiftung
Responsible for National and International Distribution



Carsten Heitkamp

Member of the Board of Management of Neumüller CEWE COLOR Stiftung
Responsible for the German Plants, Personnel, Logistics and Materials Management



Dr. Olaf Holzkämper

Member of the Board of Management of Neumüller CEWE COLOR Stiftung
Responsible for Finance & Controlling, Business Development, Investor Relations, IT, Legal and On-Site Finishing



Thomas Mehls

Member of the Board of Management of Neumüller CEWE COLOR Stiftung
Responsible for National and International Marketing, Online Photo Service, CEWE-PRINT, Viaprinto, New Business Acquisition and Sustainability



Frank Zweigle

Member of the Board of Management of Neumüller CEWE COLOR Stiftung
Responsible for the Administrative Activities of Neumüller CEWE COLOR Stiftung

GLOSSARY

i Please note:

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

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

Borrowed capital

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

Capital employed (CE)

Net working capital plus non-current assets and cash and cash equivalents

Capital invested (CI)

Equity plus non-operating liabilities and gross financial liabilities

Days working capital

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

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortisation

EBT

Earnings before taxes

Equity

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

Equity ratio

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

Fixed assets

Property, plant and equipment plus real estate held as financial investments, 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

See return on capital employed

Return on capital employed (ROCE) before restructuring

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

Working capital-induced cash flow

Changes resulting from net working capital

03

CONSOLIDATED FINANCIAL STATEMENTS

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cewe
BEST IN PRINT

WE DESIGN SOFTWARE
Mehr kreative Gestaltungsmöglichkeiten

cewe
BEST IN PRINT

Freude am Foto

CEWE's success is underpinned by continuous innovation. As a first mover, CEWE successfully bridges mobile trends and the high level of quality and emotionality of printed photo products. The company's history has been continuously shaped by a commitment to innovation. Only thus has CEWE been able to cope superbly and succeed in the process of transformation from the analogue world to the mobile one.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

für das Geschäftsjahr 2016 der CEWE Stiftung & Co. KGaA

| <i>Figures in thousands of euros</i> | 2015* | 2016 | Change | Notes |
|--|----------------|----------------|----------------|-------|
| Revenues | 554,191 | 593,096 | 7.0 % | C26 |
| Increase/decrease in finished and unfinished goods | 398 | -491 | — | |
| Other own work capitalised | 858 | 783 | -8.7 % | |
| Other operating income | 19,582 | 20,769 | 6.1 % | C27 |
| Cost of materials | -162,182 | -168,580 | -3.9 % | C28 |
| Gross profit | 412,847 | 445,577 | 7.9 % | |
| Personnel expenses | -143,748 | -153,367 | -6.7 % | C29 |
| Other operating expenses | -193,967 | -201,908 | -4.1 % | C30 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 75,132 | 90,302 | 20.2 % | |
| Amortisation of intangible assets, depreciation of property, plant and equipment | -38,735* | -43,287 | -11.8 % | C31 |
| Earnings before interest and taxes (EBIT) | 36,397 | 47,015 | 29.2 % | |
| Financial income | 412 | 885 | 115 % | C33 |
| Financial expenses | -871 | -1,703 | -95.5 % | C33 |
| Financial result | -459 | -818 | -78.2 % | |
| Earnings before taxes (EBT) | 35,938 | 46,197 | 28.5 % | |
| Income taxes | -13,473* | -15,834 | -17.5 % | C34 |
| Earnings after taxes (attributable to the shareholders of CEWE KGaA) | 22,465 | 30,363 | 35.2 % | |
| Earnings per share (in euros) | | | | |
| undiluted | 3.15* | 4.25 | 34.9 % | C35 |
| diluted | 3.15* | 4.23 | 34.3 % | C35 |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year 2016 of CEWE Stiftung & Co. KGaA

| <i>Figures in thousands of euros</i> | 2015 * | 2016 | Change | Notes |
|---|--------|---------------|------------|----------|
| Earnings after taxes | 22,465 | 30,363 | 35.2 % | |
| Difference resulting from currency translation | 186 | -434 | — | A5 |
| Amounts which may be reclassified to the profit and loss account in future periods | 186 | -434 | — | |
| Actuarial losses | -345 | -640 | -85.5 % | D56, D57 |
| Income taxes on income and expenses not affecting net income | 128 | 175 | 36.7 % | |
| Amounts not reclassified to the profit and loss account | -217 | -465 | -114 % | |
| Other comprehensive income | -31 | -899 | > -1,000 % | |
| Comprehensive income (attributable to the shareholders of CEWE KGaA) | 22,434 | 29,464 | 31.3 % | |

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

CONSOLIDATED BALANCE SHEET

as of December 31, 2016 of CEWE Stiftung & Co. KGaA

| ASSETS | <i>Figures in thousands of euros</i> | Dec. 31, 2015* | Dec. 31, 2016 | Change | Notes |
|---|--------------------------------------|----------------|----------------------|---------|-------|
| Property, plant and equipment | | 108,556 | 124,548 | 14.7 % | D36 |
| Investment properties | | 5,132 | 4,916 | -4.2 % | D37 |
| Goodwill | | 32,675* | 25,839 | -20.9 % | D38 |
| Intangible assets | | 23,569* | 19,240 | -18.4 % | D39 |
| Financial assets | | 4,259 | 6,175 | 45.0 % | D40 |
| Non-current receivables from income tax refunds | | 536 | 0 | — | D41 |
| Non-current financial assets | | 1,648 | 478 | -71.0 % | D42 |
| Non-current other receivables and assets | | 390 | 606 | 55.4 % | D42 |
| Deferred tax assets | | 7,291* | 6,772 | -7.1 % | D43 |
| Non-current assets | | 184,056 | 188,574 | 2.5 % | |
| Inventories | | 50,679 | 49,383 | -2.6 % | D45 |
| Current trade receivables | | 90,430 | 84,156 | -6.9 % | D46 |
| Current receivables from income tax refunds | | 1,141 | 1,319 | 15.6 % | D47 |
| Current financial assets | | 2,494 | 3,014 | 20.9 % | D48 |
| Other current receivables and assets | | 5,672 | 5,461 | -3.7 % | D49 |
| Cash and cash equivalents | | 21,679 | 48,557 | 124 % | D50 |
| | | 172,095 | 191,890 | 11.5 % | |
| Non-current assets held for sale | | 1,157 | 525 | -54.6 % | D44 |
| Current assets | | 173,252 | 192,415 | 11.1 % | |
| Assets | | 357,308 | 380,989 | 6.6 % | |

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

| EQUITY AND LIABILITIES | <i>Figures in thousands of euros</i> | Dec. 31, 2015* | Dec. 31, 2016 | Change | <i>Notes</i> |
|---|--------------------------------------|----------------|----------------------|---------------|-------------------|
| Subscribed capital | | 19,240 | 19,240 | — | <i>D 51, D 52</i> |
| Capital reserve | | 70,223 | 71,188 | 1.4 % | <i>D 53, D 54</i> |
| Treasury shares at acquisition cost | | -7,454 | -8,482 | -13.8 % | <i>D 55</i> |
| Retained earnings and unappropriated profits | | 104,949* | 122,945 | 17.1 % | <i>D 56</i> |
| Total equity attributable to the shareholders of CEWE KGaA | | 186,958 | 204,891 | 9.6 % | |
| Non-current accruals for pensions | | 22,940 | 25,464 | 11.0 % | <i>D 57</i> |
| Non-current deferred tax liabilities | | 4,071* | 2,918 | -28.3 % | <i>D 58</i> |
| Non-current other accruals | | 174 | 0 | — | <i>D 59</i> |
| Non-current interest-bearing financial liabilities | | 1,767 | 0 | — | <i>D 60</i> |
| Non-current financial liabilities | | 0 | 230 | — | <i>D 61</i> |
| Non-current other liabilities | | 516 | 521 | 1.0 % | <i>D 62</i> |
| Non-current liabilities | | 29,468 | 29,133 | -1.1 % | |
| Current tax liabilities | | 7,111 | 11,254 | 58.3 % | <i>D 63</i> |
| Current other accruals | | 2,938 | 3,484 | 18.6 % | <i>D 64</i> |
| Current interest-bearing financial liabilities | | 4,907 | 210 | -95.7 % | <i>D 65</i> |
| Current trade payables | | 90,882 | 96,064 | 5.7 % | <i>D 66</i> |
| Current financial liabilities | | 346 | 1,457 | 321 % | <i>D 67</i> |
| Current other liabilities | | 34,698 | 34,496 | -0.6 % | <i>D 68</i> |
| Current liabilities | | 140,882 | 146,965 | 4.3 % | |
| Equity and liabilities | | 357,308 | 380,989 | 6.6 % | |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of CEWE Stiftung & Co. KGaA

| <i>Figures in thousands of euros</i> | Subscribed capital | Capital reserve | Generated Group equity | Special item for stock option plans |
|--------------------------------------|-----------------------|-----------------|---------------------------|---|
| As of Jan. 1, 2015 | 19,240 | 69,332 | 103,073 | 141 |
| Comprehensive income | — | — | 22,465* | — |
| Dividend paid out | — | — | -11,067 | — |
| Sale of treasury shares | — | — | — | — |
| Stock option plans | — | 308 | 136 | -141 |
| Other equity changes | — | 583 | — | — |
| Owner-related equity changes | — | 891 | -10,931 | -141 |
| As of Dec. 31, 2015 | 19,240 | 70,223 | 114,607 | — |
| Comprehensive income | — | — | 30,363 | — |
| Dividend paid out | — | — | -11,468 | — |
| Purchase of treasury shares | — | — | — | — |
| Sale of treasury shares | — | 475 | — | — |
| Stock option plans | — | 490 | — | — |
| Owner-related equity changes | — | 965 | -11,468 | — |
| As of Dec. 31, 2016 | 19,240 | 71,188 | 133,502 | — |

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

| Actuarial profits and losses | Compensating item from currency translation | Income taxes not affecting net income | Retained earnings and unappropriated profits | Total | Treasury shares at acquisition cost | Total equity attributable to the shareholders of CEWE KGaA |
|------------------------------|---|---------------------------------------|--|----------------|-------------------------------------|--|
| -8,837 | -3,916 | 3,126 | 93,587 | 182,159 | -8,511 | 173,648 |
| -345 | 186 | 128 | 22,434 | 22,434 | — | 22,434 |
| — | — | — | -11,067 | -11,067 | — | -11,067 |
| — | — | — | — | — | 311 | 311 |
| — | — | — | -5 | 303 | — | 303 |
| — | — | — | — | 583 | 746 | 1,329 |
| — | — | — | -11,072 | -10,181 | 1,057 | -9,124 |
| -9,182 | -3,730 | 3,254 | 104,949 | 194,412 | -7,454 | 186,958 |
| -640 | -434 | 175 | 29,464 | 29,464 | — | 29,464 |
| — | — | — | -11,468 | -11,468 | — | -11,468 |
| — | — | — | — | — | -1,320 | -1,320 |
| — | — | — | — | 475 | 292 | 767 |
| — | — | — | — | 490 | — | 490 |
| — | — | — | -11,468 | -10,503 | -1,028 | -11,531 |
| -9,822 | -4,164 | 3,429 | 122,945 | 213,373 | -8,482 | 204,891 |

CONSOLIDATED CASH FLOW STATEMENT

for the financial year 2016 of CEWE Stiftung & Co. KGaA

Notes E 71

| <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|----------------|----------------|
| EBITDA | 75,132 | 90,302 |
| + Non-cash factors | 1,333 | 1,180 |
| +/- Decrease (+)/increase (-) in operating net working capital | -13,756 | 11,847 |
| + Decrease in other net working capital (excl. income tax items) | 6,023 | 667 |
| - Taxes paid | -9,138 | -11,792 |
| + Interest received | 38 | 819 |
| = Cash flow from operating activities | 59,632 | 93,023 |
| - Outflows from investments in fixed assets | -38,262 | -48,973 |
| - Outflows from purchases of consolidated interests/acquisitions | -15,364 | 0 |
| - Outflows from investments in financial assets | -2,317 | -573 |
| + Inflows from investments in non-current financial instruments | 137 | 9 |
| + Inflows from the sale of property, plant and equipment and intangible assets | 579 | 2,929 |
| = Cash flow from investing activities | -55,227 | -46,608 |
| = Free cash flow | 4,405 | 46,415 |
| - Dividends paid | -11,067 | -11,468 |
| - Purchase of treasury shares | 0 | -1,320 |
| + Sales of treasury shares | 94 | 0 |
| - Amounts paid out (-)/paid in (+) for stock option plans | -296 | 53 |
| = Outflows to shareholders | -11,269 | -12,735 |
| +/- Inflows (+)/outflows (-) from change in financial liabilities | 1,639 | -6,464 |
| - Interest paid | -721 | -592 |
| + other financial transactions | 15 | 33 |
| = Cash flow from financing activities | -10,336 | -19,758 |
| Cash and cash equivalents at the start of the reporting period | 27,665 | 21,679 |
| +/- Exchange rate-related changes in cash and cash equivalents | -55 | 221 |
| + Cash flow from operating activities | 59,632 | 93,023 |
| - Cash flow from investing activities | -55,227 | -46,608 |
| - Cash flow from financing activities | -10,336 | -19,758 |
| = Cash and cash equivalents at the end of the reporting period | 21,679 | 48,557 |

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

| | Change Absolute | Change as % |
|--|--------------------|----------------|
| | 15,170 | 20.2 % |
| | -153 | -11.5 % |
| | 25,603 | — |
| | -5,356 | -88.9 % |
| | -2,654 | -29.0 % |
| | 781 | >1,000 % |
| | 33,391 | 56.0 % |
| | -10,711 | -28.0 % |
| | 15,364 | — |
| | 1,744 | 75.3 % |
| | -128 | -93.4 % |
| | 2,350 | 406 % |
| | 8,619 | 15.6 % |
| | 42,010 | 954 % |
| | -401 | -3.6 % |
| | -1,320 | — |
| | -94 | — |
| | 349 | — |
| | -1,466 | -13.0 % |
| | -8,103 | — |
| | 129 | 17.9 % |
| | 18 | 120.0 % |
| | -9,422 | -91.2 % |
| | -5,986 | -21.6 % |
| | 276 | — |
| | 33,391 | 56.0 % |
| | 8,619 | 15.6 % |
| | -9,422 | -91.2 % |
| | 26,878 | 124 % |

SEGMENT REPORTING BY BUSINESS UNIT *

for the financial year 2016 of CEWE Stiftung & Co. KGaA

| | | Photofinishing | Retail | Commercial Online Printing | Other Activities | CEWE Group |
|--|-------------|----------------|---------------|-------------------------------|------------------|----------------|
| External revenues | 2016 | 452,023 | 54,911 | 83,991 | 2,171 | 593,096 |
| | 2015 | 414,945 | 60,821 | 77,807 | 618 | 554,191 |
| External revenues, adjusted for currency effects | 2016 | 453,960 | 56,601 | 84,963 | 2,171 | 597,695 |
| | 2015 | 414,945 | 60,821 | 77,807 | 618 | 554,191 |
| EBIT prior to restructuring | 2016 | 52,211 | 581 | 1,600 | -7,191 | 47,201 |
| | 2015 | 40,621** | 121 | -934 | -2,407 | 37,401 |
| Restructuring | 2016 | -186 | — | — | — | -186 |
| | 2015 | -439 | -565 | — | — | -1,004 |
| EBIT after restructuring | 2016 | 52,025 | 581 | 1,600 | -7,191 | 47,015 |
| | 2015 | 40,182 | -444 | -934 | -2,407 | 36,397 |
| Scheduled depreciation | 2016 | 21,306 | 1,577 | 7,460 | 4,857 | 35,200 |
| | 2015 | 25,813 | 1,745 | 7,139 | 417 | 35,114 |
| Non-scheduled depreciation | 2016 | 8,071 | 16 | — | — | 8,087 |
| | 2015 | 3,621 | — | — | — | 3,621 |

*Segment reporting by business unit is an integral part of the notes.

**The figures for the previous year have been restated (cf. comments in section A).

Comments on the business units

- Photofinishing incl. 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.

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 consolidated management report for the financial year 2016 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, 2016 to December 31, 2016 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 Cycle 2010–2012 (Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 24) | December 12, 2013 | December 17, 2014 | February 1, 2015 |
| Amendments to IAS 19: Defined Benefit Plans: Employee Contributions | November 21, 2013 | December 17, 2014 | February 1, 2015 |
| Amendments to IAS 16 and IAS 41: Bearer Plants | June 30, 2014 | November 23, 2015 | January 1, 2016 |
| Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations | May 6, 2014 | November 24, 2015 | January 1, 2016 |
| Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation | May 12, 2014 | December 2, 2015 | January 1, 2016 |
| Annual Improvements to the IFRS Cycle 2012–2014 (Amendments of IFRS 5, IFRS 7, IAS 19 and IAS 34) | September 25, 2014 | December 15, 2015 | January 1, 2016 |
| Amendments to IAS 1: Disclosure Initiative | December 18, 2014 | December 18, 2015 | January 1, 2016 |
| Amendments to IAS 27: Equity Method in Separate Financial Statements | August 12, 2014 | December 18, 2015 | January 1, 2016 |
| Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception | December 18, 2014 | September 22, 2016 | January 1, 2016 |

The first-time adoption of these standards has not had any significant effect on the Group's net assets, financial position and results of operations.

The following IFRS endorsed in EU law had been issued up to the balance sheet date but are only mandatorily applicable in subsequent reporting periods:

| Amendment/standard | Date of publication | Date of endorsement within the scope of EU law | Date of adoption (EU) |
|--|---------------------|--|-----------------------|
| IFRS 15 Revenue from Contracts with Customers (including amendments to IFRS 15: date on which IFRS 15 enters into force) | September 11, 2015 | September 22, 2016 | January 1, 2018 |
| IFRS 9 Financial Instruments | July 24, 2014 | November 22, 2016 | January 1, 2018 |

The following standards and interpretations and amendments of existing standards which have also been issued by the IASB are not yet mandatorily applicable in the consolidated financial statements as of December 31, 2016. They will become applicable following their adoption within the scope of the EU's endorsement of the IFRS.

| Amendment/standard | Date of publication | Expected endorsement within the scope of EU law | Date of adoption |
|---|---------------------|---|-----------------------------------|
| IFRS 14 Regulatory Deferral Accounts | January 30, 2014 | Suspended | — |
| IFRS 16 Leases | January 13, 2016 | H2 2017 | January 1, 2019 |
| Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | September 11, 2014 | postponed | — |
| Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses | January 19, 2016 | Q2 2017 | January 1, 2017 |
| Amendments to IAS 7: Disclosure Initiative | January 29, 2016 | Q2 2017 | January 1, 2017 |
| Clarification of IFRS 15 Revenue from Contracts with Customers | April 12, 2016 | Q2 2017 | January 1, 2018 |
| Amendments to IFRS 2: Classification and Measurement of Share Based Payment Transactions | June 20, 2016 | H2 2017 | January 1, 2018 |
| Amendments to IFRS 4: Adoption of IFRS 9 Financial Instruments together with IFRS 4 Insurance Contracts | September 12, 2016 | 2017 | January 1, 2018 |
| Annual Improvements to the IFRS (AIP) Cycle 2014–2016 | December 8, 2016 | H2 2017 | January 1, 2018 / January 1, 2017 |
| IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration | December 8, 2016 | H2 2017 | January 1, 2018 |
| Amendments to IAS 40: Transfers of Investment Property | December 8, 2016 | H2 2017 | January 1, 2018 |

Insofar as any further new standards which are not yet valid for 2016 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. Through the publication of the new standard IFRS 16 "Leasing", the previous classification for lessees of lease agreements as operating and finance lease arrangements has been abandoned. Under IFRS 16, for lease agreements with a term of more than twelve months lessees are obliged to report assets for the respective right of use and also leasing liabilities. This means that leases which were not previously reported in the balance sheet will be recognised in the balance sheet in future. The effects of accounting for rights of use and leasing liabilities are expected to fall within the high eight-digit range and to extend the balance sheet. Several standards may necessitate additional notes. The new standards will be adopted in the EU upon completion of the endorsement procedure.

