Q1 2014
Interim Report

cewe
BEST IN PRINT

CEWE – Europe's Online Print and Photo Service

CEWE supplies consumers with photo and digital print products, both through brick-and-mortar stores as well as Internet-based retail.

CEWE is the service partner for the top retail brands in the European photo market. In 2013, the company developed and produced 2.4 billion photos, including 5.8 million CEWE PHOTOBOOKs and photo gift articles. The leading European photo book brand, „CEWE PHOTOBOOK", the easy to use ordering application (PC, Mac and mobile iOS, Android and Windows), the high degree of digital print expertise, the economies of scale of an efficient industrial production and logistics operation, the wide distribution on the Internet, the more than 34,000 supplied retail businesses, and the more than 20,000 CEWE SOFORT FOTO outlets are significant competitive advantages for CEWE Photofinishing.

In addition to this photo processing work, the CEWE in-house retail operation also sells photographic hardware (e. g. cameras) in some countries.

The CEWE PRINT, Saxoprint and viaprinto.de brands operated by CEWE increasingly also supply customers as Online Print service providers with printed marketing materials, such as flyers, posters, brochures, business cards, etc. that can be ordered via the Internet.

BEST IN PRINT

HIGHLIGHTS Q1 2014

Photofinishing Business Field

- *Sales, turnover, and profits on budget*
- *CEWE PHOTOBOOK: 1.142 million books during the first quarter of 2014: +3.6 % vs. prior year*
- *CEWE innovation: 96 % of all photos are digital, 73 % of all photos are ordered via the Internet*
- *Photofinishing turnover is within the expected bandwidth: 68.5 million euros*
- *Photofinishing EBIT in the first quarter improved by 2.4 million euros vs. prior year*

Online Printing Business Field

- *In the first quarter Online Print turnover grew by 26.6 % to 16.3 million euros*
- *Due to growth investments in marketing, EBIT at prior-year level of –1.2 million euros*

Retail Business Field

- *Due to withdrawal from the unprofitable distribution business, first-quarter turnover after currency adjustments at 17.5 million euros (Q1 2013: 24.6 million euros)*
- *Due to seasonality, EBIT negative and stable at prior-year level*

Consolidated profit and loss account

- *Group turnover in the first quarter at 101.2 million euros (prior year: 106.6 million euros)*
- *EBIT improved by 2.4 million euros versus prior year: –4.0 million euros (prior year: –6.4 million euros)*

Balance sheet and financial management

- *Year-on-year balance sheet total declined by 4.5 million euros*
- *Equity rate increases to more than 50.0 %*
- *Group debt significantly reduced*

Cash flow

- *Working capital decrease improves cash flow from operating activities*
- *Stable cash flow from investment activities*
- *Free cash flow improved by 12.6 million euros to 5.3 million euros*

Return on capital employed

- *Average capital employed declines to 191.1 million euros*
- *ROCE significantly improved to 16.6 %*

"As employees, we are directly involved in shaping CEWE's company affairs; as a shareholder, I have as much at stake in CEWE's success as an employee does. This gives me twice the motivation to always perform at my best."

Stefan Blawat, CEWE PHOTOBOOK Production, CEWE shareholder

Page reference Reference to table or graphic Internet reference Supplementary information

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

Dear shareholders,

Budgeted annual earnings increase already almost attained

Your company performed as planned in the first quarter of 2014 once again. The 3 million euros increase in earnings budgeted for the entirety of 2014 has already been largely generated during the first quarter. Accordingly, EBIT in the first quarter improved by 2.4 million euros. The various business segments each performed as intended:

As expected, Online Print grew significantly

Online Print is the growth segment of your business. After a turnover of 60 million euros in 2013, we expect turnover of more than 70 million euros for 2014 – a growth objective of more than 17 %. With a first-quarter turnover growth of 26.6 %, we are therefore exactly on track. This growth in the Online Print segment also positions us to reduce the Retail segment as planned, while maintaining a stable overall top-line.

Retail segment reduced as targeted

In the 2013 Management Report and during the press conference on financial statements, we had already announced our intentions to reduce the portion of the hardware business for the Retail segment, which only generates low margins. This has been accomplished: 8.1 euros lower turnover with earnings at the same level as during the prior year quarter.

Photofinishing earnings increase significantly because of non-recurring restructuring activities

Primarily because restructuring charges were not again incurred for the first quarter of 2014, 2014 earnings improved by 2.4 million euros. The trend toward seasonal shifts continues for 2014: After a first-quarter operating performance which was slightly better than the prior year, this year will continue to have clearly declining earnings for the second and third quarter, and we anticipate yet another increase in the fourth-quarter share of earnings. A growing number of consumers appreciate the value of our CEWE photo products as a personal Christmas present.

Presentation of new products and services at Photokina 2014

The CEWE team is working on further strengthening the expected increase in earnings for the fourth quarter with new products and services. Photokina is again scheduled for 2014; the world's largest photo trade show opens its gates every two years in Cologne. Just in time for Christmas, we will use this opportunity to present our new products and services to the public. We look forward to seeing you at our trade show booth from 16 to 21 September 2014.

CEWE family get-together at the general shareholder meeting

As in 2013, you will again have an opportunity to interact with our experts at this year's general shareholder meeting. We look forward to greeting you for the meeting at the Weser-Ems Hall in our hometown of Oldenburg on June 4, 2014. Our local retailer, Wöltje, – essentially the birthplace of CEWE – will have special „HV promotions" available for you.

CEWE helps to extend the vacation feeling

Of course for many of you, the CEWE PHOTOBOOK has already become a wonderful vacation companion. We no longer need to call your attention to this. However, the most beautiful memories have earned the right to be recorded even more prominently. We have developed the CEWE MURAL for this purpose. Whether in the matte version, behind acrylic, or on canvas, the most beautiful large format vacation photo will stretch the vacation feeling day in and day out.

CEWE is going mobile – even during your vacation

Of course, you can also order these products with our apps or on our websites optimized for mobile devices. In addition, we want to call your attention once again to a product which is not very well known and therefore repeatedly receives an enthusiastic response among friends and family. Your customized postcard, with your pictures and your text – already printed by CEWE and mailed on your behalf while you are still enjoying your vacation. Download the CEWE FOTOWELT app on your smartphone or tablet and select „Postkarten". You will astound your friends and family.

Dear shareholders, join me in looking forward to yet another successful year with CEWE. The entire CEWE team is dedicated to this. We would be delighted to personally meet you at our general shareholder meeting or at Photokina.

Oldenburg, May 13, 2014

Rolf Hollander

"The first quarter of 2014 was right on schedule once again. The 3 million euros increase in earnings budgeted for the entirety of 2014 has already been largely generated. We now hope you have a relaxed summer and lots of fun with our products!" Dr. Rolf Hollander, Chief Executive Officer

CEWE SHARE

CEWE stock continues to show strong gains in 2014: +30.6 % and therefore easily outperforming the DAX and SDAX

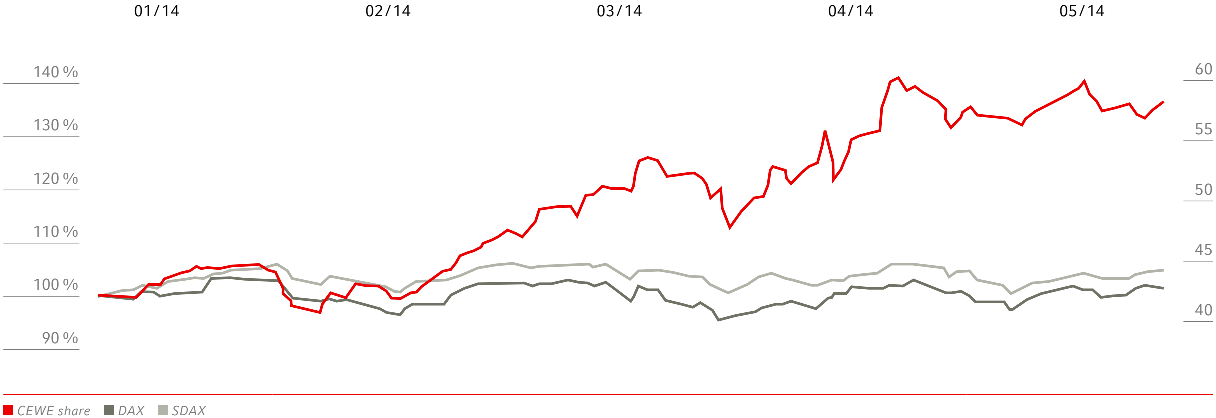
Based on the 2013 year-end closing price (42.75 euros), the CEWE stock recorded a gain of 13.07 euros to 55.82 euros (+30.6 %) by the end of March and therefore significantly outperformed the DAX, which only gained +1.7 % during the same period. The CEWE stock also gained more value than the SDAX, which increased by +4.9 % during the first quarter of 2014.

Even after the end of the reporting period for this interim report, the CEWE stock has shown further gains to over 58 euros.

Growing trading volume: Daily trading volume exceeded 18,000 CEWE shares during the first quarter of 2014

Trading volume for CEWE shares at Germany's stock exchanges in the first quarter of 2014 exceeded last year's overall average. During the first three months of 2014, an average of 18,178

CEWE share January 1, 2014 to May 1, 2014 *in euros*



CEWE shares traded hands each day – in 2013 it was 17,469 CEWE shares per day on average.

Placement of own shares increases free float

In order to consistently increase the trading volume, CEWE decided to place 500,000 of its own shares on the capital markets in April 2014 after the end of the reporting period for this interim report, thus increasing free float. After this placement, CEWE Stiftung & Co. KGaA now holds 205,667 of its own shares (2.8 % of the capital stock). The free float is now 69.8 %. The sale not only increased free float, but also resulted in a continuing increase of the equity rate and a reduction of debt. Moreover, CEWE was able to widen its potential strategic latitude, while also strengthening the Online Print and Photofinishing business segments, as well as the related business segments with acquisitions.

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

Overview of the current analyst ratings	Analysis	Date
Nord/LB	Buy	Apr. 03, 2014
Bankhaus Lampe	Hold	Apr. 02, 2014
Warburg Research	Buy	Mar. 31, 2014
Berenberg Bank	Buy	Mar. 31, 2014
CB Seydler Bank	Hold	Mar. 27, 2014
Deutsche Bank	Buy	May 09, 2014
GSC Research	Hold	Dec. 17, 2013
BHF Bank	Overweight	Nov. 26, 2013
Commerzbank	Hold	Nov. 01, 2013

All analysts uniformly continue to regard CEWE positively

All analysts following CEWE continue to be in agreement with their positive analysis assessment. Four analysts rate CEWE stock as „buy“ or „overweight“, five analysts rate the stock as „hold“. The detailed studies are available as downloads in the investor relations tab of the CEWE homepage.