Finalisation of purchase price allocations

Two purchase price allocations were completed in 2016. Intangible assets have thus increased by 6,325 thousand euros. Depreciation accordingly increased by 381 thousand euros. The figures for 2015 have been restated (C 31, D 39). In addition, due to the finalisation of the purchase price allocations non-controlling interests were reclassified as borrowed capital.

The changes have had the following effects on the reference figures:

| | Dec. 31, 2015 |
|---|--|
| | Finalisation of purchase price allocation |
| | <i>Figures in thousands of euros</i> |
| Balance sheet | |
| Goodwill | -4,742 |
| Intangible assets | 6,325 |
| Deferred tax assets | 131 |
| Retained earnings and unappropriated profits | -631 |
| Non-controlling interests | 362 |
| Non-current deferred tax liabilities | 1,983 |
| Total assets | 1,714 |
| | 2015 |
| | Finalisation of purchase price allocation |
| | <i>Figures in thousands of euros</i> |
| Consolidated profit and loss account | |
| Depreciation | 381 |
| EBIT | -381 |
| Income taxes | -114 |
| Earnings after taxes | -267 |
| | 2015 |
| | Finalisation of purchase price allocation |
| | <i>Figures in thousands of euros</i> |
| Consolidated statement of comprehensive income | |
| Comprehensive income | -267 |
| Earnings per share (in euros) | |
| undiluted | -0.09 |
| diluted | -0.09 |

The consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair value of the consideration provided in exchange for the asset.

According to IFRS 13, the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This applies irrespective of whether the price is directly observable or has been estimated by means of a measurement method.

In determining the fair value of an asset or a liability, CEWE considers certain characteristics of the asset or the liability (e. g. the condition and location of the asset or restrictions on its sale and use) if market participants would also consider these characteristics in determining the price for the acquisition of the asset or for the transfer of the liability as of the measurement date. In these consolidated financial statements, in principle the fair value for these measurement and/or reporting obligations is determined on this basis. This does not apply for:

- Share-based payments within the scope of IFRS 2 “Share-based Payment”
- Leases within the scope of IAS 17 “Leases” and
- Measurement standards which are similar, but not the same as, fair value, e. g. net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

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 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, 2016 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, 2016, apart from CEWE Stiftung & Co. KGaA, Oldenburg, as the parent company, the scope of consolidation includes eleven German and 21 foreign companies (cf. E70). 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, has not been included in the scope of consolidation due to its economic insignificance since its balance sheet total represents only 0.00 % of the consolidated balance sheet total and its revenue 0.00 % of total Group revenue.

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, 2016.

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 IAS 39 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:

| | | 2015 | | 2016 | |
|-----------------------------|------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|
| | | Balance sheet exchange rate | Profit and loss account exchange rate | Balance sheet exchange rate | Profit and loss account exchange rate |
| Currency translation | | | | | |
| CHF | Swiss franc | 1.08350 | 1.06790 | 1.07390 | 1.09016 |
| CZK | Czech crown | 27.02300 | 27.27920 | 27.02000 | 27.03395 |
| DKK | Danish krone | 7.46260 | 7.45870 | 7.43440 | 7.44519 |
| GBP | British pound sterling | 0.73400 | 0.72580 | 0.85618 | 0.81948 |
| HRK | Croatian kuna | 7.63800 | 7.61370 | 7.55689 | 7.51473 |
| HUF | Hungarian forint | 315.98000 | 309.99560 | 311.02000 | 311.45426 |
| NOK | Norwegian krone | 9.60300 | 8.94960 | 9.08630 | 9.29060 |
| PLN | Polish zloty | 4.26390 | 4.18410 | 4.42400 | 4.36342 |
| SEK | Swedish krona | 9.18950 | 9.35350 | 9.55250 | 9.46890 |
| USD | US dollar | 1.08870 | 1.10950 | 1.05410 | 1.10690 |

B. Accounting and measurement principles

6 | General disclosures

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

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, valuation adjustments are established for doubtful accounts. Valuation adjustments are 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 1,125 thousand euros and its deferred tax liability by 292 thousand euros, in case of a negative deviation, or reduce its tax liabilities by 1,125 thousand euros and its deferred tax liability by 292 thousand euros in case of a positive deviation. Pensions and similar obligations are measured on the basis of actuarial procedures. These measurements are mainly based on assumptions regarding discount factors, salary and pension trends and life expectancies. Pensions and similar obligations may be subject to significant changes if these assumptions significantly deviate from actual trends due to changes in the market and economic environment.

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

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

7 | Recognition of income and expenses

The ordinary activities of the CEWE Group comprise photofinishing and other printing services and trading of photographic hardware as well as photofinishing products and services. CEWE mainly realises revenues from the sale of goods and does so only marginally from the provision of services. Any income associated with the Group's ordinary activities is presented as revenue in the profit and loss account. CEWE does not realise any further significant revenue. All other income is presented as other operating income (cf. C27). Revenues are measured in profit and loss if the key risks and opportunities resulting from ownership of the goods are transferred to the customer, the company does not retain any residual right of disposal such as is normally associated with ownership or a valid power of disposal over the sold products and merchandise, the value of the income can be reliably determined and it is sufficiently probable that the company will receive the economic benefit resulting from the transaction. 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 not capitalised, since the Group does not have any assets which involve a protracted production/manufacturing phase. The basis for depreciation is reduced by an estimated residual value which the company expects to be able to realise at the end of the usage period less disposal costs. The residual value is determined as of the balance sheet date as though the relevant asset had already reached the age and the degree of wear and tear applicable as of its assumed disposal. Residual values are regularly newly estimated. In case of sold and scrapped assets, the historical cost and cumulative depreciation are written off. The profits or losses resulting from the write-off of the asset are calculated as the difference between the net disposal proceeds and the book value and are recognised in profit or loss as other operating income or expenses in the period in which this item is written off.

9 | Investment properties

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

As of their first-time measurement these assets are measured at amortised cost, including incidental costs. The book value includes the costs of replacement investments for existing investment properties as of the accrual of these costs, provided that the criteria for recognition are fulfilled. The book value does not include the costs of daily maintenance of this real estate. Within the scope of subsequent measurement, investment properties are recognised at amortised cost.

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

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

10 | Goodwill

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

11 | Intangible assets

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

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

12 | Impairment

Scheduled depreciation of fixed assets is mainly calculated on the basis of the following uniform expected useful life throughout the Group:

| Average useful life | <i>In years</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|--|-----------------|---------------|---------------|
| Asset | | | |
| Customer base and customer lists | | 5 | 5 |
| Software and other intangible assets | | 3 to 7 | 3 to 7 |
| ERP software | | 5 | 5 |
| Buildings | | 25 to 40 | 25 to 40 |
| Machinery | | | |
| Adhesive binding equipment and machinery | | 8 | 8 |
| Offset printing machines | | 8 | 8 |
| Digital printing machines | | 4 to 6 | 4 to 6 |
| Film developing machines | | 6 to 8 | 6 to 8 |
| Sorting systems | | 5 to 8 | 5 to 8 |
| IT equipment | | 3 to 7 | 3 to 7 |
| 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 5.4 % and 9.2 % in the Photofinishing business unit, to between 5.9 % and 7.2 % in the Retail business unit and to between 7.7 % and 8.9 % in the Commercial Online Printing business unit and to 8.3 % in the Other Activities business unit. The risk-adjusted interest rate for the cash-generating units is based on the weighted average cost of capital (WACC). This is determined on the basis of the capital asset pricing model (CAPM), with due consideration of current market expectations. Specific peer group information for beta factors, capital structure data and the cost of borrowing are used to calculate the risk-adjusted interest rate for the purpose of the impairment test. Periods not included in the planning are reflected by means of a terminal value. Various sensitivity analyses are also performed. If the recoverable amount of an asset or a cash-generating unit falls below its book value, impairment is recognised in the amount of the difference. If the value in use is less than the book value, for the calculation of the recoverable amount the fair value less the disposal costs will also be determined. The impairment loss is immediately recognised in profit or loss. In the event of a recovery of the impairment loss, the book value of the asset or the cash-generating unit will be increased to the newly determined recoverable amount. However, the increased book value may not exceed the book value which would have been determined (less scheduled depreciation) if no impairment loss had been recognised in previous years. A recovery in value is immediately recognised in profit or loss.

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

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

13 | Financial assets

Due to a lack of observable market prices, financial assets have been measured at cost. CEWE reviews whether objective indications of impairment are applicable on each balance sheet date. Non-scheduled depreciation is recognised if permanent impairment is expected. Reinsurance policies included in financial assets are recognised at their actuarial present value. This does not involve plan assets.

14 | Non-current assets held for sale

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

15 | Inventories

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

16 | Primary financial instruments

Primary financial instruments comprise financial assets (receivables, other assets, loans extended and cash and cash equivalents) as well as financial liabilities (interest-bearing financial liabilities, trade payables and other liabilities). They are accounted for and measured in accordance with the provisions of IAS 39. A financial instrument is thus recognised if a consideration is provided in the form of cash and cash equivalents or financial assets. In principle, it will be recognised and written off at fair value, allowing for the transaction costs. Non-interest-bearing receivables and other assets are discounted if they are non-current. In accordance with IAS 39, subsequent measurement will depend on the subsequent categorisation of the financial instruments.

Financial assets

Financial interests recognised as financial assets are measured at cost.

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 receivables, they will be recognised at the lower realisable amount. Objective defaults will result in a write-off of the relevant receivable. As well as necessary individual valuation adjustments, discernible risks resulting from the general credit risk are accounted for by means of generalised individual valuation adjustments. Foreign-currency receivables are translated at the exchange rate as of the reporting date.

Financial assets available for sale are measured at amortised cost. This involves financial interests recognised as financial assets for which no quoted market price is available and whose fair value cannot be reliably determined.

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

Financial liabilities

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

Financial liabilities are measured at amortised cost.

17 | Derivative financial instruments

Derivative financial instruments such as interest rate and foreign currency options, interest rate swaps, combined interest rate and foreign currency swaps and commodities futures transactions for hedging of exchange rate, interest rate and commodity price risks are used within narrowly defined limits. In accordance with the Group's risk management principles, no derivative financial instruments are held for trading purposes. Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently at their market value. Profit and loss are recognised on the basis of the type of position to be hedged. At the time of entry into a hedging transaction, derivatives are classified as hedging either a planned transaction (cash flow hedge), the fair value of a reported asset or a liability (fair value hedge) or a net investment in an economically independent foreign subsidiary. Changes in the market value of derivatives which serve to hedge the cash flow, are suitable for this purpose and prove to be fully effective, are reported in equity. If they are not completely effective, ineffective changes in value are recognised in profit or loss. Upon completion of the hedged transaction, the amounts previously recognised in equity will be reversed through profit or loss. For derivative instruments used for hedging of a fair value, changes in the fair value of the derivative and the hedged position will be immediately recognised in profit or loss. In case of a completely effective hedge, expenses and income resulting from changes in the value of the derivative will fully compensate for those arising from the underlying transaction. Hedging of foreign net positions is reported in accordance with cash flow hedging. If the hedging instrument is a derivative, actual currency profits and losses resulting from the derivative or from translation of the loan will be recognised in equity. The relationships between the hedging instruments and the hedged positions and also the risk management goals of the hedging transactions will already be documented as of the conclusion of the transaction. All of the derivatives classified as hedging instruments will thus be linked with specifically planned transactions. The assessment of whether the derivatives used as hedging instruments are highly effective in compensating for the changes in the cash flow of the hedged positions will also be

documented. The market value of cross-currency swaps will be determined on the basis of prevailing market conditions as of the balance sheet date. Recognised measurement models are used in order to determine the market value. Derivatives for which no hedge accounting is applied are recognised at fair value.

18 | Deferred taxes

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

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

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

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

| Average tax rates for calculation of deferred taxes | <i>Figures as %</i> | 2015 | 2016 |
|--|---------------------|-------|-------|
| Germany | | 30.88 | 30.88 |
| Belgium | | 33.99 | 33.99 |
| Denmark | | 23.50 | 22.00 |
| France | | 34.43 | 28.00 |
| United Kingdom | | 20.00 | 17.00 |
| Croatia | | 20.00 | 20.00 |
| Netherlands | | 25.00 | 25.00 |
| Norway | | 27.00 | 24.00 |
| Poland | | 19.00 | 19.00 |
| Sweden | | 22.00 | 22.00 |
| Switzerland | | 20.52 | 25.00 |
| Slovak Republic | | 22.00 | 21.00 |
| Czech Republic | | 19.00 | 19.00 |
| Hungary | | 10.00 | 9.00 |
| USA | | 29.14 | 34.03 |

19 | Equity

Subscribed capital is recognised within equity at its nominal value. The premium resulting from the first-time share issue is measured as a capital reserve on the basis of the difference between the nominal value of the ordinary bearer shares issued and the realised issue amount. For new shares issued within the scope of the exercise of conversion rights, the company receives considerations which are reported in its subscribed capital item in the amount of its nominal value share and in its capital reserve item in the value of the premium exceeding this amount.

The subscribed capital and the capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company. Through the treasury shares deduction deducted from equity on the face of the balance sheet, treasury shares are reported as a deduction at the value of their full, original acquisition costs and incidental acquisition costs at the time of their buyback (see item D55). 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 hedging transactions and from measurement of stock option plans (see item D53) are also shown, as are the currency translation differences recognised directly in equity and actuarial profits and losses. The change in hidden reserves recognised within the scope of successive share purchases is apportioned to retained earnings.

20 | Pension commitments

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

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

The probable death rate is calculated according to the current mortality tables "Heubeck reference tables 2005 G" or similar foreign mortality tables. The Group has taken out a reinsurance policy to cover any non-scheduled obligations. Pension commitments in France are covered by plan assets which may be used to settle the Group's pension obligations in that country.

21 | Special items for investment grants

Government grants for assets are shown in the special items for investment grants as deferred income. From the point of view of income, investment allowances and investment subsidies are recognised pro rata temporis through their release in accordance with the depreciation period for the subsidised investment assets.

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 | <i>Figures in thousands of euros</i> | | | 2016 | Share |
|--------------------------------------|--------------------------------------|----------------|----------------|----------------|----------------|
| | | 2015 | Share | | |
| Revenues Photofinishing | | 414,945 | 74.9 % | 452,023 | 76.2 % |
| Change on previous year (as %) | | 7.5 | | 8.9 | |
| Revenues Retail | | 60,821 | 11.0 % | 54,911 | 9.3 % |
| Change on previous year (as %) | | -9.6 | | -9.7 | |
| Revenues Commercial Online Printing | | 77,807 | 14.0 % | 83,991 | 14.2 % |
| Change on previous year (as %) | | 10.4 | | 7.9 | |
| Other Activities | | 618 | 0.1 % | 2,171 | 0.4 % |
| Change on previous year (as %) | | — | | 251 | |
| Total revenues | | 554,191 | 100.0 % | 593,096 | 100.0 % |

Turnover largely results from sales of goods and is therefore shown by business unit in the above table.

Turnover is shown net of any sales deductions. 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.

27 | Other operating income

| Other operating income | <i>Figures in thousands of euros</i> | | 2016 |
|---|--------------------------------------|---------------|---------------|
| | | 2015 | |
| Other revenues from sales to third parties | | 3,077 | 5,398 |
| Income from pass-through expenses | | 3,996 | 3,428 |
| Income from the reversal of accruals | | 1,854 | 2,677 |
| Rental income | | 1,957 | 2,009 |
| Income from currency translation | | 1,674 | 1,327 |
| Reimbursement of costs own personnel | | 965 | 1,009 |
| Income from the receipt of impaired receivables | | 269 | 654 |
| Income from default charges | | 588 | 396 |
| Income from insurance indemnification | | 118 | 241 |
| Additional other operating income | | 5,084 | 3,630 |
| Total other operating income | | 19,582 | 20,769 |

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

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

Income from currency translation mainly comprises profits resulting from exchange rate changes between the time of accrual and the time of payment or from measurement of monetary items at the exchange rate as of the reporting date. Exchange rate losses resulting from such transactions are shown under other operating expenses (see item C30).

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

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

28 | Materialaufwand

| Cost of materials | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|---|--------------------------------------|-----------------|-----------------|
| Expenses for raw materials and supplies and for purchased merchandise | | -145,284 | -147,674 |
| Expenses for purchased services | | -16,898 | -20,906 |
| Total cost of materials | | -162,182 | -168,580 |

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 | Personalaufwand

| Personnel expenses | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|-----------------------------------|--------------------------------------|-----------------|-----------------|
| Wages and salaries | | -119,509 | -126,620 |
| Social security contributions | | -21,725 | -23,619 |
| Expenses for pensions and support | | -2,514 | -3,128 |
| Total personnel expenses | | -143,748 | -153,367 |

Wages paid to manual workers amount to 37,368 thousand euros (previous year: 34,632 thousand euros), while salaries of non-manual employees amount to 75,769 thousand euros (previous year: 71,579 thousand euros). Personnel expenses include expenses for redundancy plans in the amount of 130 thousand euros (previous year: 653 thousand euros). (For further comments, please see item C 32 "Restructuring expenses".)

Expenses for pensions and support mainly comprise allocations to pension accruals; pension accruals for members of the executive bodies of the general and managing partner Neumüller CEWE COLOR Stiftung, Oldenburg, have increased by 1,370 thousand euros (previous year: increase of 1,386 thousand euros). Please also see the comments regarding non-current accruals for pensions (see item D57).

| | 2015 | 2016 |
|---|--------------|--------------|
| Number of employees | | |
| Non-manual employees | 2,077 | 2,088 |
| Manual employees | 1,216 | 1,283 |
| Total employees | 3,293 | 3,371 |
| Number of employees by business unit | | |
| Photofinishing | 2,111 | 2,229 |
| Retail | 576 | 533 |
| Commercial Online Printing | 572 | 566 |
| Other Activities | 34 | 43 |
| Total employees | 3,293 | 3,371 |

The above figures are annual averages. As of December 31, 2016, the Group had a total of 3,831 employees (December 31, 2015: 3,561 employees).

Initial measurement of the 2014 Stock Option Plan (SOP 2014) or the 2015 Stock Option Plan (SOP 2015) (IFRS 2.10 ff.) resulted in a fair value of 799 thousand euros (SOP 2015: 948 thousand euros), which will be accrued pro rata temporis up to the end of the lockup period on December 31, 2018 or December 31, 2019 and has been reported as "Other personnel expenses" in the amount of 200 thousand euros (SOP 2015: 237 thousand euros) and for which reserves have been entered in equity. On the structure of the stock option plans, we refer to the comments regarding the Group's equity (see item D53). 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 of at least 20 % (SOP 2015: 20 %) 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 3.00 % (SOP 2015: 3.00 %) of the stock options are exercised immediately upon this becoming possible due to the beneficiary leaving the company. A risk-free interest rate of 0.002 % was assumed for the period up to the key date December 30, 2014 (SOP 2015: –0.04 % as of December 30, 2015). The calculation used discrete dividends; publicly available estimates were used as the basis for calculation. Finally, the historical level of volatility was considered and a level of 27.56 % was recognised for December 30, 2014 (SOP 2015: 28.42 % for December 30, 2015). The Group did not make any direct support payments.

30 | Other operating expenses

| | 2015 | 2016 |
|---|-----------------|-----------------|
| Other operating expenses | | |
| Selling expenses | –116,717 | –122,309 |
| Administrative expenses | –23,789 | –24,466 |
| Costs of premises | –19,752 | –20,706 |
| Operating costs | –9,782 | –11,816 |
| Motor vehicle costs | –3,202 | –3,227 |
| Depreciation and valuation adjustments for current assets | –1,348 | –1,740 |
| Currency translation expenses | –1,924 | –1,393 |
| Additional operating expenses | –17,453 | –16,251 |
| Total other operating expenses | –193,967 | –201,908 |

The key selling expense items comprise transport service expenses for the Group's branch business, shipping costs for mail-order business in the Photofinishing business unit and marketing expenses. Valuation adjustments on current assets mainly comprise individual valuation adjustments on receivables (2016: 772 thousand euros, 2015: 659 thousand euros), which have resulted from an assessment of the loss of future returns.

The indicated exchange rate losses mainly comprise currency losses resulting from exchange rate changes between the time of accrual and the time of payment and from measurement at the exchange rate as of the reporting date. Exchange rate gains resulting from these transactions are shown under other operating income (see item C27).

In the year under review, as well as the costs of external services and personnel in the amount of 1,795 thousand euros (previous year: 2,214 thousand euros), other operating expenses also include losses from the disposal of fixed assets in the amount of 1,161 thousand euros (previous year: 1,066 thousand euros).

| Auditor's fees | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|-------------------------------|--------------------------------------|------------|------------|
| Audit of financial statements | | 238 | 238 |
| Other confirmation services | | 67 | 64 |
| Other services | | 272 | 80 |
| Total | | 577 | 382 |

The audit fees mainly comprise payments for auditing 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 and valuation services relate to the auditor's review of the quarterly financial statements.

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. In the financial year 2016, non-scheduled goodwill amortisation was recognised in the amount of 6,836 thousand euros (previous year: 2,606 thousand euros).

| Amortisation of intangible assets, depreciation of property, plant and equipment | <i>Figures in thousands of euros</i> | 2015 |
|---|--------------------------------------|----------------|
| Published consolidated financial statements | | -38,354 |
| Finalisation of purchase price allocation | | -381 |
| Restated consolidated financial statements | | -38,735 |

32 | Restrukturierungsaufwendungen

In the second quarter of 2016, the Photofinishing business unit incurred restructuring expenses in the amount of 186 thousand euros for the consolidation of plants. In the previous year, restructuring expenses arose in the Photofinishing business unit for the closure of the customer service office in Dresden and in the Retail business unit for the closure of several retail outlets in the Polish market. These expenses totalled 1,004 thousand euros.

Possible expenses resulting from the closure of individual unprofitable retail branches are not restructuring expenses within the meaning of IAS 37. They are operating expenses arising within the course of the normal financial year.

33 | Finanzerträge und Finanzaufwendungen

| Financial income/financial expenses | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|--------------------------------------|-------------|---------------|
| Income from equity investments | | 15 | 33 |
| Other interest and similar income | | 397 | 852 |
| Financial income | | 412 | 885 |
| Interest and similar expenses | | -721 | -1,703 |
| Amortisation of financial assets | | -150 | 0 |
| Financial expenses | | -871 | -1,703 |

Other interest and income include income recognisable in profit or loss from the fair value measurement of derivatives in the amount of 33 thousand euros (previous year: 37 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 1,111 thousand euros (previous year: 0 thousand euros).

34 | Income taxes

| Current and deferred expenses for income taxes | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|--------------------------------------|----------------|----------------|
| Current German taxes ¹ | | -11,929 | -14,766 |
| Current foreign taxes ² | | -998 | -1,629 |
| Current total taxes | | -12,927 | -16,395 |
| Deferred German taxes | | -228* | 1,148 |
| Deferred foreign taxes | | -318 | -587 |
| Deferred total taxes | | -546 | 561 |
| Total income taxes | | -13,473 | -15,834 |
| ¹ of which not relating to the period – Germany | | -269 | -1,987 |
| ² of which not relating to the period – other countries | | 34 | -133 |

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

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.

| Income taxes | <i>Figures in thousands of euros</i> | 2015 |
|--|--------------------------------------|----------------|
| Published consolidated financial statements | | -13,587 |
| Correction of error – financial income item | | 114 |
| Restated consolidated financial statements | | -13,473 |

The volume of income tax expenses shown can be calculated on the basis of the expected income tax expenses as follows:

| Reconciliation of income tax expenses | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|--------------------------------------|---------------|---------------|
| Earnings before taxes | | 35,938* | 46,197 |
| Theoretical tax rate (as %) | | 30.0 | 30.0 |
| Theoretical tax rate | | 10,781* | 13,859 |
| Expected income tax expenses | | | |
| Increase/reduction of income tax burden due to: | | 347 | 0 |
| Deviation resulting from different assessment bases | | | |
| – Tax-free income (-) | | -387 | -344 |
| – Other tax additions and deductions | | 189 | 249 |
| – Non-deductible expenses (+) | | 373 | 603 |
| – Depreciation of items not deductible for tax purposes | | 777 | 2,419 |
| Recognition and measurement of deferred taxes | | | |
| – Non-recognition of deferred tax assets on loss carry-forwards | | 1,241 | 1,379 |
| – Revaluation/subsequent recognition of deferred taxes | | -28 | |
| Non-period effects | | | |
| – Use of loss carry-forwards not reported in the balance sheet (-) | | -81 | -108 |
| – Other non-period effects | | 299 | -2,232 |
| Other effects | | -38* | 9 |
| Income tax expenses shown | | 13,473 | 15,834 |

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

For the overall income tax burden, a theoretical tax rate of 30 % (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.

Tax refund claims from previous years resulted due to a change in the law as of December 31, 2006. Since 2008, they have been paid out in equal instalments of 560 thousand euros over a period of ten years. Since these claims do not bear interest, they are discounted and capitalised at their present value. As of December 31, 2016, an interest rate of 1.75 % (previous year: 1.75 %) has been assumed for the calculation of the present value. This has been recognised in the balance sheet partly as a non-current income tax claim in the amount of 0 thousand euros (previous year: 537 thousand euros) and

partly as a current claim in the amount of 553 thousand euros (previous year: 560 thousand euros).

Deferred tax assets and liabilities shown in the balance sheet resulted for discrepancies in value for the following balance sheet positions and for loss carry-forwards:

| Classification of deferred tax items | Dec. 31, 2015 | | Dec. 31, 2016 | | |
|---|-------------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | Figures in thousands of euros | Deferred tax assets | Deferred tax liabilities | Deferred tax assets | Deferred tax liabilities |
| Loss carry-forwards and tax credits | | 1,096 | — | 677 | |
| Property, plant and equipment | | 507 | -1,047 | 195 | -823 |
| Intangible assets | | 962* | -3,031* | 681 | -2,556 |
| Inventories | | 102 | — | 168 | |
| Receivables and other assets | | 274 | — | 297 | |
| Special item for investment grants (investment subsidies) | | 0 | -403 | 124 | |
| Pension accruals | | 4,399 | 0 | 4,767 | |
| Other accruals | | 184 | -329 | 218 | -319 |
| Other liabilities | | 506 | — | 425 | |
| Deferred taxes on temporary differences | | 8,030 | -4,810 | 7,552 | -3,698 |
| Netting | | -739 | 739 | -780 | 780 |
| Balance sheet item | | 7,291 | -4,071 | 6,772 | -2,918 |

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

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 -175 thousand euros (previous year: -128 thousand euros) for the pension accruals.

The total amount carried forward for tax losses not yet used is 43,859 thousand euros (previous year: 46,844 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 2,684 thousand euros (previous year: 6,014 thousand euros). For the capitalisation of deferred taxes on loss carry-forwards, future

realisability is key. This mainly depends on future taxable profits in periods in which tax loss carry-forwards can be claimed. For the purpose of capitalisation, profit expectations are assumed which are considered to be more probable than not. Of these loss carry-forwards, 43,076 thousand euros (previous year: 43,230 thousand euros) may be carried forward without any limit. The remaining loss carry-forwards may be carried forward until 2020 at the latest.

| Total income tax expense recognised in equity | Figures in thousands of euros | |
|--|-------------------------------|----------------|
| | 2015 | 2016 |
| Income tax expense recognised in profit and loss account | -13,473* | -15,834 |
| Tax expense directly recognised in equity | -128 | 175 |
| Total income tax expense recognised in equity | -13,601 | -16,009 |

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

35 | Earnings per share

| Earnings per share | Figures in thousands of euros | |
|---|-------------------------------|-------------|
| | 2015 | 2016 |
| Earnings after taxes | 22,465* | 30,363 |
| Weighted average number of shares, undiluted (in units) | 7,133,082 | 7,145,871 |
| Undiluted earnings per share (in euros) | 3.15 | 4.25 |
| Earnings after taxes | 22,465* | 30,363 |
| Weighted average number of shares, diluted (in units) | 7,133,082 | 7,145,871 |
| Diluting effect of stock options issued | 4,190 | 35,503 |
| Diluted earnings per share (in euros) | 3.15 | 4.23 |

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

Undiluted earnings per share are calculated as the ratio of earnings after taxes and the weighted average number of shares outstanding during the financial year less treasury shares.

For purposes of comparison, diluted earnings per share as of December 31, 2016 have also been indicated. Treasury shares are not included in the calculation of diluted earnings per share.

D. Comments on the balance sheet

Total fixed assets of CEWE Stiftung & Co. KGaA

| Development in 2016 <i>Figures in thousands of euros</i> | Property, plant and equipment | Investment properties | Goodwill | Intangible assets | Non-current financial assets | Total |
|--|----------------------------------|--------------------------|---------------|-------------------|---------------------------------|----------------|
| Acquisition and production costs | | | | | | |
| As of Jan. 1 | 329,750 | 22,273 | 74,656 | 105,422 | 4,816 | 536,917 |
| Currency translation adjustments | -929 | — | — | -35 | — | -964 |
| Additions | 44,609 | 150 | — | 5,061 | 574 | 50,394 |
| Disposals | -22,292 | — | — | -3,181 | -1 | -25,474 |
| Transfers | -24 | — | — | 24 | 1,343 | 1,343 |
| As of Dec. 31 | 351,114 | 22,423 | 74,656 | 107,291 | 6,732 | 562,216 |
| Depreciation | | | | | | |
| As of Jan. 1 | 221,194 | 17,141 | 41,981 | 81,853 | 557 | 362,726 |
| Currency translation adjustments | -601 | — | — | 62 | — | -539 |
| Scheduled additions | 26,224 | 366 | — | 8,610 | — | 35,200 |
| Non-scheduled additions | 702 | — | 6,836 | 549 | — | 8,087 |
| Disposals | -20,953 | — | — | -3,023 | — | -23,976 |
| As of Dec. 31 | 226,566 | 17,507 | 48,817 | 88,051 | 557 | 381,498 |
| Book value on Dec. 31 | 124,548 | 4,916 | 25,839 | 19,240 | 6,175 | 180,718 |

| Development in 2015 <i>Figures in thousands of euros</i> | Property, plant and equipment | Investment properties | Goodwill | Intangible assets | Non-current financial assets | Total |
|---|----------------------------------|--------------------------|---------------|-------------------|---------------------------------|----------------|
| Acquisition and production costs | | | | | | |
| As of Jan. 1 | 310,003 | 21,731 | 64,735 | 94,129 | 3,671 | 494,269 |
| Changes to the scope of consolidation | 390 | — | 9,921* | 7,057* | — | 17,368* |
| Currency translation adjustments | 733 | — | — | 75 | — | 808 |
| Additions | 34,065 | 545 | — | 5,508 | 2,689 | 42,807 |
| Disposals | -15,308 | -3 | — | -1,480 | -9 | -16,800 |
| Transfers | -133 | — | — | 133 | -1,535 | -1,535 |
| As of Dec. 31 | 329,750 | 22,273 | 74,656 | 105,422 | 4,816 | 536,917 |
| Depreciation | | | | | | |
| As of Jan. 1 | 207,464 | 16,777 | 39,375 | 74,802 | 407 | 338,825 |
| Currency translation adjustments | 456 | — | — | 87 | — | 543 |
| Scheduled additions | 26,717 | 364 | — | 7,999* | — | 35,080* |
| Non-scheduled additions | 550 | — | 2,606 | 315 | 150 | 3,621 |
| Disposals | -13,993 | — | — | -1,350 | — | -15,343 |
| As of Dec. 31 | 221,194 | 17,141 | 41,981 | 81,853 | 557 | 362,726 |
| Book value on Dec. 31 | 108,556 | 5,132 | 32,675 | 23,569 | 4,259 | 174,191 |

* Figure for previous year has been restated.

36 | 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. Non-scheduled depreciation relates to equipment which has been written down on grounds of capacity.

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 2,719 thousand euros (previous year: 9,057 thousand euros).

Intragroup deliveries and services (e. g. digital printing machines, DigiFoto Maker, 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.

| Development of property, plant and equipment in 2016 <i>Figures in thousands of euros</i> | 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 | 49,433 | 203,058 | 74,928 | 2,331 | 329,750 |
| Currency translation adjustments | -171 | -785 | 29 | -2 | -929 |
| Additions | 3,311 | 23,515 | 8,607 | 9,176 | 44,609 |
| Disposals | -158 | -14,172 | -7,962 | — | -22,292 |
| Transfers | 311 | 525 | -11 | -849 | -24 |
| As of Dec. 31 | 52,726 | 212,141 | 75,591 | 10,656 | 351,114 |
| Depreciation | | | | | |
| As of Jan. 1 | 23,210 | 142,285 | 55,699 | — | 221,194 |
| Currency translation adjustments | -35 | -659 | 93 | — | -601 |
| Scheduled additions | 1,561 | 16,348 | 8,315 | — | 26,224 |
| Non-scheduled additions | — | 686 | 16 | — | 702 |
| Disposals | -125 | -13,197 | -7,631 | — | -20,953 |
| Transfers | 9 | 2 | -11 | — | — |
| As of Dec. 31 | 24,620 | 145,465 | 56,481 | — | 226,566 |
| Book value on Dec. 31 | 28,106 | 66,676 | 19,110 | 10,656 | 124,548 |

| Development of property, plant and equipment in 2015 <i>Figures in thousands of euros</i> | 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 | 45,888 | 190,053 | 71,107 | 2,955 | 310,003 |
| Changes to the scope of consolidation | — | 185 | 205 | — | 390 |
| Currency translation adjustments | 222 | 467 | 32 | 12 | 733 |
| Additions | 3,290 | 19,936 | 9,103 | 1,736 | 34,065 |
| Disposals | -107 | -9,389 | -5,801 | -11 | -15,308 |
| Transfers | 140 | 1,806 | 282 | -2,361 | -133 |
| As of Dec. 31 | 49,433 | 203,058 | 74,928 | 2,331 | 329,750 |
| Depreciation | | | | | |
| As of Jan. 1 | 21,789 | 133,384 | 52,291 | — | 207,464 |
| Currency translation adjustments | 74 | 370 | 12 | — | 456 |
| Scheduled additions | 1,434 | 16,675 | 8,608 | — | 26,717 |
| Non-scheduled additions | — | 550 | — | — | 550 |
| Disposals | -81 | -8,701 | -5,211 | — | -13,993 |
| Transfers | -6 | 7 | -1 | — | — |
| As of Dec. 31 | 23,210 | 142,285 | 55,699 | — | 221,194 |
| Book value on Dec. 31 | 26,223 | 60,773 | 19,229 | 2,331 | 108,556 |

37 | Investment properties

Investment properties comprise commercial properties in Bad Schwartau, Nuremberg and Berlin 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 exclusively comprised subsequent acquisition costs.

In the financial year, rent income amounted to 1,255 thousand euros (previous year: 1,140 thousand euros). Including depreciation, maintenance and incidental costs, expenses for the leased properties amounted to 1,214 thousand euros (previous year: 903 thousand euros).

The fair value of these investment properties is 11,183 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 the previous year. 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 <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|--------|--------|
| Acquisition and production costs | | |
| As of Jan. 1 | 21,731 | 22,273 |
| Additions | 545 | 150 |
| Disposals | -3 | — |
| As of Dec. 31 | 22,273 | 22,423 |
| Depreciation | | |
| As of Jan. 1 | 16,777 | 17,141 |
| Scheduled additions | 364 | 366 |
| As of Dec. 31 | 17,141 | 17,507 |
| Book value on Dec. 31 | 5,132 | 4,916 |

38 | Goodwill

Goodwill results from the acquisition of businesses. The figures for each business unit have developed as follows:

| Development of goodwill in 2016 | Figures in thousands of euros | | | | | Total |
|---|-------------------------------|------------|----------------------------|------------------|--|---------------|
| | Photofinishing | Retail | Commercial Online Printing | Other Activities | | |
| Acquisition and production costs | | | | | | |
| As of Jan. 1 | 8,993 | 366 | 19,477 | 3,839 | | 32,675 |
| Non-scheduled depreciation | -2,997 | — | — | -3,839 | | -6,836 |
| As of Dec. 31 | 5,996 | 366 | 19,477 | 0 | | 25,839 |

| Development of goodwill in 2015 | Figures in thousands of euros | | | | | Total |
|---------------------------------------|-------------------------------|------------|----------------------------|------------------|--|---------------|
| | Photofinishing | Retail | Commercial Online Printing | Other Activities | | |
| As of Jan. 1 | 5,517 | 366 | 19,477 | 0 | | 25,360 |
| Changes to the scope of consolidation | 6,082* | — | — | 3,839* | | 9,921* |
| Non-scheduled depreciation | -2,606 | — | — | — | | -2,606 |
| As of Dec. 31 | 8,993 | 366 | 19,477 | 3,839 | | 32,675 |

* Figure for previous year has been restated.

For the CEWE Group, key items of goodwill have been assigned to the following cash-generating units as of the balance sheet date:

| Business unit and cash-generating unit | Figures in thousands of euros | Goodwill |
|--|-------------------------------|----------|
| Commercial Online Printing Saxoprint | | 17,809 |
| Commercial Online Printing Viaprinto | | 1,668 |
| Photofinishing Dignet | | 2,874 |
| Photofinishing DeinDesign | | 2,515 |

Within the scope of the impairment test, the recoverable amount is determined by calculating the value in use. Cash flow forecasts are used for this purpose which are based on the approved business planning figures. Cash flows are extrapolated beyond a period of five years on the basis of the growth rates indicated below.