CEWE stock a permanent member of SDAX

Based on the „trading Volume“ criterion, CEWE placed 77th (prior year: 73rd) in March 2014, and 83rd (prior year: 93rd) after the „market capitalization“. This makes the CEWE stock a permanent fixture in the SDAX index, which typically takes into account stocks starting at rank 110 and better.

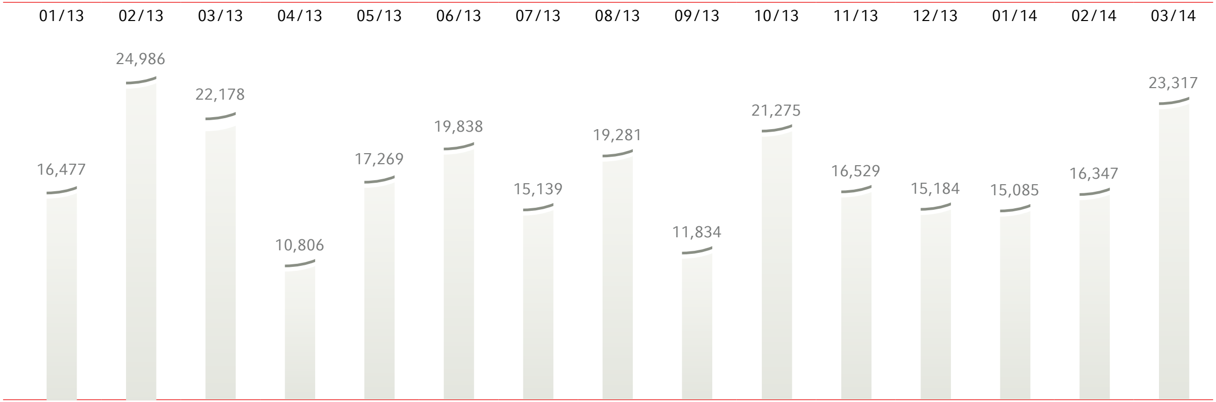
Stable stockholder structure strengthens management direction

CEWE has a highly stable ownership structure with the community of heirs for Senator h.c. Heinz Neumüller (ACN Vermögensverwaltungsgesellschaft mbH & Co. KG, 27.4 %).

CEWE is here on behalf of its shareholders

Investor relations at CEWE has the clear objective of informing all market stakeholders based on the principles of fair

Average trading volume *in shares per day*



disclosure in an timely, comprehensive, and uniform manner, while also maintaining high overall transparency.

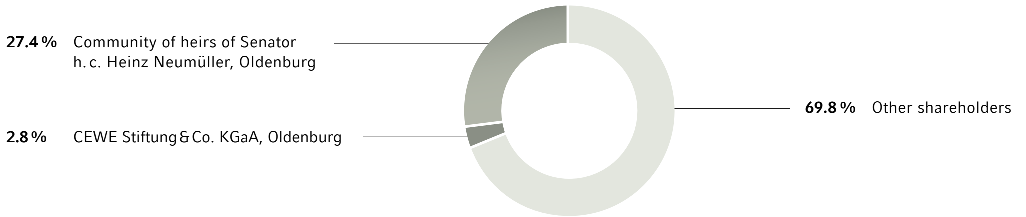
CEWE accordingly also publishes all annual and interim reports and capital market information on the Internet at www.cewe.de.

All analyst conference calls are made available on the CEWE website as web and audio casts immediately after completion. All important corporate presentations at conferences and other events are also published on the Internet in parallel.

In 2013, the Executive Board and the investor relations team again presented the company at six capital market conferences and spent more than 20 days attending road shows in European financial centers. You can find the current listing of dates for 2014 in the financial appointment calendar on the next to last page in this report.

www.cewe.de

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



"Consider the transition CEWE has made in recent years: from a pure photofinisher to a successful brand marketer! For us as emplo-yees, this may at times require adjustments, but the increasing flow of dividends shows: we are on the right track!"

Tanja Crocco, CEWE PHOTOBOOK Production, CEWE shareholder

INTERIM MANAGEMENT REPORT

BASIC INFORMATION ON THE GROUP

Business model

CEWE is active in three strategic business segments: Photofinishing, Retail, and Online Print. The structure of the segment report is also in alignment with these strategic business segments.

Photofinishing – CEWE's classic main business

Photofinishing refers to the business with photo products. CEWE is European market leader in the Photofinishing segment – formerly with analog films, today on the basis of digital data. CEWE has high vertical integration in this field. CEWE raw material purchases primarily include paper and other products on which photos or other content is applied. The traditional main products are individual photos, which are predominantly produced using the silver-halogenide process in CEWE labs or the dry-printing process at the point of sale of the distribution partners. Individual photos can have analog or digital sources, coming either from digital cameras or mobile phones. By now, more than 96 % of photos are from digital sources and are applied on a wide range of products. The CEWE PHOTOBOOK has established itself as a leading product over the last ten years.

In addition, CEWE has rigorously expanded the product range, which has made CEWE CALENDAR, CEWE CARDS and CEWE MURAL into important revenue generators.

CEWE's product management activities not only develop new products, but also bolster demand and sales with product and brand communication initiatives. Consumers can obtain CEWE's photofinishing products from distribution partners, and also directly from CEWE in some countries. CEWE takes responsibility for the order acceptance and customer communication for the lion's share of photofinishing products ordered from CEWE.

CEWE also operates nearly 100 % of the photofinishing business in Europe.

In-house retail with important functions

CEWE actively pursues multi-channel retailing in Poland, the Czech Republic, Slovakia, Norway, and Sweden. Brick-and-mortar stores and online shops (brands such as Fotojoker, Fotolab, Japan Photo) perform important functions for CEWE in these countries. Firstly, they represent an important direct sales channel for CEWE photo products to end consumers. The corresponding turnover and earnings are recognized in the Photofinishing segment. Secondly, CEWE has the ability to directly test and continuously upgrade new market strategies for digital value-added products on the Internet and in retail outlets – with the CEWE PHOTOBOOK leading the way. Thirdly, this expertise can be transferred to distribution partners. CEWE retail is an important source of knowledge and references for this.

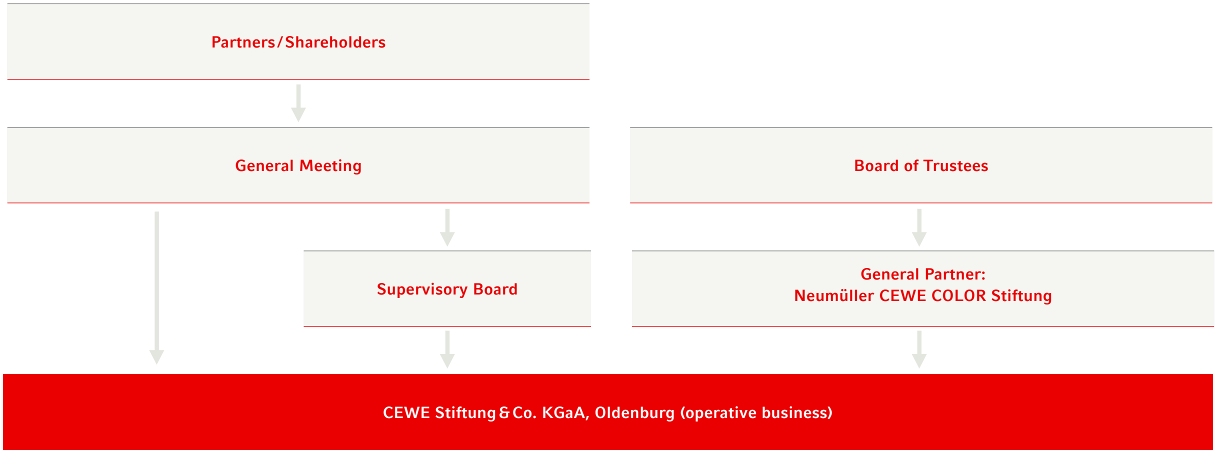
Online Print – the growth segment

By incorporating the CEWE PHOTOBOOK into the product range, CEWE evolved into a digital print operation. The books printed with this process were not only in demand by consumers but also by businesses, who apparently came to appreciate the combination of product quality, convenient ordering options, price, lead time, and the ability to print small editions. In 2009, CEWE therefore started to offer the Online Print product range on the www.viaprinto.de website not only with the CEWE PHOTOBOOK software, but also with other commonly used software formats. In 2012, CEWE acquired the Saxoprint Group, which specialized in online offset print. The offset print capability of Saxoprint has given CEWE access to an attractive product range for customers to order products in larger editions (www.cewe-print.de). CEWE's Online Print business is currently primarily active in Germany. However, local websites are already present in many other European countries, where they are increasingly generating business.

The vertical integration in the Online Print segment is very similar to that of Photofinishing. However, CEWE does not supply software to create the printed product (different from CEWE PHOTOBOOK, for example). Customers order Online Print services directly from companies of the CEWE Group.

ORGANIZATION AND MANAGEMENT SYSTEM

Organizational structure



Stock-based Limited Partnership

CEWE operates its entire operating business within the CEWE Stiftung & Co. KGaA. Neumüller CEWE COLOR Stiftung assumes the role of the personally liable shareholder and the sole managing director. Neumüller CEWE COLOR Stiftung is represented by its eight Executive Board members. The remaining 3.123 Group employees are employed by CEWE Stiftung & Co. KGaA and subordinated Group companies.

The KGaA was selected as the legal form to respectively leverage the typical strengths of capital market-oriented companies and family-owned businesses for the CEWE Group.

Legal structure combines benefits of capital markets and family

The company founder, Senator h. c. Heinz Neumüller, wanted to ensure that his entrepreneurial principles were permanently embedded in the company, and that the company's viability would be secured over the long term. This is the function of Neumüller CEWE COLOR Stiftung and the large holding in ACN Vermögensverwaltungsgesellschaft mbH & Co. KG (Community of heirs for Senator h. c. Heinz Neumüller, single largest shareholder with 27.4 %). This structure ensures that the corporate Group is continued in the spirit of the legacy left by Senator h. c. Heinz Neumüller, and is supported in this by the character of the family-owned business. It represents a long-term orientation of the corporate policy. For this reason, it is also responsible for managing the company.