In the following, the long-term growth rate and discount rate is indicated for the value-in-use calculation for each cash-generating unit with significant goodwill. The recoverable amount in case of valuation adjustments is also indicated.

| 2016 | Figures as % | Saxoprint | Viaprinto | Dignet | DeinDesign | futalis |
|-----------------------|--------------|-----------|-----------|--------|------------|---------|
| Long-term growth rate | | 1.0 | 1.0 | 0.75 | 0.75 | 2.0 |
| Pre-tax interest rate | | 7.7 | 7.7 | 6.8 | 5.8 | 8.3 |

| 2015 | Figures as % | Saxoprint | Viaprinto | Dignet | DeinDesign | futalis |
|-----------------------|--------------|-----------|-----------|--------|------------|---------|
| Long-term growth rate | | 1.0 | 1.0 | 0.75 | 0.75 | 2.0 |
| Pre-tax interest rate | | 7.5 | 7.5 | 8.9 | 8.2 | 9.8 |

The goodwill attributable to the cash-generating unit DeinDesign GmbH underwent a valuation adjustment in the amount of 2,120 thousand euros in profit or loss. The recoverable amount totalled 4,734 thousand euros. The goodwill attributable to the cash-generating unit futalis GmbH underwent a valuation adjustment in the amount of 3,839 thousand euros in profit or loss. The recoverable amount totalled 3,488 thousand euros. The goodwill attributable to the cash-generating unit CEWE Ltd. underwent a valuation adjustment in the amount of 876 thousand euros in profit or loss. The recoverable amount totalled 2,124 thousand euros.

The range of discount rates before taxes in the respective business units is as follows:

| Business units 2016 | Goodwill Figures <i>in thousands of euros</i> | Range of discount rate <i>Figures as %</i> |
|----------------------------|---|--|
| Photofinishing | 5,996 | 5.8–9.2 |
| Retail | 366 | 5.9–7.2 |
| Commercial Online Printing | 19,477 | 7.6–8.9 |
| Other Activities | 0 | 8.3 |
| Total | 25,839 | 5.8–9.2 |

| Business units 2015 | Goodwill Figures <i>in thousands of euros</i> | Range of discount rate <i>Figures as %</i> |
|----------------------------|---|--|
| Photofinishing | 8,993 | 6.9–12.3 |
| Retail | 366 | 8.1–9.7 |
| Commercial Online Printing | 19,477 | 7.5–8.9 |
| Other Activities | 3,839 | 9.8 |
| Total | 32,675 | 6.9–12.3 |

The estimates made are considered appropriate in relation to the expected useful life of specific assets, assumptions regarding the macroeconomic environment and developments in the industries in which CEWE is active and the estimated present values of future cash flows. Nonetheless, revised assumptions or changed circumstances may necessitate corrections which may lead to additional valuation adjustments or, in case of a reversal in the envisaged trends, reversals in value if this does not involve goodwill.

Within the scope of a sensitivity analysis for cash-generating units or groups of cash-generating units to which goodwill has been assigned, a 10 % reduction in EBIT margins for the perpetual annuity and a one percentage point increase in the discount rate have been assumed. In case of a decrease in the EBIT margin, the recoverable amount for DeinDesign would be less than the book value, resulting in additional goodwill amortisation in the amount of 500 thousand euros. In case of an increase in the discount rate, the recoverable amount for DeinDesign would be less than the book value, resulting in additional goodwill amortisation in the amount of 1,644 thousand euros. On this basis, no impairment requirement applies for any of the other cash-generating units or for any group of cash-generating units.

39 | 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 379 thousand euros (previous year: 501 thousand euros).

On the basis of the impairment test, non-scheduled depreciation has been recognised in the amount of 549 thousand euros (previous year: 315 thousand euros).

For intangible assets, the Group had commitments in the amount of 397 thousand euros (previous year: 463 thousand euros).

| Development of intangible assets in 2016 <i>Figures in thousands of euros</i> | Purchased software | Proprietary intangible assets | Customer base, customer lists and trademark rights | Advance payments made | Total |
|---|--------------------|-------------------------------|--|-----------------------|----------------|
| Acquisition and production costs | | | | | |
| As of Jan. 1 | 51,314 | 21,396 | 32,492 | 220 | 105,422 |
| Currency translation adjustments | 71 | — | -106 | — | -35 |
| Additions | 3,652 | 379 | 12 | 1,018 | 5,061 |
| Disposals | -705 | -1 | -2,468 | -7 | -3,181 |
| Transfers | 329 | 104 | — | -409 | 24 |
| As of Dec. 31 | 54,661 | 21,878 | 29,930 | 822 | 107,291 |
| Depreciation | | | | | |
| As of Jan. 1 | 37,925 | 19,613 | 24,315 | — | 81,853 |
| Currency translation adjustments | 76 | — | -14 | — | 62 |
| Scheduled additions | 5,757 | 685 | 2,168 | — | 8,610 |
| Non-scheduled additions | 114 | 116 | 319 | — | 549 |
| Disposals | -555 | — | -2,468 | — | -3,023 |
| As of Dec. 31 | 43,317 | 20,414 | 24,320 | — | 88,051 |
| Book value on Dec. 31 | 11,344 | 1,464 | 5,610 | 822 | 19,240 |

CEWE currently has customer bases, customer lists and trademark rights in its three business units Photofinishing, Retail and Commercial Online Printing. In the previous year the Group acquired additional intangible assets, in particular, through its purchase of DeinDesign GmbH, Bad Kreuznach, and futalis GmbH, Leipzig. 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 and other assets amount to 12,369 thousand euros (previous year: 11,919 thousand euros). They mainly comprise personnel expenses and other operating expenses.

| Development of intangible assets in 2015 <i>Figures in thousands of euros</i> | Purchased software | Proprietary intangible assets | Customer base, customer lists and trademark rights | Advance payments made | Total |
|---|--------------------|-------------------------------|--|-----------------------|----------------|
| Acquisition and production costs | | | | | |
| As of Jan. 1 | 45,064 | 20,620 | 27,553 | 892 | 94,129 |
| Changes to the scope of consolidation | 3,177* | — | 3,880* | — | 7,057* |
| Currency translation adjustments | -80 | — | 155 | — | 75 |
| Additions | 3,593 | 501 | 904 | 510 | 5,508 |
| Disposals | -1,465 | -15 | — | — | -1,480 |
| Transfers | 1,025 | 290 | — | -1,182 | 133 |
| As of Dec. 31 | 51,314 | 21,396 | 32,492 | 220 | 105,422 |
| Depreciation | | | | | |
| As of Jan. 1 | 34,811 | 18,869 | 21,122 | — | 74,802 |
| Currency translation adjustments | -55 | — | 142 | — | 87 |
| Scheduled additions | 4,392* | 683 | 2,924* | — | 7,999* |
| Non-scheduled additions | 127 | 61 | 127 | — | 315 |
| Disposals | -1,350 | — | — | — | -1,350 |
| As of Dec. 31 | 37,925 | 19,613 | 24,315 | 0 | 81,853 |
| Book value on Dec. 31 | 13,389 | 1,783 | 8,177 | 220 | 23,569 |

* Figure for previous year has been restated.

40 | Financial assets

The Group's financial assets include interests in other equity investments in the amount of 5,852 thousand euros (previous year: 3,951 thousand euros). The additions relate to equity investments in start-up companies. Other loans in the amount of 323 thousand euros (previous year: 308 thousand euros) mainly comprise the repurchase value of the company's reinsurance policy.

| Development of non-current financial assets in 2016 <i>Figures in thousands of euros</i> | Non-current interests in affiliates | Non-current equity investments | Non-current other loans | Total |
|--|--|---------------------------------------|--------------------------------|--------------|
| Acquisition and production costs | | | | |
| As of Jan. 1 | 43 | 4,465 | 308 | 4,816 |
| Additions | 0 | 558 | 16 | 574 |
| Disposals | 0 | 0 | -1 | -1 |
| Transfers | 0 | 1,343 | 0 | 1,343 |
| As of Dec. 31 | 43 | 6,366 | 323 | 6,732 |
| Depreciation | | | | |
| As of Jan. 1 | 18 | 539 | 0 | 557 |
| As of Dec. 31 | 18 | 539 | 0 | 557 |
| Book value on Dec. 31 | 25 | 5,827 | 323 | 6,175 |

| Development of non-current financial assets in 2015 <i>Figures in thousands of euros</i> | Non-current interests in affiliates | Non-current equity investments | Non-current other loans | Total |
|--|--|---------------------------------------|--------------------------------|--------------|
| Acquisition and production costs | | | | |
| As of Jan. 1 | 43 | 3,323 | 305 | 3,671 |
| Additions | 0 | 2,678 | 11 | 2,689 |
| Disposals | 0 | -1 | -8 | -9 |
| Transfers | 0 | -1,535 | 0 | -1,535 |
| As of Dec. 31 | 43 | 4,465 | 308 | 4,816 |
| Depreciation | | | | |
| As of Jan. 1 | 18 | 389 | 0 | 407 |
| Non-scheduled additions | 0 | 150 | 0 | 150 |
| As of Dec. 31 | 18 | 539 | 0 | 557 |
| Book value on Dec. 31 | 25 | 3,926 | 308 | 4,259 |

41 | Non-current receivables from income tax refunds

The company's corporate income tax credit totalling 553 thousand euros (previous year: 1,121 thousand euros) has been discounted since it does not bear interest and due to the duration of the refund period. As of the balance sheet date, the present value amounts to a total of 553 thousand euros (previous year: 1,097 thousand euros) and the non-current portion amounts to 0 thousand euros (previous year: 536 thousand euros). The current portion has been recognised in current assets. Please see the comments on income taxes for further details (see item C34).

42 | 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.

43 | Aktive latente Steuern

Deferred tax assets in 2016
Composition and development

Figures in thousands of euros

| | From temporary differences | From tax loss carry-forwards | Total |
|----------------------|----------------------------|------------------------------|--------------|
| As of Jan. 1 | 6,195 | 1,096 | 7,291 |
| Amount added | 182 | 38 | 220 |
| Reversals | -282 | -457 | -739 |
| As of Dec. 31 | 6,095 | 677 | 6,772 |

Deferred tax assets in 2015
Composition and development

Figures in thousands of euros

| | From temporary differences | From tax loss carry-forwards | Total |
|----------------------|----------------------------|------------------------------|--------------|
| As of Jan. 1 | 6,327 | 1,814 | 8,141 |
| Amount added | 429 | 302 | 731 |
| Reversals | -561 | -1,020 | -1,581 |
| As of Dec. 31 | 6,195 | 1,096 | 7,291 |

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 164 thousand euros were capitalised on loss carry-forwards at the level of CEWE AS, Slovak Republic. Please see the comments on income taxes for further details (see item C34).

44 | Non-current assets held for sale

Land held for disposal in Grudziądz, Poland was sold in the year under review.

45 | Inventories

| Inventories | Figures in thousands of euros | Dec. 31, 2015 | Dec. 31, 2016 |
|------------------------------------|-------------------------------|---------------|---------------|
| Raw materials and supplies | | 19,156 | 17,977 |
| Unfinished goods, work in progress | | 512 | 787 |
| Finished goods and merchandise | | 30,991 | 28,972 |
| Advance payments made | | 20 | 1,647 |
| Total | | 50,679 | 49,383 |

In particular, the decline in raw materials and supplies includes stocks of photographic paper. For "Finished goods and merchandise" the decrease includes, in particular, merchandise stocks for the Group's retail companies.

The valuation adjustment on inventories amounts to 488 thousand euros (previous year: 156 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 Japan Photo Holding Norge AS, Oppedgård, Norway, with a book value of 297 thousand euros (previous year: 281 thousand euros) were pledged as collateral for rent deposits.

46 | Current trade receivables

| Current trade receivables | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|--------------------------------------|--------------------------------------|---------------|----------------------|
| Trade receivables not impaired | | 89,070 | 82,580 |
| thereof amount covered by insurance | | 116,873 | 121,550 |
| Gross amount of impaired receivables | | 4,014 | 3,841 |
| Valuation adjustments | | 2,654 | 2,265 |
| Total | | 90,430 | 84,156 |

Directly trade-related receivables are all current in nature and are due from external third parties. Trade receivables underwent the following valuation adjustments in the course of the year:

| Valuation adjustment on trade receivables | <i>Figures in thousands of euros</i> | Development in the financial year 2015 | Development in the financial year 2016 |
|--|--------------------------------------|--|---|
| As of Jan. 1 | | 2,898 | 2,654 |
| Currency translation adjustments | | 9 | 3 |
| Amount added | | 954 | 1,110 |
| Reversals | | -136 | -529 |
| Use | | -1,071 | -973 |
| As of Dec. 31 | | 2,654 | 2,265 |

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 969 thousand euros (previous year: 690 thousand euros).

In regard to the Group's trade receivables which are neither impaired nor in default, as of the reporting date there are no indications that the debtors will fail to comply with their payment obligations. The Group has non-impaired receivables from business partners and end-consumers. In the past financial year, customer receivables of Japan Photo Holding Norge AS, Opegård, Norway, with a book value of 110 thousand euros (previous year: 104 thousand euros) were pledged. Valuation adjustments on receivables are separately recognised from an accounting point of view; the same applies for any addition, use or reversal. A receivable is only finally written off if it may be assumed either on legal grounds or at least on the basis of other facts that this receivable is no longer collectable.

47 | Current receivables from income tax refunds

This mainly comprises refund claims for tax prepayments made in the current year for the year under review. A portion of this has resulted from the non-current refund claim for prepaid corporate income tax which has been due annually pro rata since 2008 (see item D41).

48 | Current financial assets

Current financial assets include the following items:

| Current financial assets | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|--|--------------------------------------|---------------|----------------------|
| Creditors with debit accounts | | 427 | 836 |
| Loans to customers | | 2 | 3 |
| Receivables from employees | | 140 | 123 |
| Other current financial receivables and assets | | 1,925 | 2,052 |
| Total | | 2,494 | 3,014 |

49 | Other current receivables and assets

Other current receivables and assets comprise the following items:

| Other current receivables and assets | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|---|--------------------------------------|---------------|----------------------|
| Current prepaid expenses | | 2,695 | 3,485 |
| Tax refund claims | | 2,973 | 1,974 |
| Current receivables from insurance firms | | 4 | 2 |
| Total | | 5,672 | 5,461 |

50 | 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 (2016: 19,042 thousand euros, previous year: 16,143 thousand euros) attracted interest at the specifically agreed rates; they have been measured at the exchange rate as of the balance sheet date.

51 | 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 continued to amount to 19,240,052.00 euros and has been divided up into 7,400,020 bearer shares.

Each bearer share of CEWE Stiftung & Co. KGaA confers one vote. The total number of voting rights now amounts to 7,400,020 shares.

The company's shares outstanding developed as follows:

| Outstanding shares | <i>In units</i> | Development in the financial year 2015 | Development in the financial year 2016 |
|------------------------------|-----------------|--|---|
| As of Jan. 1 | | 7,118,320 | 7,156,022 |
| Purchases of treasury shares | | 0 | –21,500 |
| Sales of treasury shares | | 37,702 | 8,910 |
| As of Dec. 31 | | 7,156,022 | 7,143,432 |

52 | Authorised capital

With the consent of the Supervisory Board, in the period to June 3, 2019 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 9,620 thousand euros (authorised capital 2014). 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 prescribes the terms for issuance of shares. 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.

53 | Stock option plans

2010 Stock Option Plan

The 2010 Stock Option Plan (SOP 2010) which was established in 2010 ended upon expiry of May 31, 2015. Almost all of the options were exercised upon expiry of the waiting period (May 31, 2014) in 2014. However, a total of 19,800 options were exercised in 2015. The weighted average exercise price was 52.52 euros per option. All of the remaining rights had been exercised as of the end of the term on May 31, 2015; the plan was thus completed.

Stock option plans since 2014

Since 2014, the Board of Management has continued to launch a new stock option plan every year (SOP 2014, SOP 2015, SOP 2016). 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:

| | | Number of participants | Number of rights issued | Start of waiting period | End of waiting period | End of exercise period | Underlying price EUR/option | Performance premium | Performance target EUR/option |
|----------|----------------------|---------------------------|----------------------------|----------------------------|--------------------------|---------------------------|--------------------------------|------------------------|----------------------------------|
| SOP 2016 | Board of Management* | 8 | 9,600 | January 1, 2017 | December 31, 2020 | December 31, 2021 | | | |
| | Other executives | 208 | 97,100 | | | | | | |
| | Total | 216 | 106,700 | | | | 74.00 | 125 % | 92.50 |
| SOP 2015 | Board of Management* | 9 | 10,800 | January 1, 2016 | December 31, 2019 | December 31, 2020 | | | |
| | Other executives | 188 | 92,920 | | | | | | |
| | Total | 197 | 103,720 | | | | 52.00 | 120 % | 62.40 |
| SOP 2014 | Board of Management* | 9 | 10,800 | January 1, 2015 | December 31, 2018 | December 31, 2019 | | | |
| | Other executives | 220 | 102,150 | | | | | | |
| | Total | 229 | 112,950 | | | | 53.00 | 120 % | 63.60 |

* 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 EUR/ option | Options awarded | Fair value EUR | Income premium (EUR 0.50/ option) | Accrued personnel expenses 2015 | Accrued personnel expenses 2016 | Accrued personnel expenses 2017 |
|--|---------------------|------------------------------|--------------------|-------------------|--|--|--|--|
| 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 | 0 | 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 | 0 | 237,060 | 237,060 |
| SOP 2014 | Board of Management | 7.10 | 10,800 | 76,680 | 5,400 | | | |
| | Other executives | 7.09 | 102,150 | 724,244 | 51,075 | | | |
| | Total | | 112,950 | 800,924 | 56,475 | 199,656 | 199,656 | 199,656 |
| Total | | | | 161,685 | 199,656 | 436,716 | 917,736 | |

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 |
|--------------------|-------------------------------------|
| 2016 | 600 |
| 2015 | 600 |
| 2014 | 1,350 |

The number of stock options issued within the scope of the current plans is as follows:

| Stock option plans | Figures in thousands of euros | | |
|---------------------------------------|-------------------------------|----------------|----------------|
| | 2014 | 2015 | 2016 |
| Outstanding as of January 1 | 200,000 | 132,750 | 214,570 |
| Expired over the course of the year | 7,500 | 2,100 | 2,250 |
| Exercised over the course of the year | 172,700 | 19,800 | 0 |
| Confirmed over the course of the year | 112,950 | 103,720 | 106,700 |
| Outstanding as of December 31 | 132,750 | 214,570 | 319,020 |
| Exercisable as of December 31 | 19,800 | 0 | 0 |

54 | 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.

55 | Treasury shares at acquisition cost

| Treasury shares | Total | Sale | Total | Sale | Total | Buyback | Sale | Total |
|--|------------------------------------|---------------------------------------|------------------------------------|--|------------------------------------|------------------------------------|--|------------------------------------|
| Buyback period | Effective date Dec. 31, 2013 | Apr. 9, 2014 to Dec. 3, 2014 | Effective date Dec. 31, 2014 | Jan. 1, 2015 to Dec. 31, 2015 | Effective date Dec. 31, 2015 | May 18, 2016 to Jul. 8, 2016 | Jan. 1, 2016 to Dec. 31, 2016 | Effective date Dec. 31, 2016 |
| Number of treasury shares held | 818,419 | -536,719 | 281,700 | -37,702 | 243,998 | 21,500 | -8,910 | 256,588 |
| Interest in share capital on reporting date (thousands of euros) | 2,128 | -1,396 | 732 | -97 | 635 | 58 | -19 | 673 |
| Interest in share capital on reporting date (as %) | 11.09 % | -7.26 % | 3.81 % | -0.50 % | 3.30 % | 0.30 % | -0.10 % | 3.50 % |
| Average purchase price per share (euros) | 28.58 | 27.72 | 30.21 | 28.04 | 30.55 | 61.40 | 32.77 | 33.06 |
| Total value of shares bought back (thousands of euros) | 23,391 | -14,880 | 8,511 | -1,057 | 7,454 | 1,320 | -292 | 8,482 |

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 June 4, 2014 and is now valid until June 3, 2017. The authorisation to purchase treasury shares which was resolved by the general meeting on June 2, 2010 expired once this new authorisation became effective.

In the financial year 2011, within the scope of the company’s employee shares programme a total of 10,890 no-par value shares were sold to employees and a further 248,787 no-par value shares were bought back in the period to October 28, 2011, pursuant to the general meeting’s authorisation resolution of June 2, 2010. This means that the company gained a total of 237,897 new treasury shares in 2011.

In the financial year 2012, a total of 15,489 no-par value shares were sold to employees as part of the company’s employee shares programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2013, a total of 16,796 no-par value shares were sold to employees as part of the company’s employee shares programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2014, a total of 10,654 no-par value shares were sold to employees as part of the company's employee programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 26,065 treasury shares were required in 2014 to exercise the Stock Option Plan.

In the financial year 2015, a total of 11,087 no-par value shares were sold to employees as part of the company's employee programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 3,800 treasury shares were required in 2014 for the exercise of the Stock Option Plan.

Moreover, in 2016 the Board of Management resolved to offer the employees of the German subsidiaries of CEWE KGaA shares in the company at a reduced price, as staff shares. A total of 8,410 shares were required for this purpose. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 21,500 treasury shares were repurchased in 2016 within the scope of the share buyback programme.

CEWE KGaA's key portfolio of treasury shares under German company law as of December 31, 2016 amounted to 143,836 shares (previous year: 131,246 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 256,588 no-par value shares – at a total value of 8,482 thousand euros (previous year: 7,454 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 | |
|---|--------------------------|---------|-----------------------------------|---------|------------|---------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| As of Jan. 1 | 168,948 | 131,246 | 112,752 | 112,752 | 281,700 | 243,998 |
| Purchases of treasury shares | — | 21,500 | — | — | — | 21,500 |
| Sales of treasury shares | -37,702 | -8,910 | — | — | -37,702 | -8,910 |
| As of Dec. 31 | 131,246 | 143,836 | 112,752 | 112,752 | 243,998 | 256,588 |

56 | 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 2015. The unappropriated profits of CEWE KGaA under commercial law are key for distribution purposes. As of December 31, 2016, following the allocation to the retained earnings under § 58 (2) of the German Stock Corporation Act the unappropriated profits of CEWE KGaA amount to 26,613 thousand euros (previous year: 23,442 thousand euros). Payout freezes apply for the company's treasury shares (2016: 143,836 no-par value shares; previous year: 131,246 no-par value shares). In 2016, dividends were paid for a total amount of 11,468 thousand euros (previous year: 11,067 thousand euros). This corresponds to a distribution of 1.60 euros (previous year: 1.55 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.

| Retained earnings and appropriated profits <i>Figures in thousands of euros</i> | Published consolidated financial statements | Total change | Restated consolidated financial statements |
|--|---|--------------|--|
| As of Dec. 31, 2015 | 105,580 | -631 | 104,949 |

The cumulative effects of the finalisation of the purchase price allocation for the retained earnings and unappropriated profits amount to -631 thousand euros as of December 31, 2015 (cf. also A2).

57 | Non-current accruals for pensions

| Non-current pension accruals | <i>Figures in thousands of euros</i> | Development in the financial year 2015 | Development in the financial year 2016 |
|-------------------------------------|--------------------------------------|--|--|
| As of Jan. 1 | | 21,941 | 22,940 |
| Use | | -618 | -612 |
| Amount added | | 1,640 | 3,142 |
| Reversals | | -23 | -6 |
| As of Dec. 31 | | 22,940 | 25,464 |

CEWE has various types of company pension scheme commitments to its current and former employees and to their surviving dependents in Germany and France. The company's pension scheme is based on a defined-benefit system and also, to a marginal extent, on a defined-contribution system. Employees are also able to participate in schemes for the conversion of salary entitlements into pension entitlements. Accruals are measured on the basis of the projected unit credit method.

In the case of the defined-benefit scheme, the company or an external pension provider grants the beneficiaries a defined-benefit commitment; unlike in the case of defined contributions, the expenses incurred by the company are not determined in advance. In Germany, the company's commitments to the Board of Management are structured as final salary plans; in addition, several executives have been granted fixed-benefit commitments. In France, capital commitments in accordance with the employee's period of service are granted which are covered by reinsurance policies. Expenses for these commitments are apportioned across the service period of the employees, on the basis of actuarial calculations, and must be broken down into the current service cost and interest expense (the balance of interest on the obligation and income from the cover funds) in accordance with IAS 19 rev. 2011. On the respective balance sheet date (December 31 of each year), the interest rate is determined on the basis of current capital market data as well as assumptions regarding long-term trends, in accordance with the principle of the

best possible estimate. CEWE has several defined-benefit plans. As a rule, it has provided aggregated details for these plans, since there are no significant deviations in terms of their respective risk exposure. Through its plans in Germany and France, the Group is generally exposed to the following actuarial risks: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk: the present value of the defined-benefit obligation under the plan is calculated by means of a discount rate which is determined on the basis of the yields provided by high-quality, fixed-interest corporate bonds. If the income from the plan assets is less than this interest rate, this will result in shortage of cover for the plan.

Interest rate risk: a decrease in the discount rate will result in an increase in the Group's liability under the plan.

Longevity risk: the present value of the defined-benefit obligation under the plan is determined on the basis of the best possible estimate of the probability of death of the beneficiary employees, both during the employment relationship and thereafter. An increase in the life expectancy of beneficiary employees will result in an increase in the liability under the plan.

Salary risk: the present value of the defined-benefit obligation under the plan is determined on the basis of the future salaries of beneficiary employees. An increase in the salaries of beneficiary employees will thus result in an increase in the liability under the plan.

No other benefits for these employees are envisaged upon termination of their employment relationships.

In Germany, the company does not have any plan assets within the meaning of IAS 19 rev. 2011 to cover these benefits. In France, the realisable pension benefit is partly covered through reinsurance policies (the risks in terms of assets and liabilities are thus directly linked).

On the other hand, in case of defined contributions firmly defined contributions (e. g. in relation to the applicable level of income) are confirmed and paid. The employer does not have any other constructive obligation beyond payment of the contributions. In case of defined contributions, it is not necessary to establish accruals in the balance sheet. Only the contribution payable by the company is shown in the profit and loss account as expense.

The key parameters for defined-benefit pensions are presented below:

| Development of obligations | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|--------------------------------------|---------------|---------------|
| Present value of vested pension entitlements at start of financial year | | 22,183 | 23,198 |
| Current service cost | | 1,283 | 1,323 |
| Interest expense | | 456 | 457 |
| Actuarial profits (-) / losses (+) | | 345 | 640 |
| Payment of benefits | | -618 | -660 |
| Past service cost | | -451 | 728 |
| Present value of vested pension entitlements at end of financial year | | 23,198 | 25,686 |
| of which directly confirmed (excl. plan assets) | | 21,816 | 24,159 |
| of which funded with plan assets | | 1,382 | 1,527 |

In France, for its pension obligations the company has earmarked assets in the form of reinsurance policies.

In summary, these assets developed as follows:

| Development of plan assets | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|---|--------------------------------------|------------|------------|
| Fair value of plan assets at start of financial year | | 242 | 258 |
| Expected income from plan assets | | 5 | 5 |
| Actuarial profits (+) | | 3 | 3 |
| Employer's contributions | | 23 | 6 |
| Payment of benefits | | -15 | -49 |
| Fair value of plan assets at end of financial year | | 258 | 222 |

Overall, the Group's financing status is as follows:

| Financing status | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|---|--------------------------------------|---------------|---------------|
| Present value of vested pension entitlements at end of financial year | | 23,198 | 25,686 |
| Fair value of plan assets at end of financial year | | -258 | -222 |
| Balance sheet value at end of financial year | | 22,940 | 25,464 |
| Restatement of present value of vested pension entitlements (DBO) on basis of past experience | | 116 | -458 |
| Restatement of fair value of plan assets on basis of past experience | | -3 | -3 |

The total expenses recognised in the profit and loss account for defined-benefit pension plans (expenses less income) are as follows:

| Net pension expense | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|----------------------------------|--------------------------------------|--------------|--------------|
| Current service cost | | 1,283 | 1,323 |
| Interest expense | | 456 | 457 |
| Expected income from plan assets | | -5 | -5 |
| Past service cost | | -451 | 728 |
| Total | | 1,283 | 2,503 |

In the financial year 2016, actuarial losses in the amount of 640 thousand euros resulted (previous year: actuarial losses in the amount of 345 thousand euros), which have been apportioned to other comprehensive income. The assumptions for actuarial measurement of the present value of the vested pension entitlements and the net pension expenses reflect circumstances in the country in which the pension plan has been established.

The calculations are based on current, actuarially determined biometric probabilities. Assumptions regarding future fluctuations on the basis of age and years of service are also included, as are probabilities within the Group of employees reaching retirement and salary and pension trends.

The following weighted measurement assumptions have resulted in relation to the present value of the vested pension entitlements:

| Weighted assumptions for calculation of the present value of vested pension entitlements | <i>Figures as %</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|---|---------------------|---------------|----------------------|
| Interest rate | | 2.00 | 1.70 |
| 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 2017, contributions to the French plan are expected to amount to 6 thousand euros. The actual income from the plan assets totalled 8 thousand euros (previous year: 7 thousand euros).

| Present value of obligations and fair value of plan assets | <i>Figures in thousands of euros</i> | 2013 | 2014 | 2015 | 2016 |
|---|--------------------------------------|---------------|---------------|---------------|---------------|
| Present value of obligations | | 18,158 | 22,183 | 23,198 | 25,686 |
| Fair value of plan assets * | | 241 | 242 | 258 | 222 |
| Shortfall | | 17,917 | 21,941 | 22,940 | 25,464 |

* Excl. the financial instruments of CEWE COLOR Versorgungskasse e.V., Wiesbaden

| Restatements made on basis of past experience | <i>Figures in thousands of euros</i> | 2013 | 2014 | 2015 | 2016 |
|--|--------------------------------------|------|------|------|-------------|
| Plan liabilities | | -60 | 320 | 116 | -458 |
| Plan assets | | -2 | -2 | -3 | -3 |

Sensitivity analysis

Assuming that the other assumptions remain constant, changes in one of the key actuarial assumptions of which there was a reasonable possibility as of the reporting date would have influenced the defined-benefit obligation in terms of the following amounts.

The following tables provide information on the levels of sensitivity regarding the key measurement parameters (effects on the scope of the commitment) and the expected pension benefits over the next ten financial years.

| Sensitivity analysis | <i>Figures as %</i> | Changes | Increase | Decrease |
|-----------------------------|---------------------|---------|----------|----------|
| Discount rate | | 1.0 | -13.6 | 17.4 |
| Future salary increases | | 0.5 | 1.3 | -1.3 |
| Future pension increases | | 0.5 | 5.1 | -5.0 |

Over the next ten financial years, the following payments of pension benefits are expected:

| Payment of pension benefits | <i>Figures in thousands of euros</i> | Amount |
|------------------------------------|--------------------------------------|---------------|
| 2017 | | 823 |
| 2018 | | 1,004 |
| 2019 | | 1,172 |
| 2020 | | 1,116 |
| 2021 | | 1,082 |
| 2022–2026 | | 5,800 |

In the financial year 2016, the company incurred expenses for defined contributions in the amount of 3,049 thousand euros (previous year: 2,894 thousand euros). Contributions were paid to statutory or government defined-contribution plans in the amount of 9,446 thousand euros (previous year: 8,752 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 2017.

58 | Non-current deferred tax liabilities

| Non-current deferred tax liabilities | <i>Figures in thousands of euros</i> | Development in the financial year 2015 | Development in the financial year 2016 |
|---|--------------------------------------|---|---|
| As of Jan. 1 | | 2,796 | 4,071 |
| Changes to the scope of consolidation | | 1,983 | 0 |
| Currency translation adjustments | | 1 | 0 |
| Use | | -667 | -1,193 |
| Amount added | | 21 | 40 |
| Reversals | | -63 | 0 |
| As of Dec. 31 | | 4,071 | 2,918 |

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.

59 | Non-current other accruals

| Non-current other accruals in 2016 <i>Figures in thousands of euros</i> | Provisions for contingent losses |
|---|---|
| As of Jan. 1 | 174 |
| Transfers | -159 |
| Reversals | -15 |
| As of Dec. 31 | 0 |
| <hr/> | |
| Non-current other accruals in 2015 <i>Figures in thousands of euros</i> | Provisions for contingent losses |
| As of Jan. 1 | 242 |
| Amount added | 5 |
| Transfers | -26 |
| Reversals | -47 |
| As of Dec. 31 | 174 |

The provisions for contingent losses item comprises contingent losses and has been established for long-term tenancy agreements for the laboratory which was closed in Hamburg in 2002. These provisions for contingent losses relate to the risk of losses from subletting, on the basis of the best possible assessment of the local commercial real estate market. The present value of these obligations is determined by means of discounting (current year: 1.59 %; previous year: 2.16 %). Accumulation and adjustment of the interest rate have resulted in a negative interest rate effect of 3 thousand euros (previous year: 7 thousand euros). Transfers comprise reclassifications to the current segment.

60 | Non-current interest-bearing financial liabilities

The credit facilities negotiated in the financial year 2013 were agreed with a total of seven private banks and publicly owned banks. The loans taken up have a term of between one and four years (previous year: between one and four years). At the end of the year, the total credit line of the CEWE Group amounted to 106.3 million euros (previous year: 116.2 million euros). After deducting the total loan volume drawn down (0.2 million euros, previous year: 6.7 million euros) and allowing for the company's existing liquidity (48.6 million euros, previous year: 21.7 million euros), its liquidity potential totalled 154.7 million euros (previous year: 131.2 million euros). As well as drawn-down fixed rate loans (0.2 million euros, previous year: 3.2 million euros), the company has long-term revolving credit lines which have been granted for up to four 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. Insofar as they are used for financing of corporate acquisitions, the participating credit institutions must be notified if a total volume of 35 million euros is exceeded. This ensures that CEWE is likely to be able to fulfil its payment obligations.

All long-term credit commitments are subject to normal bank covenant agreements for an adjusted equity ratio of 22.5 % and net debt leverage of 3.0, in each case calculated as of the end of the financial year. 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 D65) and the comments in the management report (pages 95 f.).

61 | Non-current financial liabilities

Non-current financial liabilities comprise liabilities to affiliates' residual old shareholders.

62 | Non-current other liabilities

Non-current other liabilities mainly comprise special items with a reserve element.

63 | Current tax liabilities

This position includes provision for income tax obligations. This item developed as follows:

| Current tax liabilities in 2016 | |
|--|---------------------|
| <i>Figures in thousands of euros</i> | |
| | Income taxes |
| As of Jan. 1 | 7,111 |
| Currency translation adjustments | -6 |
| Use | -3,996 |
| Amount added | 8,145 |
| As of Dec. 31 | 11,254 |
| <hr/> | |
| Current tax liabilities in 2015 | |
| <i>Figures in thousands of euros</i> | |
| | Income taxes |
| As of Jan. 1 | 4,451 |
| Currency translation adjustments | 26 |
| Use | -2,961 |
| Amount added | 5,595 |
| As of Dec. 31 | 7,111 |

64 | Current other accruals

Provision for pension liabilities in relation to employees includes, in particular, obligations under vested rights within the scope of the old-age part-time working scheme and additional other accruals relating to current legal disputes and other obligations. The transfers comprise reclassifications from the non-current segment. Provisions for contingent losses comprise, in particular, the current portion of the accrual for the sublease outlined in section D59 and also contingent losses resulting from the interest rate swap.

| Current other accruals in 2016 <i>Figures in thousands of euros</i> | Supervisory Board remuneration | Auditing of annual financial statements incl. internal expenses for annual financial statements | Guarantee and ex gratia payments | Archiving costs | Demography agreement | Expenses for members of the Board of Trustees | Provisions for contingent losses | Tax returns | Legal expenses | Liabilities in relation to employees | Additional other liabilities | Total |
|---|--------------------------------|---|----------------------------------|-----------------|----------------------|---|----------------------------------|-------------|----------------|--------------------------------------|------------------------------|--------------|
| Balance as of Jan. 1, after restatements | 415 | 395 | 344 | 332 | 245 | 231 | 167 | 52 | 20 | — | 737 | 2,938 |
| Currency translation adjustments | — | -2 | — | — | — | — | — | -1 | — | — | -6 | -9 |
| Use | -381 | -358 | -1 | — | -6 | -212 | — | -10 | -1 | — | -519 | -1,488 |
| Amount added | 530 | 413 | 741 | 7 | 74 | 302 | — | 51 | 4 | — | 666 | 2,788 |
| Transfers | — | — | — | — | — | — | 159 | — | — | — | — | 159 |
| Reversals | -34 | -19 | -343 | — | -239 | -19 | -135 | -15 | -15 | — | -85 | -904 |
| As of Dec. 31 | 530 | 429 | 741 | 339 | 74 | 302 | 191 | 77 | 8 | — | 793 | 3,484 |

| Current other accruals in 2015 <i>Figures in thousands of euros</i> | Supervisory Board remuneration | Auditing of annual financial statements incl. internal expenses for annual financial statements | Guarantee and ex gratia payments | Archiving costs | Demography agreement | Expenses for members of the Board of Trustees | Provisions for contingent losses | Tax returns | Legal expenses | Liabilities in relation to employees | Additional other liabilities | Total |
|---|--------------------------------|---|----------------------------------|-----------------|----------------------|---|----------------------------------|-------------|----------------|--------------------------------------|------------------------------|--------------|
| Balance as of Jan. 1, after restatements | 395 | 319 | 5 | 325 | 245 | 219 | 264 | 332 | 210 | 64 | 920 | 3,298 |
| Changes to the scope of consolidation | — | — | — | — | — | — | — | — | — | — | 8 | 8 |
| Currency translation adjustments | — | 7 | — | — | — | — | — | — | — | — | 9 | 16 |
| Use | -365 | -296 | -5 | — | -245 | -202 | -35 | -70 | -205 | -64 | -633 | -2,120 |
| Amount added | 415 | 382 | 344 | 7 | 245 | 231 | — | 35 | 15 | — | 609 | 2,283 |
| Transfers | — | — | — | — | — | — | -62 | — | — | — | — | -62 |
| Reversals | -30 | -17 | — | — | — | -17 | — | -245 | — | — | -176 | -485 |
| As of Dec. 31 | 415 | 395 | 344 | 332 | 245 | 231 | 167 | 52 | 20 | — | 737 | 2,938 |

65 | Current interest-bearing financial liabilities

| Current interest-bearing financial liabilities | <i>Figures in thousands of euros</i> | As of Dec. 31, 2015 | As of Dec. 31, 2016 |
|---|--------------------------------------|---------------------|----------------------------|
| Loans from banks | | 1,468 | 177 |
| Bank current accounts | | 3,439 | 33 |
| Total | | 4,907 | 210 |

66 | Current trade payables

Trade payables amount to 96,064 thousand euros (previous year: 90,882 thousand euros).