The company founder also continuously demanded that the CEWE corporate Group remain innovative and optimize earnings. These corporate objectives are effectively supported by the capital market. Upholding shareholder interests in an attractive investment demands and promotes committee decisions, e. g. those of the Executive Board and the Supervisory Board. Here as well, the consistently prudent alignment of the company's performance with sustainable value increases – and therefore the investment itself – is the focus of activity.

Combining both advantages facilitates an innovative, earnings-oriented company that is managed with a long-term financial outlook, while also honoring its societal role as an employer and a corporate citizen.

CEWE operates in a total of 31 subsidiaries

CEWE Stiftung & Co. KGaA is the parent company of all CEWE Group activities. Depending on the country-specific situation, the Photofinishing and Online Print businesses in the various European countries are managed in a single legal and organizational entity or in several entities. Retail is directly linked with Photofinishing in countries where a production facility is located. Otherwise, the segment operates independently. Operationally, the retail companies also distribute photo products. However, in terms of strategic control, these are allocated to the strategic Photofinishing business segment, since they are pursuing a completely different growth track and have different strategic significance than the photo hardware recognized under Retail.

CEWE Group managed by Executive Board and Management

The Executive Board and Management of Neumüller CEWE COLOR Stiftung are responsible for the entire planning and execution of the objectives pursued by CEWE Group.

ECONOMIC REPORT

Photofinishing Business Field

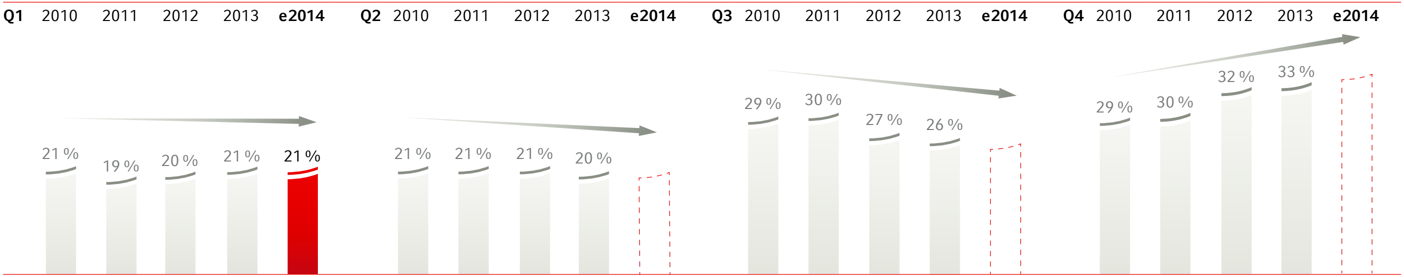
- *Sales, turnover, and profits on budget*
- *CEWE PHOTOBOOK: 1.142 million books during the first quarter of 2014: +3.6 % vs. prior year*
- *CEWE innovation: 96 % of all photos are digital, 73 % of all photos are ordered via the Internet*
- *Photofinishing turnover is within the expected bandwidth: 68.5 million euros*
- *In the first quarter Photofinishing EBIT improved by 2.4 million euros vs. prior year*

Sales of CEWE photo products continue to be essentially driven by two continuing consumer trends: the trend toward higher-value products and the seasonal shift toward the fourth quarter.

Seasonal shift toward the fourth quarter continues

Sales, and more importantly, the focus of turnover and earnings for digital products are in the fourth quarter. Many consumers appreciate the CEWE PHOTOBOOK and also CEWE CALENDAR, CEWE CARDS and CEWE MURAL, as well as other photo

Total photos – seasonal allocation *in %*

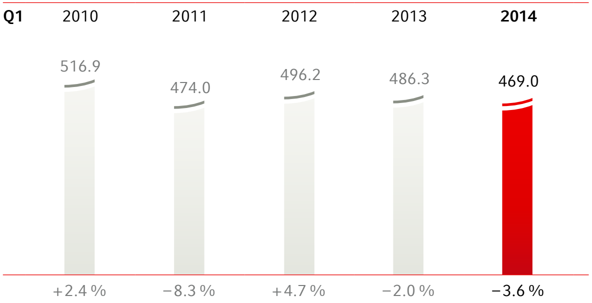


gift articles as Christmas presents. Accordingly, the seasonal profile of CEWE's business has markedly shifted toward the end of the year. As is shown in the graphic on page 20, this shift is continuing.

Share of value-added products is growing

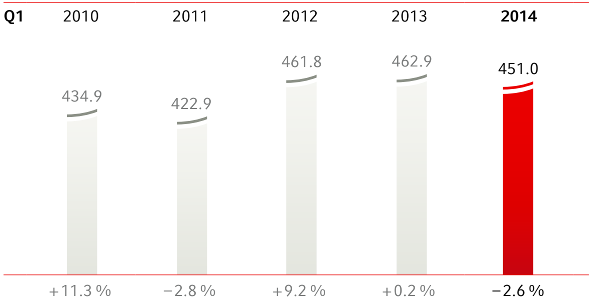
Consumers are becoming more selective and want higher-value photo products. Individual „simple" photo prints are declining – naturally so for analog film, but also for digital data. Increasing demand for high-value, value-added products are compensating a portion of this decline. For instance, CEWE's product mix is increasingly changing in favor of these value-added products, such as the CEWE PHOTOBOOK or the product group of photo gift articles. These products not only explain the seasonal shift due to their status as typical gift articles, as described above, they also accentuate this shift on the turnover and earnings level, since the share of „simple" individual photo prints declines during the first, and specifically during the second and third quarters of each year, whereas the share of pictures in value-added products grows dramatically during the fourth quarter. Since CEWE achieves a trend toward higher turnover and higher earnings per image with value-added products, the seasonal shift in turnover and primarily in earnings is even more pronounced than in volumes, and will even potentially continue: the trend away from „quantity" (fewer individual photos) toward „quality" (more high-value photo products) continues.

Total prints *in million units*



Change to previous year

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



Change to previous year

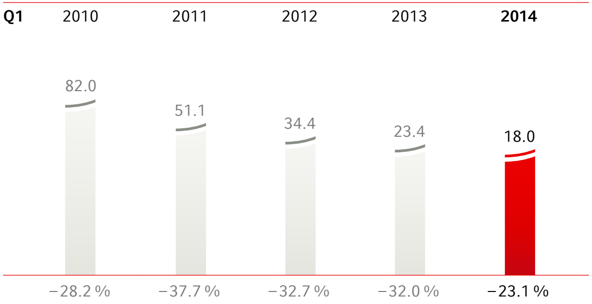
First-quarter turnover meets expectations

The first quarter has typically felt very little impact from this shift. Instead, expectations call for a constant volume share of 20.5 % compared to the prior year. Based on a full year objective of 2.23 to 2.29 billion photos for 2014, the volume expected for the first quarter is at 0.46 to 0.47 billion photos. In view of these considerations, the 0.469 billion photos processed during the first quarter are almost precisely at the upper limit of the expected value, therefore substantiating the annual objective (Q1 2013: 0.486 billion photos, −3.6 %).

CEWE PHOTOBOOK sales exceed expected volume bandwidth

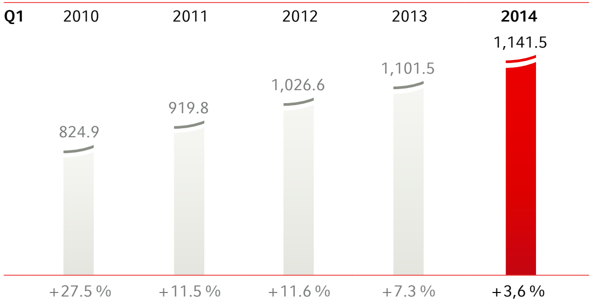
The first-quarter volume for CEWE FOTOBÜCHER increased by 3.6 % and approximately 40,000 books to 1.142 million. At this value, the growth rate even exceeds the full-year growth corridor of + 1 % to + 2 % expected for 2014. Accordingly, the individual photos contained in the photo books make CEWE PHOTOBOOK the primary volume driver for the total photo volume.

Prints from film *in million units*



Change to previous year

CEWE PHOTOBOOKS *in thousand units*



Change to previous year

96 % of photos are digital

The success of the CEWE PHOTOBOOK and other value-added products are bringing digitalization ever closer to the 100 % threshold. Following 95 % for the first quarter of 2013, 96 % all of the total volume of all photos was sourced digitally during the reporting quarter.

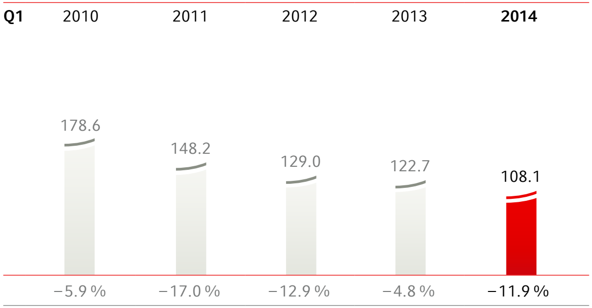
The gold standard of „Internet order with store pickup" confirms CEWE positioning

The rate of digital photos ordered via the Internet grew from 73 % for the prior year quarter to 76 % (343 million photos) during the reporting quarter. 49 % of these consumers decided to pick up their completed orders at the brick-and-mortar store of the distributors supplied by CEWE. Following 48 % during the prior year quarter, this is again a slightly increased value for this channel specifically offered by CEWE. 51 % selected home delivery by standard mail. Accordingly, customers picked up approximately 63 % of all photos in the brick-and-mortar stores of CEWE distribution partners. This confirms the strength of the CEWE „bricks and clicks" positioning. e. g. the strategic link between sales through brick-and-mortar stores and the Internet.

Value-added products continue to strengthen Photofinishing turnover

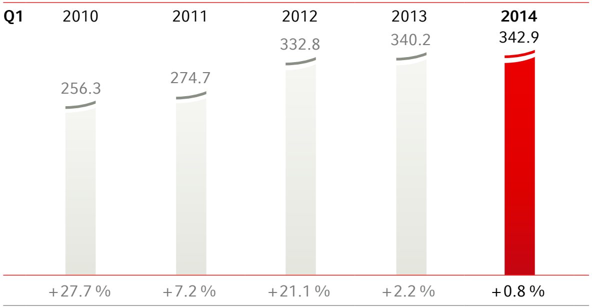
With CEWE PHOTOBOOK leading the way, the share of turnover

Digital print orders in stores *in million units*



Change to previous year

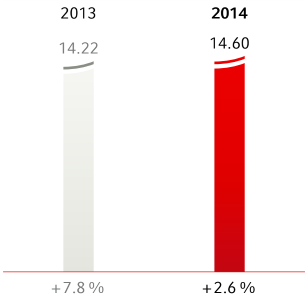
Digital print orders via the Internet *in million units*



Change to previous year

of value-added products in total turnover again continued to increase during the reporting quarter. The trend toward higher value photo products therefore further strengthens the turnover performance. The turnover per photo increased again during the reporting quarter by 2.6 %, from 14.22 euro cents per photo during the first quarter of the prior year 2013 to 14.60 euro cents per photo during the first quarter of 2014.