67 | Current financial liabilities

Current financial liabilities include, in particular, the key date valuation of put options.

| Current financial liabilities | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|--|--------------------------------------|---------------|----------------------|
| Put option | | 0 | 1,111 |
| Earn-out component | | 342 | 342 |
| Liabilities from accrued interest expenses | | 4 | 4 |
| Total | | 346 | 1,457 |

68 | Current other liabilities

| Current other liabilities | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|------------------------------------|--------------------------------------|---------------|----------------------|
| Liabilities for wages and salaries | | 16,070 | 17,239 |
| Tax liabilities | | 15,546 | 13,166 |
| Social security liabilities | | 2,240 | 2,097 |
| Deferred liabilities | | 38 | 117 |
| Other liabilities | | 804 | 1,877 |
| Total | | 34,698 | 34,496 |

69 | 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, 2016, the CEWE Group had the following lines of credit:

| Lines of credit in 2016 | <i>Figures in millions of euros</i> | Germany | Other countries | Total as of Dec. 31 |
|------------------------------------|-------------------------------------|---------------|-----------------|----------------------------|
| Remaining term of up to 1 year | | 40.00 | 0.00 | 40.00 |
| Remaining term of more than 1 year | | 66.30 | 0.00 | 66.30 |
| Total | | 106.30 | 0.00 | 106.30 |

| Lines of credit in 2015 | <i>Figures in millions of euros</i> | Germany | Other countries | Total as of Dec. 31 |
|------------------------------------|-------------------------------------|---------------|-----------------|----------------------------|
| Remaining term of up to 1 year | | 41.50 | 0.00 | 41.50 |
| Remaining term of more than 1 year | | 74.70 | 0.00 | 74.70 |
| Total | | 116.20 | 0.00 | 116.20 |

Of these credit lines, as of the reporting date 106.1 million euros (previous year: 109.5 million euros) have not been drawn down. As well as cash and cash equivalents in the amount of 48.6 million euros (previous year: 21.68 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, 2016:

| Cash flows from financial liabilities in 2016 | Dec. 31, 2016 | | | |
|--|----------------------|----------------|---------------------------------|----------------|
| <i>Figures in thousands of euros</i> | Book value | Up to 1 year | More than 1 year, up to 5 years | Total |
| Amounts owed to credit institutions | 210 | 213 | 0 | 213 |
| Trade payables | 96,064 | 96,064 | 0 | 96,064 |
| Other financial instruments | 32,451 | 32,502 | -55 | 32,447 |
| Total | 128,725 | 128,779 | -55 | 128,724 |

| Cash flows from financial liabilities in 2015 | Dec. 31, 2015 | | | |
|--|----------------------|----------------|---------------------------------|----------------|
| <i>Figures in thousands of euros</i> | Book value | Up to 1 year | More than 1 year, up to 5 years | Total |
| Amounts owed to credit institutions | 6,674 | 5,020 | 1,937 | 6,957 |
| Trade payables | 90,882 | 90,882 | 0 | 90,882 |
| Other financial instruments | 33,773 | 33,856 | -88 | 33,768 |
| Total | 131,329 | 129,758 | 1,849 | 131,607 |

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 British and Czech 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 two foreign currencies were to depreciate against the euro by 20 %, the following opportunities (positive values) or risks (negative values) would result:

| Currency sensitivity | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|-----------------------------|--------------------------------------|--------|--------|
| Financial assets | | -1,698 | -1,728 |
| Financial liabilities | | 2,547 | 2,592 |

If these two foreign currencies were to appreciate against the euro by 20 %, the following opportunities (positive values) or risks (negative values) would result:

| Currency sensitivity | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|-----------------------------|--------------------------------------|--------|--------|
| Financial assets | | 1,320 | 1,308 |
| Financial liabilities | | -1,979 | -1,962 |

The CEWE Group does not have any particularly significant exposure to interest rate risks in relation to third parties. Interest rate-sensitive assets comprise loans to customers and employees as well as current balances held by credit institutions. CEWE does not have any interest rate-sensitive financial liabilities as of the balance sheet date. No significant risk positions have resulted on account of the current interest rate trend. The goal of CEWE's interest rate hedging strategy is the regular conclusion of new medium- to long-term credit agreements with fixed interest rates. If the interest rates for variable interest-rate financial assets and financial liabilities were in each case to fall by 10 %, the following opportunities (positive values) or risks (negative values) would result:

| Interest rate sensitivity | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|----------------------------------|--------------------------------------|-------|------|
| Interest income | | -39.7 | -5 |
| Interest expense | | 11 | 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 | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|----------------------------------|--------------------------------------|------|------|
| Interest income | | 39.7 | 5 |
| Interest expense | | -11 | 0 |

The Group entered into the following hedging transactions:

| | Figures in thousands of euros | Nominal volume | | Remaining term >1 year | | Fair value | |
|---------------------------------|----------------------------------|------------------|------------------|------------------------|------------------|------------------|------------------|
| | | Dec. 31, 2015 | Dec. 31, 2016 | Dec. 31, 2015 | Dec. 31, 2016 | Dec. 31, 2015 | Dec. 31, 2016 |
| Derivatives transactions | | | | | | | |
| Interest rate swap | | 3,225 | 3,225 | 1,845 | 1,385 | -88 | -55 |

In the past year, the Group did not use any derivatives to hedge exchange rate risks. 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 2016, financial assets measured at amortised cost resulted in net income/losses of 1,053 thousand euros (previous year: 1,079 thousand euros). Net income/losses resulting from the financial instruments held comprise, in particular, valuation adjustments, income from written-down receivables and the results of the fair value measurement. Dividend income and interest are not included. Net income/losses resulting from financial liabilities measured at amortised cost amount to 1,703 thousand euros in the financial year 2016 (previous year: 721 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 26 thousand euros (previous year: 36 thousand euros) within a period of one year and outflows of 23 thousand euros (previous year: 49 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 819 thousand euros (previous year: 360 thousand euros), while corresponding interest expenses amount to 592 thousand euros (previous year: 721 thousand euros). Impairment of financial instruments measured at amortised cost amounted to 969 thousand euros in the past financial year (previous year: 690 thousand euros); this was recognised due to depreciation of receivables.

The reconciliation of the balance sheet items with these types of financial instruments as of December 31, 2016 is as follows:

| | Measured at amortised cost | Measured at fair value | | | Non-financial assets/ liabilities | Book value in the balance sheet |
|---|----------------------------|---|--|--|--------------------------------------|------------------------------------|
| | | 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) | | |
| Breakdown of financial instruments Dec. 31, 2016 | Book value | For information purposes: fair value | Book value | Book value | Book value | |
| <i>Figures in thousands of euros</i> | | | | | | |
| Non-current assets | | | | | | |
| Financial assets | 6,175 | | | | | 6,175 |
| Investments held to maturity | 5,852 | | | | | 5,852 |
| Reinsurance policy | | | | | 323 | 323 |
| Non-current financial assets | 478 | | | | | 478 |
| Loans and receivables | 478 | 478 | | | | 478 |
| Current assets | | | | | | |
| Trade receivables | 84,156 | | | | | 84,156 |
| Loans and receivables | 84,156 | 84,156 | | | | 84,156 |
| Current financial assets | 3,014 | | | | | 3,014 |
| Loans and receivables | 3,014 | 3,014 | | | | 3,014 |
| Cash and cash equivalents | 48,557 | | | | | 48,557 |
| Current liabilities | | | | | | |
| Current interest-bearing financial liabilities | 210 | | | | | 210 |
| Measured at amortised cost | 210 | 210 | | | | 210 |
| Current trade payables | 96,064 | | | | | 96,064 |
| Measured at amortised cost | 96,064 | 96,064 | | | | 96,064 |
| Current financial liabilities | 1,457 | | | | | 1,457 |
| Measured at amortised cost | 1,457 | 1,457 | | | | 1,457 |
| Measured at fair value | | | | | | |
| Current other liabilities | | | | | | 34,496 |
| Non-financial liabilities | | | | | 34,441 | 34,441 |
| Derivatives excl. hedge accounting | | | | | 55 | 55 |

| Breakdown of financial instruments Dec. 31, 2015 | <i>Figures in thousands of euros</i> | Measured at amortised cost | | Measured at fair value | | | Non-financial assets/ liabilities | Book value in the balance sheet |
|---|--------------------------------------|----------------------------|---|---|--|--|--------------------------------------|------------------------------------|
| | | Book value | For information purposes: fair value | On basis of publicly quoted market prices (Level 1) | On basis of observable market data (Level 2) | On basis of individual non-observable input parameters (Level 3) | Book value | |
| | | | | Book value | Book value | Book value | | |
| Non-current assets | | | | | | | | |
| Financial assets | | 3,953 | | | | | | 4,259 |
| Investments held to maturity | | 3,952 | 3,952 | | | | | 3,952 |
| Reinsurance policy | | | | | | 306 | | 306 |
| Loans and receivables | | 1 | 1 | | | | | 1 |
| Non-current financial assets | | 1,648 | | | | | | 1,648 |
| Loans and receivables | | 1,648 | 1,648 | | | | | 1,648 |
| Current assets | | | | | | | | |
| Trade receivables | | 90,430 | | | | | | 90,430 |
| Loans and receivables | | 90,430 | 90,430 | | | | | 90,430 |
| Current financial assets | | 2,494 | | | | | | 2,494 |
| Loans and receivables | | 2,494 | 2,494 | | | | | 2,494 |
| Cash and cash equivalents | | 21,679 | | | | | | 21,679 |
| Non-current liabilities | | | | | | | | |
| Non-current interest-bearing financial liabilities | | 1,767 | | | | | | 1,767 |
| Measured at amortised cost | | 1,767 | 1,767 | | | | | 1,767 |
| Current liabilities | | | | | | | | |
| Current interest-bearing financial liabilities | | 4,907 | | | | | | 4,907 |
| Measured at amortised cost | | 4,907 | 4,907 | | | | | 4,907 |
| Current trade payables | | 90,882 | | | | | | 90,882 |
| Measured at amortised cost | | 90,882 | 90,882 | | | | | 90,882 |
| Current financial liabilities | | 346 | | | | | | 346 |
| Measured at amortised cost | | 346 | 346 | | | | | 346 |
| Measured at fair value | | | | | | | | |
| Current other liabilities* | | | | | | | | 34,698 |
| Non-financial liabilities | | | | | | | 34,610 | 34,610 |
| Derivatives excl. hedge accounting | | 34,698 | 34,698 | | | 88 | | 88 |

* Previous-year figures have been restated.

Financial assets not measured in accordance with IAS 39 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, 2016, the maximum credit risk resulting from debtors' potential insolvency in relation to loans and receivables amounted to 87,648 thousand euros (previous year: 94,572 thousand euros) and has the following makeup:

| Credit risk | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|---|--------------------------------------|---------------|----------------------|
| Non-current receivables | | 1,648 | 478 |
| Trade receivables and other current receivables | | 92,924 | 87,170 |
| Total | | 94,572 | 87,648 |

Impaired loans and receivables developed as follows:

| <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|--------------------------------------|---------------|----------------------|
| Gross value | 4,014 | 3,841 |
| Valuation adjustment | -2,654 | -2,265 |
| Total | 1,360 | 1,576 |

A further amount of 6,213 thousand euros (previous year: 8,633 thousand euros) was already overdue but had not undergone a valuation adjustment. The age structure for the Group's overdue receivables is as follows:

| <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--------------------------------------|--------------|--------------|
| Up to 30 days | 7,887 | 5,326 |
| Between 30 and 90 days | 591 | 576 |
| More than 90 days | 155 | 311 |
| Total | 8,633 | 6,213 |

These items are very closely monitored within the scope of the Group's receivables management system. On the basis of an assessment of the individual risks, partial valuation adjustments in the amounts indicated above are sufficient. Non-impaired financial assets are considered to be recoverable. Default risks are reduced by means of continuous monitoring of customers' credit ratings and payment behaviour, in close coordination with the company's market-oriented departments, and are covered by means of insurance, where possible. Moreover, in case of irregularities in customer relationships the volume of business is managed on the basis of individual decisions.

Impairment of consumer receivables is minimised by means of a professional debt collection management system as well as risk avoidance and information-gathering parameters. These automatic system settings and the additional qualitative information serves as information which is used for calculation of individual valuation allowances.

The key equity items are presented below. Net interest-bearing financial liabilities have resulted from netting of gross interest-bearing financial liabilities against the Group's cash and cash equivalents as of the balance sheet date.

| <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|--|---------------|----------------------|
| Total assets | 357,308* | 380,989 |
| Equity | 186,958* | 204,891 |
| Equity ratio (as %) | 52.3 % | 53.8 % |
| Non-current interest-bearing financial liabilities | 1,767 | 0 |
| Current interest-bearing financial liabilities | 4,907 | 210 |
| Cash and cash equivalents | 21,679 | 48,557 |
| Net interest-bearing financial liabilities | -15,005 | -48,347 |

* Figure for previous year has been restated.

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. Apart from the conclusion of uniform covenant agreements with the Group's participating partner banks, no collateral has been provided. For further information, please see the comments in the risk report on pages 112 ff.

As the relevant key indicators, an equity ratio – slightly adjusted for all of the banks – and the ratio of net financial liabilities and the operating result before depreciation (EBITDA), net debt leverage, have been agreed. Both of these key indicators have been specified so as to leave sufficient leeway in case of future fluctuations in business performance which are normal for the industry. CEWE has not overshoot or fallen below the specified threshold values either in the year under review or the reference period or during the long-term hypothetical review period. In case of a breach of covenant, the lending banks would be entitled to adjust their prices and may have a right of termination. Compliance with the agreed key indicators is continuously monitored as part of the Group's capital management system.

No capital requirements are prescribed in the articles of association of CEWE KGaA. In regard to authorised capital and the obligation to sell or issue shares in connection with stock option plans, please see the relevant passages in these notes (D 52, D 53, D 56).

E. Other disclosures

70 | Shareholdings

CEWE's proportionate interests in all of its subsidiaries included in the consolidated financial statements are shown in the following table:

| Shareholdings | Shareholding as % | Dec. 31, 2016 Capital | Dec. 31, 2015 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 Nordic ApS, Arhus, Denmark ¹ | | 100.00 | 100.00 |
| 10. Fotojoker Sp. z o.o., Kozle, Poland ¹ | | 100.00 | 100.00 |
| 11. CEWE Sp. z o.o., Kozle, Poland ¹ | | 100.00 | 100.00 |
| 12. Japan Photo Holding Norge A/S, Oslo, Norway ¹ | | 100.00 | 100.00 |
| 13. CEWE-PRINT NORDIC A/S, Arhus, Denmark ² | | 100.00 | 100.00 |
| 14. Japan Photo Sverige AB, Gothenburg, Sweden ³ | | 100.00 | 100.00 |
| 15. CEWE Zagreb d.o.o., Zagreb, Croatia ¹ | | 100.00 | 100.00 |
| 16. CEWE Limited, Warwick, United Kingdom ¹ | | 100.00 | 100.00 |
| 17. Diginet GmbH & Co. KG, Cologne | | 100.00 | 100.00 |
| 18. Bilder-planet.de GmbH, Cologne ^{4,7} | | 100.00 | 100.00 |
| 19. Diginet Management GmbH, Cologne | | 100.00 | 100.00 |
| 20. Wöltje GmbH & Co. KG, Oldenburg ⁵ | | 100.00 | 100.00 |
| 21. Wöltje Verwaltungs-GmbH, Oldenburg ⁵ | | 100.00 | 100.00 |
| 22. DIRON Wirtschaftsinformatik Beteiligungs-GmbH, Münster | | 100.00 | 100.00 |
| 23. CEWE COLOR INC., Delaware, USA ¹ | | 100.00 | 100.00 |
| 24. cewe-print GmbH, Oldenburg | | 100.00 | 100.00 |
| 25. Saxoprint GmbH, Dresden | | 100.00 | 100.00 |
| 26. Saxoprint Ltd., London, United Kingdom ⁶ | | 100.00 | 100.00 |
| 27. Saxoprint AG, Zurich, Switzerland ⁶ | | 100.00 | 100.00 |
| 28. Saxoprint EURL, Paris, France ⁶ | | 100.00 | 100.00 |
| 29. CEWE Print S.r.l., Milan, Italy ⁶ | | 100.00 | 100.00 |
| 30. Sell2You GmbH, Dresden ⁶ | | 100.00 | 100.00 |
| 31. CEWE Baski Servis ve Ticaret Limited Sirketi, Istanbul, Turkey ¹ | | 100.00 | 100.00 |
| 32. DeinDesign GmbH, Bad Kreuznach | | 77.02 | 77.02 |
| 33. futalis GmbH, Leipzig | | 80.00 | 80.00 |

71 | Subsidiaries with non-controlling interests

The cash flow statement shows how the Group's cash and cash equivalents have developed during the financial years 2016 and 2015. 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.

As set out in section 2 "Principles for the preparation of the consolidated financial statements" (S2), the presentational change for the balance sheet has affected the cash flow statement for the year 2015. This has been restated accordingly.

¹ Interest held through CEWE Beteiligungsgesellschaft mbH, Oldenburg

² Interest held through CEWE Nordic ApS, Arhus, Denmark

³ Interest held through Japan Photo Holding 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 Not included in the consolidated financial statements.

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 2016 <i>Figures in thousands of euros</i> | Current interest-bearing financial liabilities | Non-current interest-bearing financial liabilities | Gross financial liabilities |
|--|--|--|------------------------------------|
| As of Jan. 1 | 4,907 | 1,767 | 6,674 |
| Repayments | -6,464 | — | -6,464 |
| Reclassifications | 1,767 | -1,767 | — |
| As of Dec. 31 | 210 | — | 210 |

| Change in financial liabilities in 2015 <i>Figures in thousands of euros</i> | Current interest-bearing financial liabilities | Non-current interest-bearing financial liabilities | Gross financial liabilities |
|--|--|--|------------------------------------|
| As of Jan. 1 | 1,560 | 2,655 | 4,215 |
| Repayments | -2,856 | — | -2,856 |
| Reclassifications | 1,296 | -1,296 | — |
| Loans taken out | 4,907 | 408 | 5,315 |
| As of Dec. 31 | 4,907 | 1,767 | 6,674 |

The Group did not take up any further non-current loans in 2016.

72 | Other financial obligations

The Group did not have any finance lease arrangements within the meaning of IAS 17. Nor does CEWE Stiftung & Co. KGaA, Oldenburg, act as a lessor within the scope of finance leases.

Instead, it has passive leases and tenancies 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 15,465 thousand euros (previous year: 14,600 thousand euros). These contracts have terms of between one and 31 years. Total future minimum lease expenses incurred as the lessee under non-terminable operating lease agreements are as follows:

| Lease payments | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|---|--------------------------------------|---------------|----------------------|
| Total future minimum lease payments | | 89,786 | 89,357 |
| Due within a period of one year | | 15,276 | 16,109 |
| Due within a period of between two and five years | | 53,339 | 55,823 |
| Due after more than five years | | 21,171 | 19,661 |

Assets leased within the scope of operating leases have a total book value of 4,916 thousand euros (previous year: 5,132 thousand euros). The lease agreements do not include any clauses (e. g. extension, purchase or price adjustment options) which would give rise to an assumption of financial leasing for the lessee. Total future minimum lease income as the lessor under non-terminable operating lease agreements is as follows:

| Lease income | <i>Figures in thousands of euros</i> | Dec. 31, 2015 | Dec. 31, 2016 |
|---|--------------------------------------|---------------|----------------------|
| Total future minimum lease income | | 8,628 | 8,306 |
| Due within a period of one year | | 1,881 | 1,874 |
| Due within a period of between two and five years | | 5,531 | 5,148 |
| Due after more than five years | | 1,216 | 1,284 |

This involves the leasing of commercial space as well as equipment leased to customers. The rent instalments collected in the financial year amount to 1,961 thousand euros (previous year: 1,831 thousand euros). They are shown under the item "Additional other operating income". Any leasing components in existing contracts are registered and reported within the scope of a systematic contract management system.