Turnover per photo *in euro cents*



Change to previous year

Photofinishing turnover is within the expected bandwidth: 68.5 million euros

Based on the described changes in the total number of photos and increased average turnover per photo, Photofinishing turnover in the first quarter of 2014 was at 68.5 million euros (Q1 2013: 69.2 million euros, –1.0 %) As outlined in the prior year interim report, the first quarter of 2013 benefited from the long winter and frost period, since CEWE customers tend to create photo products during the cold and dark season – e. g. when people are spending more time at home. In spite of this year's milder and shorter winter period, the Photofinishing business segment was nearly able to reach the respectable turnover performance of the prior year. Even within the context of the seasonal shift, this turnover fully meets expectations: Assuming a stable turnover portion of 19 % for the first quarter, resulting in an expected target range for the first quarter of 2014 between 67.5 euros and 69.4 million (based on the full year Photofinishing turnover of 365 to 375 million euros budgeted for 2014). The attained Photofinishing turnover of 68.5 million euros is therefore precisely within this bandwidth.

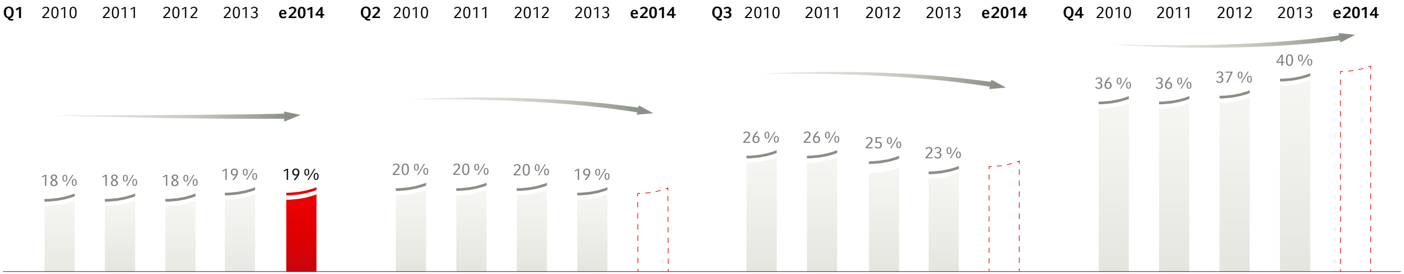
The industry rule „selling ice cream in winter" continues to apply – Photofinishing always with negative Q1 results

A first-quarter loss has historically been a fixture within the Photofinishing seasonal profile: As the „Seasonal Earnings Distribution" graphic shows, CEWE generated the largest share of annual profits during the analog era primarily during the vacation quarter (third quarter), and now an even larger share during the Christmas quarter (fourth quarter) due to the seasonal shift. Due to the pronounced seasonal focus in the other quarters, first-quarter fixed costs are not compensated by corresponding revenues, therefore invariably resulting in negative earnings: „Photofinishing during the first calendar quarter is like selling ice cream in winter" is the industry mantra.

Photofinishing income improved by 2.4 million euros versus prior year

During the reporting quarter, CEWE was able to improve EBIT for the Photofinishing business segment by 2.4 million euros

Development of CEWE Photofinishing turnover per season *in % of revenue*

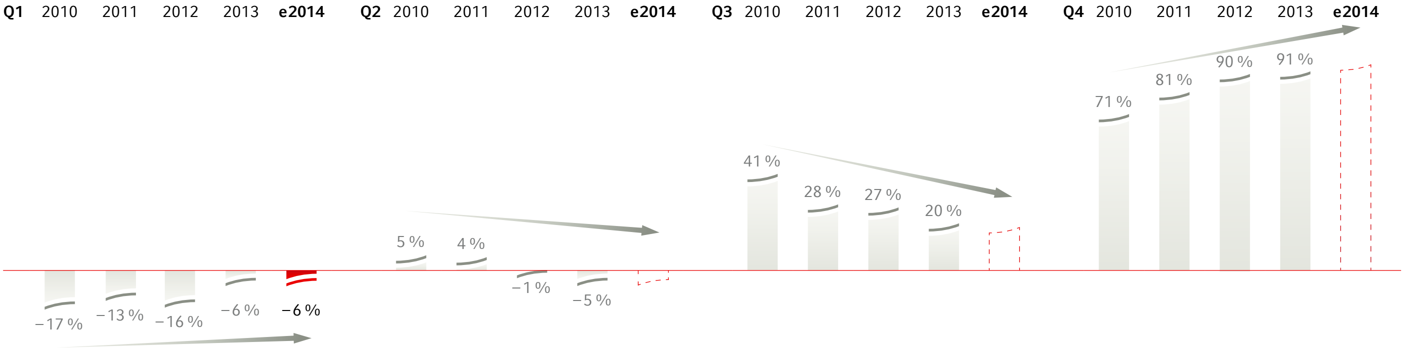


versus the prior year to −2.1 million euros (Q1 2013: −4.5 million euros). Restructuring charges for facility consolidations in Dresden and Poland were incurred during the prior year.

When these prior-year restructuring charges for the first quarter of 2013 in the amount of 2.3 million euros are excluded, this results in an operational EBIT improvement of approximately 140,000 euros. This continues to reinforce a trend that has lasted for years: a product mix transition away from individual photo prints to value-added products, such as CEWE PHOTOBOOK, CEWE CALENDAR, CEWE GREETING CARDS or CEWE MURAL, has resulted in increasing profitability of the CEWE core business.

In total, Photofinishing profits are therefore on track for the annual objective, as is highlighted by the graphic for the seasonal distribution of the Photofinishing EBIT.

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



Online Printing Business Field

- *In the first quarter Online Print turnover grew by 26.6 % to 16.3 million euros.*
- *Due to growth investments in marketing, EBIT at prior-year level of –1.2 million euros*

CEWE PRINT is the main brand for Online Print

For the start of fiscal year 2013, CEWE reorganized the brand structure in the strategically important, new „Online Print“ business segment. The objective was to blend the acquired „Saxoprint“ brand and the organically grown „viaprinto“ brand with the high brand recognition of the positively perceived CEWE PHOTOBOOK, in an effort to leverage synergies. Firstly, the already established Photofinishing brand CEWE PHOTOBOOK needed to positively influence the Online Print business. Secondly, future advertising expenses needed to be focused efficiently. For these reasons, the new Online Print brand will use the „CEWE“ umbrella brand, while also clearly communicating print competence: CEWE PRINT and the www.cewe-print.de website benefit from the brand recognition of the CEWE PHOTOBOOK and are themselves expected to positively reflect on this brand.

Sales development by segments *in million euros*	**Q1 2014**	Q1 2013	Change
Photofinishing	68.5	69.2	−1.0 %
Retail	16.4	24.6	−33.1 %
Online Printing	16.3	12.9	+26.6 %
Group	**101.2**	**106.6**	**−5.1 %**

EBIT by segments *in million euros*	**Q1 2014**	Q1 2013	Change
Photofinishing	−2.1	−4.5	+53.3 %
Retail	−0.7	−0.7	−4.9 %
Online Printing	−1.2	−1.2	−0.8 %
Group	**−4.0**	**−6.4**	**+37.0 %**

CEWE PRINT active in five countries

In addition to the strong growth in Germany, CEWE PRINT also serves Austria, the Netherlands, Italy, and Poland. In addition, expansions into other European countries are also planned for 2014. The focus in this case is to leverage existing CEWE sales structures in individual countries in order to attain fast and successful market penetration. Together with the six Saxoprint online shops, CEWE currently offers Online Print products in nine different countries.

Football as the marketing focus

CEWE PRINT already had its debut in 2012, specifically with advertising in the football environment: Perimeter advertising in the stadiums of the first German Football League (Bundesliga), including advertisements within the scope of the ARD Sportschau (sports show). This reach will also be leveraged in 2014 to continue building CEWE PRINT brand recognition. This is further supported by specifically addressing new customers with Internet advertising, but also by placing existing customer retention on the marketing agenda in the form of newsletters and mailings.

In the first quarter Online Print turnover grew to 16.3 million euros

During the first quarter of 2014, turnover for the Online Print business segment grew from 12.9 million euros for the prior year quarter to 16.3 million euros – a gain of 26.6 %. Since the acquisition of the Saxoprint Online Print operation in February 2012 has now been cycled for a full year into the prior year comparisons, this growth is strictly organic in nature.

Growth investments into marketing activities are gaining traction

The growth investments needed for the previously described brand development will initially continue to influence the profit and loss statement for this business segment, since CEWE is leveraging the income generated by the established Photofinishing business segment to expand the promising Online Print growth sector by means of intensive marketing. In this way, CEWE is generating a growing customer base that will be of benefit to the company going forward. In spite of slightly increased absolute marketing expenditures compared to the prior year quarter, slightly higher mail order shipping expenses due to increased international sales, and an increased depreciation basis – Saxoprint in Dresden commissioned an additional production line during the second half of 2013 – EBIT for the Online Print business segment was almost exactly at the prior-year level of −1.2 million euros (Q1 2013: −1.2 million euros).

Relative to the significantly increased turnover, the EBIT margin improved from −9.4 % during the prior-year quarter to −7.5 % during the first quarter of 2014.

Retail Business Field

- *Due to the withdrawal from the low-margin distribution business, first-quarter turnover is at 17.5 million euros (Q1 2013: 24.6 million euros) after currency effects.*
- *EBIT stable at prior-year level, negative due to seasonal effects*

In-house retail with important functions

CEWE is engaged in multi-channel retailing in the form of brick-and-mortar stores and online shops (brands such Fotojoker, Fotolab, Japan Photo) in Poland, the Czech Republic, Slovakia, as well as Norway and Sweden. These retail activities perform important functions for CEWE: Firstly, they represent an important direct sales channel for CEWE lab services to end consumers. The corresponding turnover and earnings are recognized in the Photofinishing segment. Secondly, CEWE has the ability to directly test and continuously upgrade new market strategies for digital value-added products in the Internet and in retail outlets – with the CEWE PHOTOBOOK leading the way. Thirdly, this expertise can be transferred to distribution partners. CEWE retail is an important source of knowledge and references for this.

First-quarter turnover declines to 17.5 million euros after currency effects

Further market share was gained in most regional areas of activity for the Retail business during the first quarter of 2014, since the market for cameras weakened more significantly than in-house turnover. Accordingly, the product turnover in Scandinavia only had minor declines at significantly improved margins, whereas the market retracted much more dramatically. In this case, the extensive and attractive assortment and the pronounced customer orientation of the CEWE Retail operation paid dividends. Consumer sentiment continues to be muted in Poland. Moreover, the local CEWE Retail operation broke off from the export distribution business, which generated significant turnover specifically during the prior year, but generated very little contribution margin. Avoiding low-margin spot transactions will also result in a significant shortfall of 2014 consolidated annual turnover versus 2013 consolidated annual turnover. However, this decline in turnover will have no negative impact on income. In view of this background, the Retail business segment achieved turnover in the amount of 17.5 million euros after currency effects – a decline of 7.1 million euros compared to the prior year quarter (Q1 2013: 24.6 million euros). When taking into account the incurred negative currency effects in the amount of approximately 1.1 million euros, the CEWE Retail segment contributed first-quarter 2014 turnover of 16.4 million euros to Group turnover.

Retail income at prior year level in spite of declining turnover

As is the case for the Photofinishing business segment, the Retail segment also typically fails to generate positive income contributions during the first quarter due to seasonal effects. In spite of the aforementioned decline in turnover, EBIT for the Retail business segment during the reporting quarter met expectations at –0.7 million euros, and was therefore at prior-year level (Q1 2013: –0.7 million euros)

Consolidated Profit and Loss Account

- *In the first quarter Group turnover at 101.2 euros (prior year: 106.6 million euros)*
- *EBIT improved by 2.4 million euros versus prior year: −4.0 million euros (prior year: −6.4 million euros)*

First quarter generates Group turnover of 101.2 million euros

As outlined in the discussion on strategic business segments, abandoning the distribution business in the strategic Retail business segment, and the currency effects in the amount of approx. 1.1 million euros also incurred by Retail caused Group turnover to decline by 5.1 % compared to prior-year quarter to 101.2 million euros (Q1 2013: 106.6 million euros). Without this – intended – effect in Retail, turnover in the other two segments grew by 2.7 million euros, or +3.3 %.

Group EBIT improved by 2.4 million euros versus prior year

Historically, a negative EBIT in the first quarter is the typical start for a Photofinishing year. The continuing seasonal shift of the Photofinishing business into the fourth quarter has been occurring for years and has resulted in declining profitability for the first three quarters. Accordingly, CEWE has been increasingly recording negative results for this period of the year, whereas the share of profits and absolute fourth-quarter income have been growing steadily. As CEWE's current main business, Photofinishing materially shapes the seasonality of the whole Group with this development.

In view of this background, CEWE attained a Group EBIT in the first quarter of 2014 in the amount of −4.0 million euros, following −6.4 million euros during the prior year quarter. An improvement of 2.4 million euros. The prior year still saw restructuring charges for a total of 2.3 million euros for the facility consolidation of two operations in Dresden and Poland. In spite of slightly increased growth investments into Online Print marketing, marginally higher international shipping costs, and the also slightly higher depreciation basis of the machine park for Online Print, CEWE Group achieved a slightly improved operational EBIT in the first quarter of 2014 even before these restructuring charges: −4.0 million euros, following −4.1 million euros for the prior year quarter (+2.4 %).

Reduced miscellaneous operating income accentuates operational strength

These income comparisons also highlight that lower irregular 2014 year-to-date operating income was generated: For the first quarter, miscellaneous operating income contributed 0.7 million euros less to the results than the prior year quarter.

Withdrawal from distribution business influences turnover expense ratios

During the reporting quarter, Group turnover declined primarily due to the withdrawal from the low-margin distribution business (as described in the "Retail business segment" section). This turnover decline must be taken into account for the analysis of expense ratios: the materials consumption ratio improved due to this effect, since the distribution business only generated a low gross margin. All other expense ratios tended to increase since withdrawing from the distribution business effected no relevant expense reduction in these line items.

Performance of the business segments influence P & L structure

The contributions of the business segments to the profit and loss statement each have a different structure: the trend toward value-added products in the important Photofinishing segment has resulted in a trend toward using fewer materials, whereas the use of labor and other operating expenses have increased. Due to growth, the share of Online Print in the Group P & L is growing. In comparison to Photofinishing, Online Print is characterized by greater use of materials and slightly lower labor and other operating expenses. However, in comparison to the other two business segments, Retail exhibits significantly higher material expenditures, but lower labor and other operational expenses. With respect to depreciation, the declining investments from recent years in the Photofinishing business segment and the increasing depreciation basis in the Online Print segment are overcompensating, therefore also resulting in a declining depreciation ratio for the Group. The following discussion of the P & L structure explains these effects based on the most important line items.

Material expense ratio declines to 35.4 % of turnover

By withdrawing from the low-margin distribution business in the Retail segment, the Group's material consumption ratio also declined significantly during the reporting quarter from 39.6 % during the prior year quarter to 35.4 %. During the prior year, the distribution activities of the Retail business segment were reflected in Group turnover with a very high material consumption ratio. The growth in Online Print has a slightly opposite effect. As is customary in the Online Print sector, mail order expenses for shipping printed products to customers are recognized as material expenses. This also explains the higher material expenses compared to Photofinishing, resulting in an increased ratio of the Group average.

Absolute payroll expenses 0.6 million euros below prior year

At payroll expenses of 32.2 million euros, the first quarter of 2014 was approx. 0.6 million euros lower than for the corresponding prior year period. Payroll expenses had increased for the prior year quarter in connection with restructuring charges for facility consolidations. These charges were not incurred again during the current quarter. Largely because of the Retail-induced decline in turnover and the resulting salary and wage adjustments during the second quarter of 2013, the payroll expense ratio increased slightly from 30.7 % for the prior year quarter to 31.8 % for the reporting quarter.

Miscellaneous operating expenses also below prior year

No significant operational changes were recorded for miscellaneous operating expenses. At 33.8 million euros, absolute miscellaneous operating expenses were 0.6 million euros lower than during the corresponding prior year period (Q1 2013:

34.4 million euros). This line item also incurred restructuring charges for the facility consolidations during the prior year quarter. Due to the described decline in turnover, the ratio of turnover also increased slightly for miscellaneous operating expenses from 32.2 % for the prior year quarter to 33.4 % for the reporting quarter.

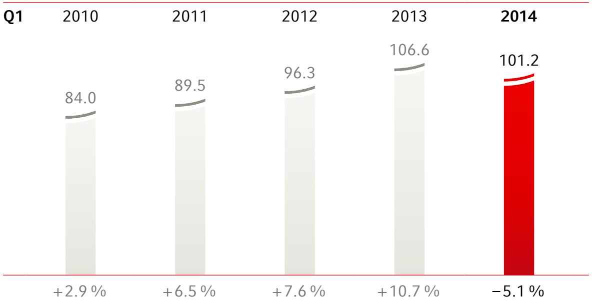
Depreciation continues to decline

CEWE's Group level depreciation expenses have been declining for years, since the investments of previous years in the Photofinishing core business were significantly below the peak investment years pertaining to the analog / digital transition (2003 to 2008). Due to the acquisition of Saxoprint in the Online Print business segment and the associated depreciation, this trend was interrupted in 2012. The absolute depreciation amount in the first quarter of 2014 declined from 9.1 million euros for the prior year to 8.1 million euros. The depreciation line item also reflected restructuring charges for the facility consolidations during the prior year quarter, causing the depreciation ratio to improve in spite of the Retail-driven decline in turnover of 8.5 % for the prior year to 8.0 % during the reporting quarter.

Financing expenses continue to decline at low level

The charges from the financial results have declined further compared to the prior year. This is largely explained by the significantly reduced draw against lines of credit. The ratio accordingly declined from 0.4 % to 0.3 %.

Turnover *in million euros*



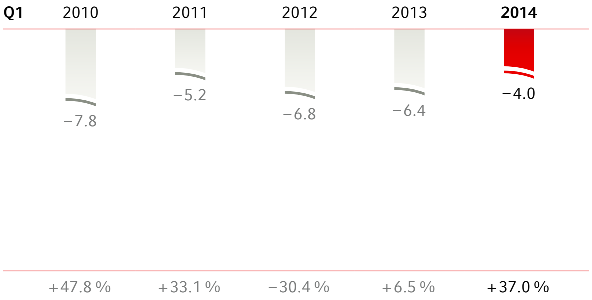
Change to previous year

Low first-quarter income tax expenses

The seasonally driven negative income in the first quarter of 2014 resulted in only low effective tax expenses. The recognized tax expenses are the result of positive income with individual Group companies and off-period effects.

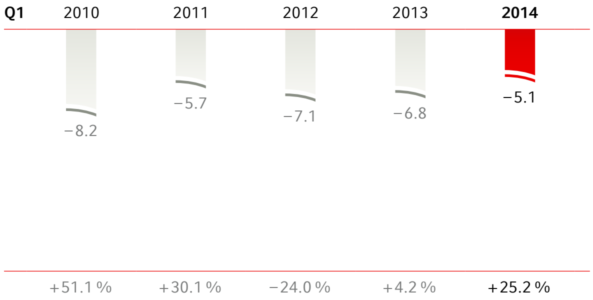
The year-on-year deferred tax income was essentially unchanged. No new material temporary differences occurred, and no material changes were recognized for deferred tax assets on losses carried forward.

Earnings before interest and taxes (EBIT) *in million euros*



Change to previous year

Earnings after taxes *in million euros*



Change to previous year

Employees

Workforce almost at prior year level with 3,131 employees

At 3,131, the number of employees at CEWE Group at the end of March 2014 was only very slightly below the prior year level (3,145 employees).

In part, this headcount results from the growing workforce requirements (+52 employees) in the Online Print business segment. During fiscal year 2013, the new Online Print business experienced turnover growth of 39.2 % compared to the prior year, therefore making it the Group's growth engine. During the current first quarter of 2014, turnover in this business segment is again growing by 26.6 % compared to the prior year quarter.