73 | Segment reporting by business unit

As of these financial statements, the Group has four business units subject to mandatory reporting. Three of them are the Group's strategic business units. They are the Photofinishing, Commercial Online Printing and Retail business units. The Group's strategic business units offer various products and services and require different technology, investment and marketing strategies. For each strategic business unit, the Group's Board of Management reviews internal management reports at least once every quarter. The "Other Activities" business unit which has been included in this annual report for the first time presents the Group's activities which cannot be allocated to other business units. The accounting and measurement methods used for the business units subject to mandatory reporting are those outlined in section B. In principle, as between all of the companies of the CEWE Group sales and revenues generated between the business units are provided at the same prices which would also be agreed with third parties. Administrative services are calculated as cost allocations. The effects on earnings resulting from consolidation have been apportioned to the business units according to the respective cause; where necessary, they have been allocated on the basis of the best possible estimate.

There are various delivery and service relationships between the companies of the CEWE Group. Financing and funding are provided by means of cash and cash equivalents.

Turnover is divided up between the following geographical regions; turnover realised with external customers has been allocated on the basis of the geographical location of the customer's business activities.

| <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--------------------------------------|---------|---------|
| Germany | 312,438 | 349,736 |
| Other countries | 241,753 | 243,360 |

These turnover categories are Photofinishing revenue, Retail revenue and revenue from Commercial Online Printing. A breakdown of these categories is provided in the segment reporting by business unit.

In the past financial year and in the previous year, turnover with one key customer was in excess of 10 %. Revenues generated with this customer are largely attributable to the Photofinishing business unit.

The breakdown of intangible assets and property, plant and equipment is as follows for the following geographical regions:

| <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--------------------------------------|----------------|----------------|
| Germany | 111,480 | 126,533 |
| Other countries | 20,645 | 17,255 |
| Total | 132,125 | 143,788 |

74 | Other comments

Contingent liabilities resulted from the grant of suretyships and guarantees for third parties, possible litigation risks and other issues and amounted to 1,458 thousand euros (previous year: 1,454 thousand euros). The risk of a claim under these contingent liabilities is seen as either slight or not very probable. The assessment of the respective amounts and the probability of realisation are continuously monitored. The Group does not have any contingent assets.

The following total remuneration has been paid to the active members of the Board of Management which handles management duties and to the Supervisory Board for the performance of their duties:

| Remuneration received | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|--------------------------------------|--------------|--------------|
| Fixed gross remuneration | | | |
| Fixed remuneration | | 1,488 | 2,004 |
| Side benefits | | 71 | 110 |
| Total fixed gross remuneration | | 1,559 | 2,114 |
| Variable remuneration | | | |
| One-year variable remuneration | | 482 | 622 |
| Multi-year variable remuneration | | | |
| Bonus bank | | 294 | 0 |
| Stock Option Plans 2010–2015 | | 219 | 0 |
| Other items | | 0 | 0 |
| Total variable remuneration | | 995 | 622 |
| Benefits upon termination of the employment relationship (service cost for pensions) | | 802 | 1,336 |
| Total remuneration paid to Board of Management | | 3,355 | 4,072 |
| Remuneration paid to Supervisory Board | | 513 | 520 |
| Total remuneration paid to Board of Management and Supervisory Board | | 3,868 | 4,592 |

The table shows the inflow of cash in or for the past financial year and the previous year as a result of fixed remuneration, side 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 remuneration derived from the 2010 Stock Option Plan results from the exercise of options in the form of a cash settlement and has been duly declared for tax purposes. 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 report on remuneration, as a component of the consolidated management report (pages 136 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 305 thousand euros (previous year: 0 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 496 thousand euros (previous year: 495 thousand euros). Pension accruals established for these persons amount to 11,180 thousand euros (previous year: 7,162 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 2016. 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 2,570 thousand euros (previous year: 2,570 thousand euros).

75 | Subsidiaries' use of exemptions

The following subsidiaries fully included in these consolidated financial statements make use of the exemption from the disclosure requirements under § 325 HGB and the exemption from the obligation to prepare a management report and notes in accordance with § 264b HGB:

- Dignet GmbH & Co. KG, Cologne
- Wöltje GmbH & Co. KG, Oldenburg

A profit and loss transfer agreement has been concluded between CEWE Stiftung & Co. KGaA and cewe print GmbH, Oldenburg. cewe print GmbH, Oldenburg, has been fully included in these consolidated financial statements and makes use of the exemption from the disclosure requirements under § 325 HGB as well as the simplified reporting options, in accordance with § 264 (3) HGB.

76 | 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

Lawyer/tax adviser/tax law specialist and partner of the law firm Hühne Klotz & Partner mbB, Oldenburg

- Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung, Oldenburg
- Chairman of the board of the foundation Stiftung Wirtschaftsakademie Ost-Friesland, Leer

Professor Dr Dr h. c. Hans-Jürgen Appelrath, Oldenburg

Professor of information technology at Oldenburg University

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg (to August 5, 2016)
- Chairman of the supervisory board of icsmed AG, Oldenburg (to August 5, 2016)
- Member of the supervisory board of Gründungs- und Innovationszentrum gGmbH i. G., Oldenburg (to August 5, 2016)

Paolo Dell'Antonio, Braunschweig

Business graduate

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg (since February 14, 2017)
- Member of the shareholders' committee of Bitburger Holding GmbH and Bitburger Braugruppe GmbH, Bitburg

Professor Dr Christiane Hipp, Berlin

Vice president for research and the next generation of scientific talent, professor (Brandenburg University of Technology Cottbus-Senftenberg)

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the sustainability advisory board of Krombacher GmbH & Co. KG, Kreuztal

Corinna Linner, Baldham

Auditor and economist

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the supervisory board of Donner & Reuschel AG, Hamburg
- Member of the supervisory board of DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH, Cologne
- Member of the supervisory board of Wüstenrot & Württembergische AG, Stuttgart
- Member of the supervisory board of Wüstenrot Holding AG, Stuttgart

Professor Dr Michael Paetsch, Willich

Professor of international marketing at Pforzheim University

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Dr Hans-Henning Wiegmann, Schlangenbad

Business graduate

Member of various supervisory and advisory boards

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- Member of the advisory board of Dr. Oetker GmbH, Bielefeld
- Member of the advisory board of Radeberger Gruppe KG, Frankfurt

Vera Ackermann, Hude

Trade union secretary, IG BCE

- Deputy Chairwoman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg (to December 31, 2016)

Dr Christina Debus, Berne

Head of Quality Management, CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Angelika Eßer, Mönchengladbach

Laboratory assistant, chairwoman of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Mönchengladbach

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Philipp Martens, Hanover

Trade union secretary, IG BCE

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Markus Schwarz, Oldenburg

Member of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg

- Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Thorsten Sommer, Wardenburg

Head of department/employee, chairman of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg

- Deputy Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg (since January 1, 2017)

General partner of CEWE Stiftung & Co. KGaA:

- Neumüller CEWE COLOR Stiftung

Board of Management

Dr Rolf Hollander, Oldenburg

Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

- Member of the supervisory board of Vierol AG, Oldenburg
- Member of the supervisory board of Reservix Holding AG, Freiburg

Patrick Berkhouwer, Bremen (since January 1, 2016)

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 and Research & Development

- Member of the supervisory board of CEWE COLOR Inc., New Jersey, USA ^{1,2}

Dr Christian Friege, Stuttgart (since January 1, 2016)

Member 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

Carsten Heitkamp, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for the German Plants, Personnel, Logistics 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, IT,
Legal and On-Site Finishing

- Member of the advisory board of Oldenburgische Landesbank AG

Thomas Mehls, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg
Responsible for National and International Marketing, Online Photo Service, CEWE-Print,
Viaprinto, New Business Acquisition and Sustainability

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

The Group does not have any loan receivables from members of the Board of Management or the Supervisory Board; nor has it entered into any contingent liabilities for this group of persons.

Please also see the comments in the report on remuneration on pages 136 ff.

¹ Group mandate

² Member of similar German and foreign executive bodies of business enterprises

77 | Release and publication of the consolidated financial statements
as of December 31, 2016

The consolidated financial statements as of December 31, 2016 prepared by the Board of Management of the general partner, Neumüller CEWE COLOR Stiftung, and the consolidated management report of the CEWE Group are released for publication upon their signing by the Board of Management.

78 | 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 15, 2017

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 consolidated 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 15, 2017

CEWE Stiftung & Co. KGaA

For the general partner Neumüller CEWE COLOR Stiftung
– The Board of Management –



Dr Rolf Hollander

(Chairman of the Board of Management)



Patrick Berkhouwer



Dr Reiner Fageth



Dr Christian Friege



Carsten Heitkamp



Dr Olaf Holzkämper



Thomas Mehls



Frank Zweigle

AUDIT OPINION

We have audited the consolidated financial statements prepared by CEWE Stiftung & Co. KGaA, Oldenburg – comprising the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes – as well as the consolidated management report for the financial year from January 1, 2016 to December 31, 2016. The company's statutory representatives are responsible for the preparation of the consolidated financial statements and the consolidated management report in accordance with the IFRS applied in the EU, and the supplementary provisions of commercial law applicable in accordance with § 315a (1) HGB. Our responsibility is to express an opinion on the consolidated financial statements and the consolidated management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the German generally accepted standards for auditing of financial statements promulgated by the German Institute of Chartered Accountants (Institut der Wirtschaftsprüfer e. V. – IDW). Those standards require that we plan and perform the audit such that misstatements and violations materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with applicable financial reporting standards and in the consolidated management report are detected with a reasonable level of certainty. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible errors are taken into account in the determination of

audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures provided in the consolidated financial statements and the consolidated management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the accounting information for the segments included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by the company's statutory representatives, as well as evaluating the overall picture presented in the consolidated financial statements and the consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU and the supplementary provisions of German commercial law applicable under § 315a (1) HGB and provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these regulations. The consolidated management report is consistent with the consolidated financial statements, complies with applicable legal provisions, as a whole provides a suitable understanding of the Group's position and suitably presents the risks and opportunities associated with future development.

Hamburg, March 15, 2017

BDO AG
Wirtschaftsprüfungsgesellschaft

Glaser
Auditor

Härle
Auditor

THE CEWE GROUP – STRUCTURE AND EXECUTIVE BODIES

Neumüller CEWE COLOR Stiftung

Board of Trustees

- Wilfried Mocken, Rheinberg (Chairman)
- Otto Korte, Oldenburg (Deputy Chairman)
- Dr Martin Enderle, Munich (since January 1, 2016)
- Helmut Hartig, Oldenburg
- Dr Peter Nagel, Bad Kreuznach
- Matthias Peters, Hamburg (since January 1, 2016)

Board of Management

- Dr Rolf Hollander, Oldenburg (Chairman)
- Patrick Berkhouwer, Bremen (since January 1, 2016)
- Dr Reiner Fageth, Oldenburg
- Dr Christian Friege, Stuttgart (since January 1, 2016)
- Carsten Heitkamp, Oldenburg
- Dr Olaf Holzkämper, Oldenburg
- Thomas Mehls, Oldenburg
- Frank Zweigle, Oldenburg

CEWE Stiftung & Co. KGaA

Supervisory Board

- Otto Korte, Oldenburg (Chairman)
Lawyer/tax adviser/tax law specialist and partner of the law firm Hühne Klotz & Partner, Oldenburg
- Professor Dr Dr h. c. Hans-Jürgen Appelrath, Oldenburg (to August 5, 2016)
Professor of information technology at Oldenburg University
- Paolo Dell'Antonio, Braunschweig (since February 14, 2017)
Business graduate, member of various supervisory and advisory boards
- Professor Dr Christiane Hipp, Berlin
Vice president for research and the next generation of scientific talent, professor (Brandenburg University of Technology Cottbus-Senftenberg)
- Corinna Linner, Baldham
Auditor and economist
- Professor Dr Michael Paetsch, Willich
Professor of international marketing at Pforzheim University
- Dr Hans-Henning Wiegmann, Schlangenbad
Business graduate, member of various supervisory and advisory boards

- Vera Ackermann, Hude (Deputy Chairwoman to December 31, 2016)
Trade union secretary, IG BCE
- Dr Christina Debus, Berne
Head of Quality Management, CEWE Stiftung & Co. KGaA, Oldenburg
- Angelika Eßer, Mönchengladbach
Laboratory assistant, chairwoman of the works council (released from duties)
of CEWE Stiftung & Co. KGaA, Mönchengladbach
- Philipp Martens, Hanover
Trade union secretary, IG BCE
- Markus Schwarz, Oldenburg
Member of the works council (released from duties) of CEWE Stiftung KGaA, Oldenburg
- Thorsten Sommer, Wardenburg (Deputy Chairman since January 1, 2017)
Head of department/employee, chairman of the works council (released from duties)
of CEWE Stiftung & Co. KGaA, Oldenburg

General partner of CEWE Stiftung & Co. KGaA

- Neumüller CEWE COLOR Stiftung, Oldenburg

04

FURTHER INFORMATION

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Photos enable us to capture experiences, while providing us with memories and emotions. With new mobile solutions and a large number of innovations from CEWE's brand worlds, the company continuously offers its customers new ways of experiencing this pleasure of photography.

FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGaA

Profit and loss account of CEWE Stiftung & Co. KGaA

for the financial year 2016 (in accordance with the German Commercial Code)

| <i>Figures in thousands of euros</i> | 2015 | 2016 |
|--|---------------|---------------|
| Revenues | 284,458 | 326,633 |
| Increase/decrease in finished and unfinished goods | 443 | -535 |
| Other own work capitalised | 172 | 184 |
| Other operating income | 19,398 | 6,782 |
| Cost of materials | | |
| Expenses for raw materials and supplies and for purchased merchandise | -60,921 | -68,062 |
| Expenses for purchased services | -11,936 | -18,795 |
| | -72,857 | -86,857 |
| Personnel expenses | | |
| Wages and salaries | -70,092 | -72,131 |
| Social security contributions and expenses for pensions and support | -13,843 | -12,948 |
| | -83,935 | -85,079 |
| Depreciation | | |
| Amortisation of intangible assets, depreciation of property, plant and equipment | -18,902 | -18,406 |
| Other operating expenses | -97,385 | -103,113 |
| Income from equity investments | 6,891 | 8,452 |
| Other interest and similar income | 1,251 | 1,747 |
| Amortisation of financial assets | -2,476 | -9,412 |
| Interest and similar expenses | -1,744 | -1,690 |
| Expenses for assumption of losses | -1,776 | -222 |
| Profit/loss on ordinary activities | 33,538 | 38,484 |
| Earnings before income taxes | 33,538 | 38,484 |
| Income taxes | -9,929 | -11,828 |
| Other taxes | -319 | -166 |
| Net income for the year | 23,290 | 26,490 |
| Profit carried forward from previous year | 152 | 123 |
| Unappropriated profits | 23,442 | 26,613 |

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Balance sheet of CEWE Stiftung & Co. KGaA
as of December 31, 2016 (in accordance with the German Commercial Code)

| ASSETS | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|---|--------------------------------------|----------------|----------------|
| Fixed assets | | | |
| Intangible assets | | | |
| Concessions, industrial property rights acquired for a consideration and similar rights and assets and related licences | | 6,819 | 6,043 |
| Goodwill | | 19 | 19 |
| Advance payments made | | 325 | 604 |
| | | 7,163 | 6,666 |
| Property, plant and equipment | | | |
| Land, leasehold rights and buildings, incl. buildings on third-party land | | 19,353 | 21,390 |
| Technical equipment and machinery | | 31,833 | 33,557 |
| Equipment, furniture and fixtures | | 8,051 | 8,037 |
| Advance payments and assets under construction | | 1,865 | 9,651 |
| | | 61,102 | 72,635 |
| Financial assets | | | |
| Interests in affiliates | | 93,664 | 84,252 |
| Loans to affiliates | | 7,541 | 22,272 |
| Equity investments | | 3,913 | 5,809 |
| Other loans | | 230 | 245 |
| | | 105,348 | 112,578 |
| Current assets | | | |
| Inventories | | | |
| Raw materials and supplies | | 13,288 | 11,988 |
| Unfinished goods, work in progress | | 27 | 145 |
| Finished goods and merchandise | | 897 | 515 |
| Advance payments made | | 0 | 1,626 |
| | | 14,212 | 14,274 |
| Receivables and other assets | | | |
| Trade receivables | | 65,044 | 58,312 |
| Receivables from affiliates | | 125,237 | 117,652 |
| Other assets | | 6,540 | 4,013 |
| | | 196,821 | 179,977 |
| Cash on hand and cash in banks | | 9,246 | 35,780 |
| Deferred expenses and accrued income | | 1,786 | 2,509 |
| | | 395,678 | 424,419 |

| EQUITY AND LIABILITIES | <i>Figures in thousands of euros</i> | 2015 | 2016 |
|---|--------------------------------------|----------------|----------------|
| Equity | | | |
| Subscribed capital | | 19,240 | 19,240 |
| Nominal value of treasury shares | | -341 | -374 |
| Issued capital | | 18,899 | 18,866 |
| Capital reserve | | 71,567 | 72,532 |
| Retained earnings | | | |
| Statutory reserve | | 1,534 | 1,534 |
| Other retained earnings | | 109,292 | 119,996 |
| | | 110,826 | 121,530 |
| Unappropriated profits | | 23,442 | 26,613 |
| | | 224,734 | 239,541 |
| Special item for investment subsidies | | 130 | 114 |
| Accruals | | | |
| Accruals for pensions and similar obligations | | 11,251 | 11,748 |
| Tax accruals | | 4,911 | 7,674 |
| Other accruals | | 25,230 | 30,698 |
| | | 41,392 | 50,120 |
| Liabilities | | | |
| Amounts owed to credit institutions | | 3,412 | 0 |
| Payments received on account of orders | | 259 | 330 |
| Trade payables | | 32,375 | 32,080 |
| Amounts owed to affiliates | | 82,108 | 93,528 |
| Other liabilities | | 10,883 | 8,357 |
| | | 129,037 | 134,295 |
| Deferred income and accrued expenses | | 385 | 349 |
| | | 395,678 | 424,419 |