In addition, CEWE has added staff in the central functions for research and development, and marketing/product management compared to the prior year. In contrast, the headcount in the production facilities of the Photofinishing and the Retail business segments declined.

Q1 Employees according to segments	2014	2013	Change
Photofinishing	2,013	2,043	−1.5 %
Retail	603	639	−5.6 %
Online Printing	515	463	+11.2 %
Group	**3,131**	**3,145**	**−0.4 %**

Balance Sheet and Financial Management

- *Year-on-year balance sheet total declined by 4.5 million euros*
- *Solid balance sheet: Equity rate increases to more than 50.0 %*
- *Group debt significantly reduced*

The balance sheet comments essentially refer to the performance during the reporting quarter, e. g. a comparison of balance sheets from March 31, 2014 and December 31, 2013. Accounts influenced by the annual seasonality are additionally commented in a comparison to March 31, 2013. These include primarily the elements of operational working capital and equity.

Year-on-year balance sheet total declined by 4.5 million euros

In a year-on-year comparison, i. e. between March 31, 2013 and March 31, 2014, the balance sheet total has declined by 4.5 million euros. This change is predominantly explained by the active reduction of operational net working capital by 2.6 million euros. In a comparison as of the start of the quarter, i. e. between December 31, 2013 and March 31, 2014, the balance sheet total has declined notably by 61.3 million euros due to seasonal effects.

Long-term reduction of capital employed

In comparison to the prior year, long-term assets declined by 3.1 million euros to 156.2 million euros. This effect is primarily explained by changes in fixed assets. While the related investments at 33.4 million euros were only 0.3 million euros below budgeted depreciation of 33.7 million euros, equipment with a book value of 1.6 million euros was sold, and goodwill was reduced by 3.2 million euros to 25.4 euros million as part of the impairment tests prescribed by IFRS. During the reporting quarter, long-term capital employed primarily declined by 3.5 euros because investments were 4.4 million euros below depreciation.

Lower receivables result in reduced operational net working capital

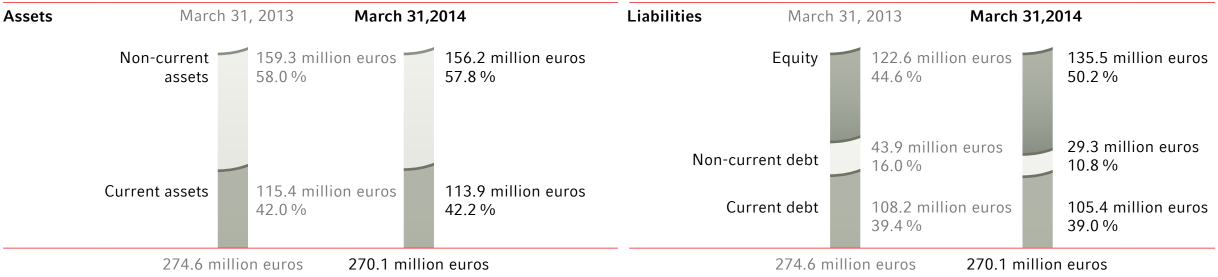
In a year-on-year comparison, inventories have declined by 1.3 million euros to 51.5 million euros, and receivables from goods and services have declined by 4.3 million euros to 35.6 million euros. The reduction in inventories is the result of improved inventory management practices in the photo paper area, whereas receivables from goods and services in the Photofinishing segment declined due to bonus payments to distribution partners made earlier than in the prior year, and also due to turnover effects. The decline in receivables in Retail is the result of the dramatically reduced distribution business. This is counteracted by a decline in payables from goods and services by 3.1 million euros to 53.4 euros, which primarily reflects the drastically reduced purchasing behavior of the Retail segment. In spite of this, total operational net working capital declined by 2.6 million euros to 33.6 million euros. Accordingly, the coverage of operational net working capital has declined from 31 days to 30 days in a year-on-year comparison.

Within the reporting quarter, operational net working capital has declined by 13.2 million euros to 33.6 million euros. During the same period, the coverage of operational net working capital increased from 22 days to 30 days due to the seasonally typical lower turnover in comparison to the 4th quarter. For instance, CEWE reduced inventories by 7.7 million euros to 51.5 million euros, and primarily receivables from goods and services by 53.2 million euros to 35.6 million euros. This is predominantly explained by seasonal effects in the working capital for Photofinishing after the strong Christmas quarter and the seasonally high resource commitment typical for this period. Operational gross working capital therefore decreased by 60.8 million euros to 87.1 million euros. Conversely, payables from goods and services were reduced by 47.6 million euros to 53.4 million euros.

Miscellaneous net working capital continues to stabilize financing needs

Miscellaneous networking capital as of March 31, 2014 was at –17.7 million euros (prior-year: –20.2 million euros), and was therefore able to continue contributing to financing. Whereas miscellaneous gross working capital – driven by advance tax payments that are only recognized as tax expenditures during the course of the year, and input tax credits – increased by

Balance sheet *in million euros and in %*



1.6 million euros to 12.7 million euros, miscellaneous short-term debt was reduced by – 0.9 million euros to 30.4 million euros. Since March 31, 2013, tax provisions increased by 1.3 million euros to 3.7 million euros, and were primarily reduced during the prior year due to the corporate tax losses carried forward employed in the course of the merger of the operating companies for viaprinto.de, and for diron GmbH & Co. KG into the former CEWE COLOR OHG. These losses carried forward have been consumed in the meantime. The remaining increase is income driven.

Compared to March 31, 2013, the remaining short-term provisions declined by 3.5 million euros to 4.1 million euros, since the provisions for facility consolidations included for the prior year in the amount of 1.7 million euros have in the meantime been drawn down, and 2.3 million euros of the provisions for legacy purchase price liabilities from the Saxoprint acquisition have in the meantime been recognized as miscellaneous short-term financial obligations. In addition, liabilities to Neumüller CEWE COLOR Stiftung were dropped within the scope of the merger of CEWE OHG into CEWE Stiftung KGaA, therefore causing miscellaneous current financial liabilities to increase by 1.3 million euros to 2.4 million euros.

Within the reporting quarter, miscellaneous net working capital has increased by 6.6 million euros to – 17.7 million euros. The primary reasons for this increase are explained in the „Cash flow“ section.

Operational net working capital causes capital employed to decline

As of March 31, 2014, capital employed was at 186.3 million euros, and therefore slightly below the prior year value by 0.5 million euros. Whereas long-term capital employed was reduced by 3.1 million euros, the cash and cash equivalent account increased by 2.6 million euros.

Solid balance sheet: Equity ratio increases to more than 50 %

In a year-on-year comparison, equity improved from 122.6 million euros to 135.5 million euros. The dividend distribution in the amount of 9.5 million euros was more than compensated by the overall income of 20.8 million euros. This primarily includes income after taxes of 23.3 million euros and performance neutral expenses and revenues in the amount of −2.6 million euros. The increased equity and lower balance sheet total resulted in an increase of the equity ratio from 44.6 % as of March 31, 2013 to roughly 50.2 % at the end of the reporting quarter.

Within the reporting quarter, the reduction in equity by 4.9 million euros is primarily explained by negative total income of −5.0 million euros. In this case, the after-tax income for the reporting quarter of −5.1 million euros was slightly attenuated by 0.1 million euros of performance neutral profits from currency conversions.

Net financing debt significantly reduced

In a year-on-year comparison, Group debt declined by 17.4 million euros to 134.6 million euros. In this case, the repayment of 12.2 million euros of financing debt had a pronounced impact. Gross financing debt is now at 25.4 million euros (prior year: 37.6 million euros). Since March 31, 2013, net financing debt has also been reduced by 14.8 million euros to 11.2 million euros.

Cash Flow

- *Working capital decrease increases cash flow from operating activities*
- *Stable cash flow from investment activities*
- *Free cash flow improved by 12.6 million euros to 5.3 million euros*

Based on EBIT increases of 2.4 million euros to −4.0 million euros, first-quarter non-cash depreciation of 8.1 million euros (prior year: 9.1 million euros) needed to be eliminated from CEWE's statement of cash flows, causing EBITDA to increase by 1.4 million euros to 4.1 million euros. Miscellaneous non-cash adjustments, which have no impact on cash flow from operational activities, such as unrealized foreign currency effects, changes in long-term receivables, and long-term debt – primarily in the area of retirement provisions – were at −0.6 million euros, whereas they positively influenced the prior year cash flow statement with +0.7 million euros.

Working capital decrease drives cash flow from operating activities

The working capital induced cash flow switched from negative to positive, and increased dramatically during the reporting quarter by 13.2 million euros to 7.7 million euros, therefore having a pronounced positive impact on cash flow from operational activities.

During the reporting quarter, CEWE reduced operational net working capital by 13.2 million euros, therefore resulting in a cash flow benefit of 16.7 million euros compared to the prior year quarter. The primary drivers of the positive net working capital effect were receivables from goods and services, which were reduced by 53.2 million euros during the reporting quarter, therefore providing a cash flow benefit of 20.9 million euros. As outlined in the 2013 annual report, receivables dramatically increased as of December 31, 2013 due to the disproportionately increased turnover in December, as well as delayed payments from distribution partners. The associated payment receipts were now posted during the reporting quarter. The seasonally typical reduction in inventory since the beginning of the year has resulted in a cash flow disadvantage of −2.2 million euros. This equally applied to cancellations of liabilities from goods and services, therefore resulting in a cash flow disadvantage of 2.0 million euros.

At −5.5 million euros, miscellaneous working capital for the reporting quarter tied up more cash than the prior year quarter by −3.5 million euros. This was primarily influenced by the VAT tax payments following the year-end business, as well as the draw-down of remaining restructuring provisions.

For the reporting quarter, tax payments for income taxes increased by −1.0 million euros, for a total of −2.2 million euros. As a consequence of the merger of CEWE COLOR AG & Co. OHG executed within the scope of the legal form change of CEWE COLOR Holding AG into CEWE Stiftung & Co. KGaA, estimated tax payments made by CEWE COLOR OHG were reimbursed and only withheld by CEWE Stiftung & Co. KGaA as of December 31, 2013.

In total, cash flow from operating activities was at 9.0 million euros, and therefore dramatically above the prior year quarter by 12.3 million euros.

Stable cash flow from investment activities

At 3.7 million euros, transfers of investments into fixed assets were slightly below the prior year quarter value by 0.4 million euros. These involved investments of 0.9 million euros into the presentation at the point-of-sale, 0.7 million euros into Digital Print and its downstream processing, 0.5 million euros into intangible assets, 0.2 million euros into IT infrastructure, and 1.4 million euros into various plant and equipment assets.

Free cash flow increases by 12.6 million euros versus prior year to 5.3 million euros

After −7.3 million euros in the prior year quarter, free cash flow for the reporting quarter was at 5.3 million euros. The drawdown of funds was reduced by 12.6 million euros, and transformed into an increase of funds. The increase is explained by the aforementioned working capital effects: +16.7 million euros, primarily due to the decrease in operational working capital and this, in turn, to more than 100 % from the year-end turnover related decrease in receivables.

Return on Capital Employed

- *Average capital employed declines to 191.1 million euros*
- *ROCE significantly improved to 16.6 %*

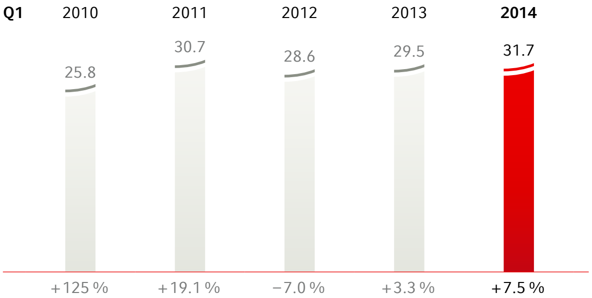
Average capital employed declines to 191.1 million euros

A return on capital analysis relates the total profits for a 12 month period to the average capital employed for the year to determine an annualized return. As explained in the balance sheet capital, capital employed as of March 31, 2014 was at 186.3 million euros, clearly highlighting the seasonal profile of the business. The average capital employed calculated on the basis of the four quarterly cutoff dates for a 12 month period as of March 31, 2014 was at 191.1 million euros, and therefore essentially stable at 0.3 million euros compared to the prior year values.

ROCE significantly improved to 16.6 %

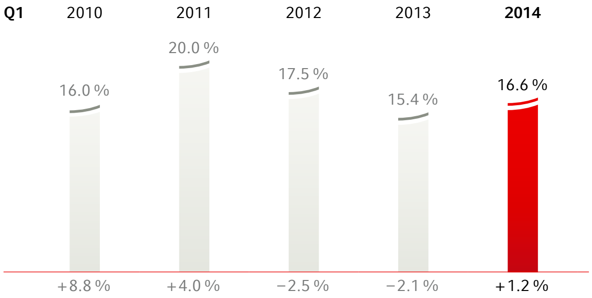
Return on capital employed (ROCE) as a performance metric for capital return has improved from 15.4 % to 16.6 % since the 2013 year end quarter. The value of 16.6 % is the result of an EBIT of 31.7 million euros and an average capital employed of 191.1 million euros. The primary driver of this improvement specifically is the strong income performance of the Photofinishing business segment.

12-month rolling EBIT *in million euros*

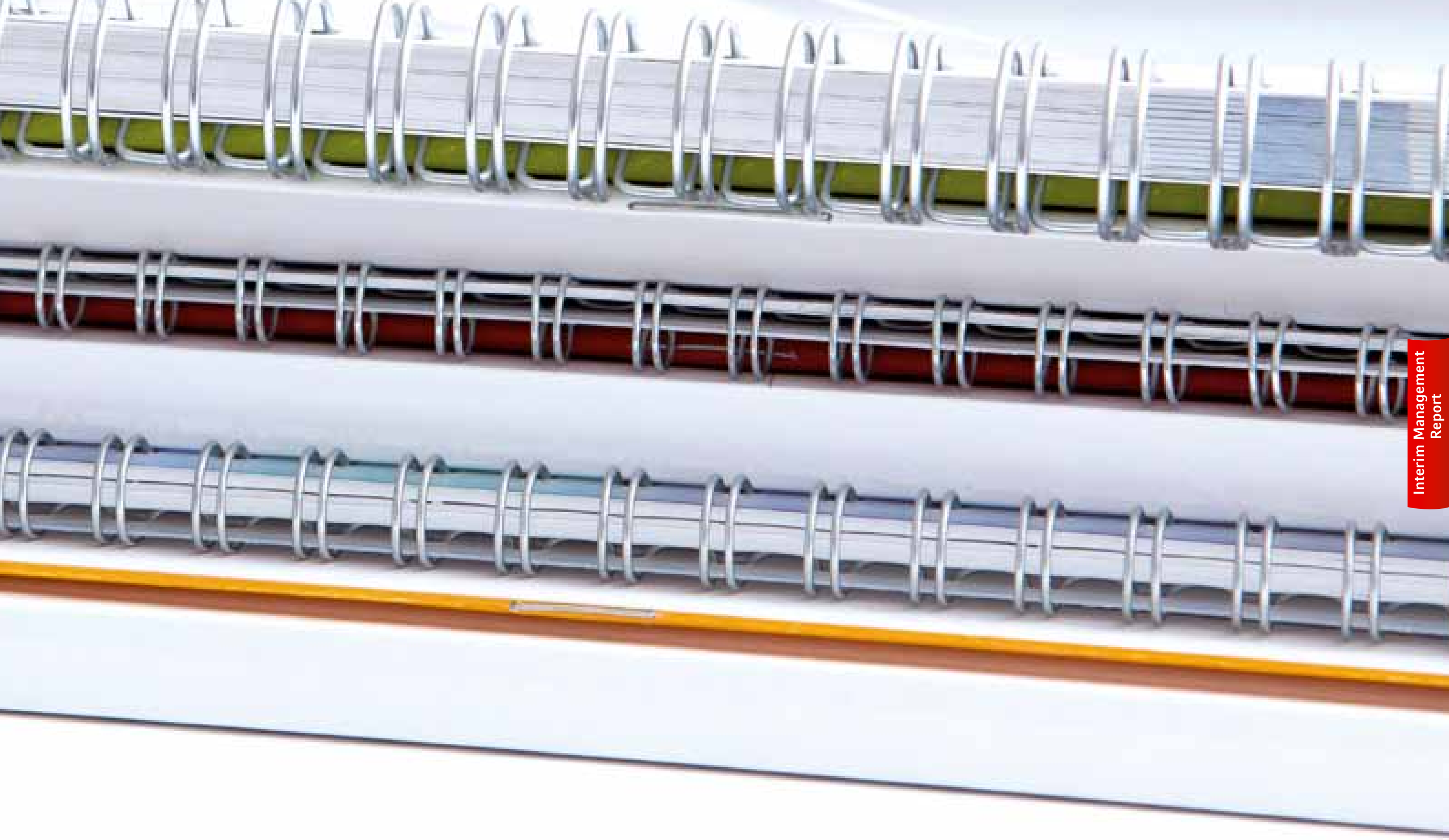


Change to previous year

ROCE *in %*



Change to previous year



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FORECAST, OPPORTUNITIES AND RISK REPORT

Risks and opportunities

Noteworthy risks and opportunities for the prospective development of CEWE Group are described in the Group management report for fiscal year 2013. Within the scope of the continuing, systematic recording and control of risks by the Group's risk management function, no risks have been identified that by themselves or collectively could represent a risk for the Group's viability.

Growth in Online Print – Brand strengthening in Photofinishing

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

In the Photofinishing segment, CEWE continues its direction of establishing a brand product with the CEWE PHOTOBOOK, which is positioned and advertised in the premium segment. In addition to the established CEWE PHOTOBOOK, CEWE CALENDAR, CEWE CARDS, and CEWE MURAL, other product brands have been established with the same positioning since 2013. The objective is to have the positive consumer attitude toward the CEWE PHOTOBOOK similarly impact the remaining products. The differentiating benefits of the service and quality commitments that represent the CEWE brand need to be leveraged step by step for a growing product portfolio. This also increases advertising efficiency, allowing CEWE products to be „pre-sold" to consumers with an associated benefit to CEWE distribution partners.

Continued focus on Europe

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

Never-ending work on the technology platform

As in the past, CEWE will also use the coming years to work on improving effectiveness and efficiency opportunities, primarily in terms of production and data transfer technologies. The approaches are generated both internally by the company by means of best practices transfers between the operations, but also externally, e. g. in the form of regular benchmarking and the targeted use of external consultants.

Never-ending innovation also includes products and services

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

IMF expects recovery in the Eurozone – Strong start to the year in Germany and improved forecast for the European economy

The International Monetary Fund (IMF) expects the global economy to expand significantly faster in the coming years. In its economic outlook published in January 2014, the IMF expects global growth to be at 3.7 %. Due to continuing risks in emerging countries, the IMF has slightly cut back its forecast in April 2014 to 3.6 % – for 2015, and expects a gain of only 3.9 %. Whereas expectations for industrialized nations remain unchanged at +2.2 % for 2014 compared with a January projection, and at +2.3 % for the coming year, the estimates for emerging countries such as Russia, Brazil, or South Africa have been lowered. As stated in the IMF world economic outlook, economic activity in these countries was disappointing, although they contribute more than two thirds toward world growth. In total, the fund continues to perceive growth risks, although these have slightly reduced since the start of the year. Similar to the previous year, emerging countries could be harmed by a normalization of US fiscal policy or increased risk aversion by institutional investors. For industrial countries – in particular for the Eurozone – the low pricing pressure due to large idle capacities are viewed as a risk. If inflationary expectations decline, appreciation could further weaken, even threatening deflation. In addition, the IMF highlights political risks, such as the crisis between Ukraine and Russia. The IMF identifies the low fiscal headwind as a result of less rigorous fiscal restraint and the continuing loose monetary policies of the central banks as the primary growth drivers in industrialized nations. Emerging countries are likely to benefit from the growing demand from developed nations. In China, total economic growth for this year is likely to be above the government's objective of 7.5 %.

The IMF believes that the recession has ended in the Eurozone, albeit with somewhat uneven developments. The recovery is likely to be somewhat weaker in crisis countries, even though the outlook in some problem countries – including Spain – has improved greatly. Economic growth in the common Euro currency region is expected to be 1.0 % in 2014, and is expected to accelerate further to 1.4 % in the coming year. For the Eurozone, the IMF has increased its forecast versus January; for the current year, the IMF anticipates a GDP gain of 1.2 % (January 2014 estimate: 1.0 %), and 1.5 % for 2015 (January 2014 estimate: 1.5 %). The risk that the Eurozone will slide back into recession continues to decline in the IMF's assessment. A slightly more positive but similarly trending assessment was also issued about the Eurozone developments by the Council of Experts in its March opinion: it increased its forecast for 2014 GDP growth versus the 2013 annual report from 1.1 % to 1.3 %.