MULTI-YEAR OVERVIEW

Consolidated profit and loss account for the year

| <i>Figures in millions of euros</i> | 2009* | 2010* | 2011* | 2012* | 2013* | 2014* | 2015* | 2016 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | 409.8 | 446.8 | 469.0 | 507.2 | 536.2 | 523.8 | 554.2 | 593.1 |
| Increase/decrease in finished and unfinished goods | 0.0 | 0.0 | 0.0 | 0.1 | 0.3 | 0.2 | 0.4 | -0.5 |
| Other own work capitalised | 1.2 | 1.5 | 0.9 | 1.1 | 1.0 | 0.9 | 0.9 | 0.8 |
| Other operating income | 28.3 | 24.9 | 23.1 | 29.7 | 24.6 | 21.4 | 19.6 | 20.8 |
| Cost of materials | -154.7 | -168.7 | -173.6 | -185.6 | -190.0 | -162.7 | -162.2 | -168.6 |
| Gross profit | 284.6 | 304.5 | 319.5 | 352.4 | 372.2 | 383.6 | 412.8 | 445.6 |
| Personnel expenses | -104.8 | -100.6 | -108.5 | -122.4 | -129.9 | -135.9 | -143.7 | -153.4 |
| Other operating expenses | -124.7 | -139.0 | -148.1 | -164.7 | -175.4 | -181.7 | -194.0 | -201.9 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 55.1 | 64.9 | 62.9 | 65.3 | 66.8 | 66.0 | 75.1 | 90.3 |
| Amortisation of intangible assets, depreciation of property, plant and equipment | -37.2 | -37.7 | -33.5 | -37.0 | -37.9 | -33.5 | -38.7 | -43.3 |
| Earnings before interest and taxes (EBIT) * | 17.9 | 27.2 | 29.4 | 28.3 | 28.9 | 32.6 | 36.4 | 47.0 |
| Financial income | — | — | — | — | 0.3 | 0.4 | 0.4 | 0.9 |
| Financial expenses | — | — | — | — | -2.2 | -1.4 | -0.9 | -1.7 |
| Financial result | -1.9 | -1.8 | -1.0 | -2.2 | -1.9 | -1.0 | -0.5 | -0.8 |
| Earnings before taxes (EBT) | 16.0 | 25.4 | 28.4 | 26.1 | 27.1 | 31.5 | 35.9 | 46.2 |
| Income taxes | -9.2 | -11.7 | -9.8 | -7.3 | -4.8 | -10.1 | -13.5 | -15.8 |
| Earnings after taxes | 6.7 | 13.7 | 18.6 | 18.8 | 22.3 | 21.4 | 22.5 | 30.4 |

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

Cash flow for the year

| <i>Figures in millions of euros</i> | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------------|
| Cash flow from operating activities | 36.5 | 53.0 | 61.4 | 51.4 | 48.3 | 71.2 | 59.6 | 93.0 |
| Cash flow from investing activities | -26.6 | -27.3 | -31.0 | -45.8 | -35.1 | -43.1 | -55.2 | -46.6 |
| Free cash flow | 9.9 | 25.6 | 30.4 | 5.5 | 13.1 | 28.1 | 4.4 | 46.4 |
| Cash flow from financing activities | -11.9 | -10.8 | -22.7 | -23.2 | -12.3 | -14.5 | -10.3 | -19.8 |
| Change in cash and cash equivalents | -2.0 | 14.8 | 7.7 | -17.7 | 0.8 | 13.6 | -5.9 | 26.7 |

Consolidated profit and loss account for the fourth quarter

| <i>Figures in millions of euros</i> | Q4 2009* | Q4 2010* | Q4 2011* | Q4 2012* | Q4 2013* | Q4 2014* | Q4 2015* | Q4 2016 |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| Revenues | 127.4 | 150.0 | 161.0 | 178.2 | 191.2 | 194.8 | 215.8 | 228.5 |
| Increase/decrease in finished and unfinished goods | 0.0 | 0.0 | 0.0 | -0.1 | 0.2 | 0.0 | 0.2 | 0.0 |
| Other own work capitalised | 0.2 | 0.3 | -0.1 | 0.4 | 0.4 | 0.3 | 0.2 | 0.3 |
| Other operating income | 8.2 | 8.7 | 9.3 | 10.3 | 7.8 | 9.0 | 6.1 | 7.0 |
| Cost of materials | -44.7 | -52.3 | -54.4 | -59.5 | -56.0 | -52.4 | -55.2 | -55.7 |
| Gross profit | 91.1 | 106.6 | 115.8 | 129.3 | 143.6 | 151.7 | 167.1 | 180.2 |
| Personnel expenses | -26.3 | -27.5 | -30.4 | -34.2 | -36.6 | -40.3 | -42.6 | -45.5 |
| Other operating expenses | -39.5 | -48.5 | -51.3 | -56.8 | -61.5 | -65.1 | -70.7 | -75.8 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 25.2 | 30.7 | 34.1 | 38.4 | 45.4 | 46.3 | 53.8 | 58.8 |
| Amortisation of intangible assets, depreciation of property, plant and equipment | -9.8 | -9.1 | -8.5 | -9.4 | -11.8 | -9.0 | -13.0 | -15.9 |
| Earnings before interest and taxes (EBIT) | 15.5 | 21.5 | 25.6 | 29.0 | 33.6 | 37.3 | 40.8 | 42.9 |
| Financial income | — | — | — | — | 0.1 | 0.1 | 0.4 | 0.1 |
| Financial expenses | — | — | — | — | -0.9 | -0.3 | -0.3 | -1.3 |
| Financial result | -0.5 | -0.3 | -0.2 | -0.4 | -0.7 | -0.2 | 0.0 | -1.2 |
| Earnings before taxes (EBT) | 15.0 | 21.2 | 25.4 | 28.5 | 32.9 | 37.2 | 40.8 | 41.7 |
| Income taxes | -5.3 | -6.4 | -7.2 | -6.4 | -5.1 | -11.3 | -14.8 | -16.2 |
| Earnings after taxes | 9.8 | 14.8 | 18.1 | 22.1 | 27.7 | 25.9 | 26.0 | 25.5 |

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

Cash flow in the fourth quarter

| <i>Figures in millions of euros</i> | Q4 2009 | Q4 2010 | Q4 2011 | Q4 2012 | Q4 2013 | Q4 2014 | Q4 2015 | Q4 2016 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|----------------|
| Cash flow from operating activities | 24.2 | 22.2 | 37.7 | 48.5 | 41.1 | 48.3 | 49.1 | 59.6 |
| Cash flow from investing activities | -4.0 | -8.1 | -22.0 | -10.8 | -10.7 | -16.2 | -11.2 | -15.7 |
| Free cash flow | 20.2 | 14.1 | 15.7 | 37.7 | 30.4 | 32.1 | 37.9 | 44.0 |
| Cash flow from financing activities | -20.9 | -8.9 | -3.9 | -31.2 | -24.1 | -16.3 | -26.4 | -10.8 |
| Change in cash and cash equivalents | -0.7 | 5.2 | 11.7 | 6.4 | 6.3 | 15.8 | 11.5 | 33.2 |

MULTI-YEAR OVERVIEW

Group balance sheet

| ASSETS <i>Figures in millions of euros</i> | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Property, plant and equipment | 86.7 | 80.5 | 79.2 | 101.2 | 98.6 | 102.5 | 108.6 | 124.5 |
| Investment properties | 5.3 | 4.8 | 4.8 | 4.5 | 4.3 | 5.0 | 5.1 | 4.9 |
| Goodwill | 10.3 | 9.1 | 9.1 | 28.5 | 25.4 | 25.4 | 32.7 | 25.8 |
| Intangible assets | 18.5 | 16.3 | 13.0 | 21.8 | 20.0 | 19.3 | 23.6 | 19.2 |
| Financial assets | 0.3 | 0.2 | 0.2 | 0.3 | 1.2 | 3.3 | 4.3 | 6.2 |
| Non-current receivables from income tax refunds | 3.0 | 2.9 | 2.6 | 2.1 | 1.6 | 1.1 | 0.5 | 0.0 |
| Non-current receivables and assets | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current financial assets | 0.0 | 0.3 | 0.3 | 0.4 | 1.5 | 2.9 | 1.6 | 0.5 |
| Additional other non-current receivables and assets | 0.0 | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 | 0.4 | 0.6 |
| Deferred tax assets | 5.2 | 5.4 | 5.4 | 8.4 | 9.4 | 8.1 | 7.3 | 6.8 |
| Non-current assets | 129.7 | 119.5 | 114.9 | 167.5 | 162.0 | 167.8 | 184.1 | 188.6 |
| Inventories | 52.3 | 50.3 | 48.0 | 62.7 | 59.1 | 48.9 | 50.7 | 49.4 |
| Current trade receivables | 66.5 | 72.0 | 77.9 | 72.2 | 88.8 | 84.3 | 90.4 | 84.2 |
| Current receivables from income tax refunds | 1.1 | 1.2 | 1.0 | 1.6 | 2.1 | 1.8 | 1.1 | 1.3 |
| Current financial assets | 0.0 | 17.3 | 13.5 | 3.2 | 3.0 | 3.0 | 2.5 | 3.0 |
| Additional other current receivables and assets | 8.7 | 3.7 | 4.1 | 4.7 | 3.8 | 4.9 | 5.7 | 5.5 |
| Cash and cash equivalents | 8.2 | 23.4 | 30.8 | 13.4 | 14.0 | 27.7 | 21.7 | 48.6 |
| | 136.9 | 167.8 | 175.2 | 157.7 | 170.8 | 170.5 | 172.1 | 191.9 |
| Assets held for sale | 2.0 | 0.2 | 0.2 | 0.2 | 1.0 | 1.3 | 1.2 | 0.5 |
| Current assets | 138.9 | 168.0 | 175.4 | 157.9 | 171.8 | 171.9 | 173.3 | 192.4 |
| | 268.6 | 287.5 | 290.3 | 325.4 | 333.9 | 339.7 | 357.3 | 381.0 |

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

| EQUITY AND LIABILITIES <i>Figures in millions of euros</i> | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015* | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Subscribed capital | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 | 19.2 |
| Capital reserve | 56.2 | 56.2 | 56.2 | 56.2 | 56.6 | 69.3 | 70.2 | 71.2 |
| Treasury shares at acquisition cost | -17.0 | -17.6 | -24.4 | -23.9 | -23.4 | -8.5 | -7.5 | -8.5 |
| Retained earnings and unappropriated profits | 53.3 | 62.9 | 69.3 | 80.7 | 90.3 | 93.6 | 104.9 | 122.9 |
| Total equity attributable to the shareholders of CEWE KGaA | 111.7 | 120.7 | 120.2 | 132.2 | 142.8 | 173.6 | 187.0 | 204.9 |
| Non-current special items for investment grants | 0.5 | 0.4 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Non-current accruals for pensions | 9.7 | 10.0 | 12.6 | 17.4 | 17.9 | 21.9 | 22.9 | 25.5 |
| Non-current deferred tax liabilities | 1.7 | 1.8 | 0.6 | 4.1 | 3.3 | 2.8 | 4.1 | 2.9 |
| Non-current other accruals | 1.1 | 0.9 | 0.8 | 0.5 | 0.4 | 0.2 | 0.2 | 0.0 |
| Non-current interest-bearing financial liabilities | 26.1 | 24.1 | 16.7 | 23.5 | 4.2 | 2.7 | 1.8 | 0.0 |
| Non-current financial liabilities | 0.0 | 0.0 | 0.0 | 4.2 | 3.0 | 0.0 | 0.0 | 0.2 |
| Non-current other liabilities | 0.1 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.5 | 0.5 |
| Non-current liabilities | 39.1 | 37.4 | 31.3 | 50.0 | 29.0 | 27.8 | 29.5 | 29.1 |
| Current special items for investment grants | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current tax liabilities | 3.7 | 4.7 | 5.6 | 3.0 | 4.2 | 4.5 | 7.1 | 11.3 |
| Current other accruals | 11.6 | 8.6 | 4.7 | 2.6 | 4.2 | 3.3 | 2.9 | 3.5 |
| Current interest-bearing financial liabilities | 6.5 | 6.6 | 7.4 | 8.0 | 26.1 | 1.6 | 4.9 | 0.2 |
| Current trade payables | 73.2 | 91.8 | 98.3 | 102.2 | 101.1 | 96.1 | 90.9 | 96.1 |
| Current financial liabilities | 0.0 | 1.3 | 1.1 | 4.5 | 3.9 | 3.6 | 0.3 | 1.5 |
| Current other liabilities | 22.7 | 16.3 | 21.6 | 22.9 | 22.7 | 29.2 | 34.7 | 34.5 |
| Current liabilities | 117.7 | 129.4 | 138.7 | 143.2 | 162.1 | 138.2 | 140.9 | 147.0 |
| | 268.6 | 287.5 | 290.3 | 325.4 | 333.9 | 339.7 | 357.3 | 381.0 |

* The reference figures have been restated (cf. page 179).

MULTI-YEAR OVERVIEW

Key indicators

| Volumes and employees | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------------|--|---------|---------|---------|---------|---------|---------|---------|-------------|
| Digital photos | <i>millions of units</i> | 2,035.8 | 2,129.1 | 2,246.1 | 2,298.9 | 2,252.9 | 2,203.9 | 2,164.1 | 2,176.2 |
| Photos from film | <i>millions of units</i> | 558.3 | 367.7 | 251.3 | 162.3 | 114.4 | 88.6 | 70.7 | 56.0 |
| Total volume of photos | <i>millions of units</i> | 2,594 | 2,497 | 2,497 | 2,461 | 2,367 | 2,293 | 2,235 | 2,232 |
| CEWE PHOTOBOKS | <i>millions of units</i> | 3.6 | 4.3 | 5.1 | 5.6 | 5.8 | 5.9 | 6.0 | 6.2 |
| Employees (average) | <i>converted to full-time equivalent</i> | 2,742 | 2,681 | 2,823 | 3,305 | 3,228 | 3,219 | 3,420 | 3,496 |
| Employees (as of the reporting date) | <i>converted to full-time equivalent</i> | 2,960 | 2,910 | 3,400 | 3,895 | 3,781 | 3,675 | 3,698 | 3,967 |
| Income | | | | | | | | | |
| Turnover | <i>millions of euros</i> | 409.8 | 446.8 | 469.0 | 507.2 | 536.2 | 523.8 | 554.2 | 593.1 |
| EBITDA | <i>millions of euros</i> | 55.9 | 65.9 | 63.6 | 66.1 | 66.8 | 66.0 | 75.1 | 90.3 |
| EBITDA margin | <i>as % of turnover</i> | 13.6 % | 14.7 % | 13.6 % | 13.0 % | 12.5 % | 12.6 % | 13.6 % | 15.2 % |
| EBIT | <i>millions of euros</i> | 18.7 | 28.2 | 30.1 | 29.1 | 29.7 | 32.6 | 36.4 | 47.0 |
| EBIT margin | <i>as % of turnover</i> | 4.6 % | 6.3 % | 6.4 % | 5.7 % | 5.5 % | 6.2 % | 6.6 % | 7.9 % |
| Restructuring expenses | <i>millions of euros</i> | 9.5 | 2.2 | 0.0 | 0.0 | 3.3 | 0.0 | 1.0 | 0.2 |
| EBIT prior to restructuring | <i>millions of euros</i> | 28.2 | 30.4 | 30.1 | 29.1 | 33.0 | 32.6 | 37.4 | 47.2 |
| EBT | <i>millions of euros</i> | 16.8 | 26.4 | 29.2 | 26.9 | 27.8 | 31.5 | 35.9 | 46.2 |
| Earnings after taxes | <i>in million euros</i> | 6.7 | 13.7 | 18.6 | 18.8 | 22.3 | 21.4 | 22.5 | 30.4 |
| Capital | | | | | | | | | |
| Total assets | <i>millions of euros</i> | 268.6 | 287.5 | 290.3 | 325.4 | 333.9 | 339.7 | 357.3 | 381.0 |
| Capital employed (CE) | <i>millions of euros</i> | 157.4 | 164.8 | 159.1 | 190.3 | 197.9 | 203.0 | 221.3 | 234.2 |
| Equity | <i>millions of euros</i> | 111.7 | 120.7 | 120.2 | 132.2 | 142.8 | 173.6 | 187.0 | 204.9 |
| Equity ratio | <i>as % of the balance sheet total</i> | 41.6 % | 42.0 % | 41.4 % | 40.6 % | 42.8 % | 51.1 % | 52.3 % | 53.8 % |
| Net financial liabilities | <i>in million euros</i> | 24.3 | 7.4 | -6.7 | 18.1 | 16.3 | -23.5 | -15.0 | -48.3 |
| ROCE (previous 12 months) | <i>as % of average capital employed</i> | 11.7 % | 17.7 % | 19.3 % | 14.5 % | 15.0 % | 16.8 % | 17.2 % | 21.3 % |

| Cash flow | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------------------------------|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------------|
| Gross cash flow | <i>in million euros</i> | 44.0 | 51.4 | 52.1 | 55.9 | 60.2 | 54.9 | 61.2 | 73.7 |
| Net cash used in investing activities | <i>in million euros</i> | 27.4 | 26.4 | 30.3 | 33.8 | 35.3 | 35.4 | 38.3 | 49.0 |
| Net cash flow | <i>millions of euros</i> | 16.6 | 25.1 | 21.8 | 22.1 | 24.9 | 19.5 | 22.9 | 24.7 |
| Cash flow from operating activities | <i>millions of euros</i> | 36.5 | 53.0 | 61.4 | 51.4 | 48.3 | 71.2 | 59.6 | 93.0 |
| Cash flow from investing activities | <i>millions of euros</i> | -26.6 | -27.3 | -31.0 | -45.8 | -35.1 | -43.1 | -55.2 | -46.6 |
| Free cash flow | <i>in million euros</i> | 9.9 | 25.6 | 30.4 | 5.5 | 13.1 | 28.1 | 4.4 | 46.4 |

| Share | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| Number of shares (nominal value: 2.60 euros) | <i>in units</i> | 7,380,020 | 7,380,020 | 7,380,020 | 7,380,020 | 7,380,020 | 7,380,020 | 7,400,020 | 7,400,020 |
| Earnings per share (diluted) | <i>in euros</i> | 1.00 | 2.02 | 2.84 | 2.87 | 3.36 | 3.07 | 3.15 | 4.23 |
| Year-end price | <i>in euros</i> | 22.60 | 33.35 | 31.39 | 31.04 | 42.75 | 51.51 | 54.61 | 84.57 |
| Dividend per share | <i>in euros</i> | 1.05 | 1.25 | 1.40 | 1.45 | 1.50 | 1.55 | 1.60 | 1.80* |
| Dividend yield on year-end price | <i>as %</i> | 4.64% | 3.75% | 4.46% | 4.67% | 3.51% | 3.01% | 2.93% | 2.10% |

Dividend proposal to be presented by the Board of Management and the Supervisory Board to the general meeting on May 31, 2017

PRODUCTION PLANTS AND DISTRIBUTION BRANCHES

 Page 5
General map with all locations

 Sales contact person
<http://company.cewe.de/en/about-us/cewe-group.html>
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FINANCIAL DIARY

(dates currently scheduled)

| | |
|-----------------------------|--|
| March 23, 2017 | Publication of the Annual Report 2016 |
| March 23, 2017 | Balance sheet press conference and analysts' conference, Frankfurt am Main |
| March 29, 2017 | Bankhaus Lampe Deutschland-konferenz, Baden-Baden |
| May 11, 2017 | Publication of the Interim Report Q1 2017 |
| May 31, 2017 | 2017 general meeting, Weser-Ems-Halle, Oldenburg |
| August 10, 2017 | Publication of the Semi-Annual Report Q2 2017 |
| September 20, 2017 | Berenberg & Goldman Sachs German Corporate Conference, Munich |
| September 21, 2017 | Baader Investment Conference, Munich |
| November 10, 2017 | Publication of the Interim Report Q3 2017 |
| November 27–28, 2017 | German Equity Forum, Frankfurt |

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