For Germany, the IMF is even slightly more optimistic than in its January forecast and expects an economic boost of 1.7 % (January estimate: 1.6 %); in 2015, Germany's GDP is then expected to grow by 1.5 % (January estimate: 1.4 %). In its March opinion for Germany, the Council of Experts now even expects a gross domestic product (GDP) gain of 1.9 %. In their annual 2013/14 opinion, the experts along with the IMF still anticipated growth at 1.6 %. The reported reason for the increase is the improved performance as of the start of the year, and the continuing gains in sentiment indicators. In its April monthly report, the Bundesbank also assesses the first-quarter performance as an „extraordinarily strong start to a year", but warns that second-quarter economic growth in Germany will be noticeably weaker.

CEWE management's assessment of overall economic conditions

While the overall economic conditions within Europe have brightened in the central European markets important for CEWE, the growth dynamics for 2014 and 2015 continue at muted levels in comparison to international developments. While private consumer spending in the Eurozone appears to show a slight recovery, it remains to be seen whether this minimal increase will hold. In spite of the 0.9 % growth in consumer spending in Germany reported by the Federal Statistical Agency (Statistisches Bundeamt) for 2013, CEWE is not counting on additional positive impulses from a changing consumer posture. Since inflation risks appear to be in check, and in light of the low growth in the money supply and weak credit availability to the non-banking sector – in particular to businesses – the ECB intends to continue its policy of historically low interest rates for the mid-term, therefore not further deteriorating external financing conditions for businesses. Independently of this, CEWE does not expect significant financing risks in view of its solid financial structure. The company's high equity capital and liquidity base allow CEWE to continue financing organic and inorganic growth under its own power – even in periods of limited access to credit. While the risk of debt restructuring for individual member states of the Eurozone has declined further, an underlying residual risk remains. This does represent a material risk for CEWE. In view of outstanding receivables, management currently does not expect noteworthy charges, since receivables from trade partners are largely secured by credit insurance policies.

CEWE sales stable even in weak overall economy

The experience of recent years has shown that the overall economic performance, but also the general consumption propensity of customers, only has an extremely weak correlation with demand for CEWE's photofinishing products. The influence of economic performance could theoretically increase if CEWE's share of turnover with business customers were to grow. However, management currently sees additional opportunities in the Online Print business segment even during phases of economic weakness since the more favorable cost-benefit relationship of the Online Print products compared to the print services obtained from brick and mortar printers should be an even more important differentiator for business customers. Management feels that – except for the steps described as targeted turnover reductions – only the Retail segment should develop in parallel to the overall economy.

Future for Photofinishing rather constant

CEWE promotes the growing market share of value-added products to compensate the decline of photos produced with the classic chemical silver-halogen process. In addition to the by now significantly progressed decline of analog photos from film, this also affects the decline of individual photos from digital data. With the European market leader CEWE PHOTOBOOK and other value-added products, along with the significant Internet expertise, CEWE is positioned exceedingly well to actively promote this transition and may possibly benefit for this.

In total, the trend toward value-added products is likely to continue strengthening the Photofinishing segment in 2014, providing an opportunity for a stable, or possibly slightly growing margin.

Seasonal shift toward the fourth quarter continues

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

Retail focus on earnings

Fundamentally, management is basing its 2014 expectations for photo retail on a general alignment with consumer sentiment. However, digital camera sales are likely to continue on a substantial downward trend. We are working on alternative products and segments. Abandoning the unprofitable export distribution business in Poland, which generated significant turnover but very low income contributions specifically in 2013, will also cause the turnover for the entity of 2014 to be dramatically below the turnover for 2013. However, this reduction in turnover from distribution activities will have a negligible impact on earnings. In total, this is likely to result in declining retail turnover for CEWE in 2014. Retail EBIT could continue to remain weak. We are working on specifically improving this. As explained in the description of the CEWE business model, these statements only include the trade business with photo hardware, and do not relate to the photo products sold via websites and brick and mortar stores of the CEWE Retail business, and represent a component of the strategic Photofinishing business segment.

Growth in Online Print independent of economic conditions

CEWE's Online Print gives customers a series of benefits: a quality gain due to highly professional printed products, produced on the latest large-scale equipment, which is typically superior to printing facilities based on their constant quality, compounded by a time gain due to user-friendly Internet ordering, fast production and prompt delivery. Customers also have the option of reducing costs. Customers need access to these benefits – certainly not tied to overall economic conditions, and possibly particularly so in a difficult business climate. For 2014, management therefore expects the Online Print segment to continue on a substantial growth trend, essentially independent of economic conditions.

Further marketing investments in Online Print

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

2014 earnings range: +3 million euros

Turnover is expected to slightly increase from 528.6 million euros to between 525 million euros to 540 million euros on average. Assuming approximately stable Photofinishing turnover, the objective is to more than compensate a potentially declining turnover in the Retail business with the intended turnover increase in the Online Print business. Following 59.8 million euros in 2013 and first-quarter growth of 26.6 %, management believes that turnover of more than 70 million euros is achievable in the Online Print business for 2014. The objective of attaining the 100 million euros turnover threshold with Online Print by 2016 continues to be valid. 2014 EBIT is expected to be in the range from 30 million euros to 36 million euros, EBT is expected to be between 28 million euros and 34 million euros, and after-tax earnings between 19 million euros and 23 million euros. This corresponds to an increase of each earnings channel by approximately 3 million euros for 2013. Due to the performance improvement at the EBIT level by 2.4 million euros, CEWE confirms the income objective for 2014.

Seasonal shift will continue to transfer income into Q4

In management's view, the seasonal shift that has been observed for many years will continue into 2014. The significance of fourth quarter turnover and more importantly income therefore continues to grow. This effect is discussed in greater detail in the „Business Report" section pertaining to the business segments. Conversely, the second and third quarters continue to decrease in significance. The first quarter is less affected by these demand-induced seasonal shifts. Accordingly, management is expecting a further reduction in turnover and income contribution in the now following two quarters. The fourth quarter is then expected to compensate this development.

Dividend continuity as minimum objective

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

2014 objectives		Change to previous year
Digital prints	2,15–2,20 billion units	–4 % to –2 %
Prints from film	0,075–0,085 billion units	–34 % to –25 %
Total prints	**2,23–2,29 billion units**	**–6 % to –3 %**
CEWE PHOTOBOOKS	5,8–5,9 million units	+1 % to +2 %
Investments	36 million units	+3 %
Revenues	525–540 million units	–1 % to +2 %
EBIT	30–36 million units	+2 % to +23 %
Earnings before taxes (EBT)	28–34 million units	+1 % to +22 %
Earnings after tax	19–23 million units	–12 % to +6 %
Earnings per share	2,84–3,45 euros/share	–14 % to +5 %

Oldenburg, May 13, 2014
CEWE Stiftung & Co. KGaA

On behalf of the personally liable shareholder, Neumüller CEWE COLOR Stiftung

– The Executive Board –

Dr. Rolf Hollander
(Chief Executive Officer)

Dr. Reiner Fageth

Carsten Heitkamp

Andreas F. L. Heydemann

Dr. Olaf Holzkämper

Thomas Mehls

Harald. H. Pirwitz

Frank Zweigle

THE CEWE GROUP – STRUCTURE AND BODIES

Neumüller CEWE COLOR Stiftung

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Otto Korte, Oldenburg (Deputy Chairman)
Maximilian Ardelt, München
Helmut Hartig, Oldenburg
Dr. Peter Nagel, Bad Kreuznach
Hubert Rothärmel, Oldenburg

Executive Board

Dr. Rolf Hollander, Oldenburg (Chief Executive Officer)
Dr. Reiner Fageth, Oldenburg
Carsten Heitkamp, Oldenburg (as of January 1, 2014)
Andreas F. L. Heydemann, Bad Zwischenahn
Dr. Olaf Holzkämper, Oldenburg
Thomas Mehls, Oldenburg (as of January 1, 2014)
Harald H. Pirwitz, Oldenburg
Frank Zweigle, Oldenburg

Management

Patrick Berkhouwer, Tours (as of January 1, 2014)

CEWE Stiftung & Co. KGaA

Supervisory Board

Otto Korte, Oldenburg (Chairman)
Attorney/Tax Advisor/Attorney specializing in tax law and Partner in the law firm Korte Dierkes Künnemann & Partner, Oldenburg

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University Professor for Information Technology at Oldenburg University

Professor Dr. Michael Paetsch, Willich
Professor at Pforzheim University

Prof. Dr. Christiane Hipp, Berlin
Professor for Organization, HR Management, and Corporate Management at the Technical University in Cottbus, Brandenburg

Corinna Linner, Baldham
Financial Auditor and Diplom (Graduate) Economist

Dr. Hans-Henning Wiegmann, Schlangenbad
Diplom (Grad.) Business Administration, member of various Supervisory and Advisory Boards
Appointed by virtue of a resolution by the District Court

Oldenburg on October 29, 2013 pursuant to Section 104 AktG (Stock Act [Aktiengesetz – AktG]):

Vera Ackermann, Hude
(Deputy Chairwoman)
Union Secretary for IG BCE

Michael Bühl, Münstertal
Technical Manager for CEWE Stiftung & Co. KGaA in Eschbach

Angelika Eßer, Mönchengladbach
Lab Assistant, fulltime Works Council Chairwoman
for CEWE Stiftung & Co. KGaA in Mönchengladbach

Udo Preuss, Aichach
Technical Exempt Employee, fulltime Works Council Chairman
for CEWE Stiftung & Co. KGaA in Munich

Stefan Soltmann, Hannover
Union Secretary for IG BCE

Thorsten Sommer, Wardenburg
Deputy Department Head / Exempt Employee, fulltime Works
Council Chairman for CEWE Stiftung & Co. KGaA in Oldenburg

The personally liable shareholder for CEWE Stiftung & Co. KGaA
Neumüller CEWE COLOR Stiftung

"CEWE is a unique company. Due to the large share of investors with a long-term perspective, the Executive Board and Management are in a position to pursue long-term objectives. As an employee, this protects me against knee-jerk decisions – and as a shareholder, I have confidence in the stability of my investment"

David Bollmann, CEWE FOTOBUCH Production, CEWE shareholder

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Profit and Loss Account

for Q1 2013 and 2014 of CEWE Stiftung & Co. KGaA, Oldenburg

Figures in thousand euros	Q1 – Q4 2013	**Q1 2014**	Q1 2013	Change
Revenues	528,569	101,214	106,602	−5.1 %
Increase/decrease in the inventory of finished and unfinished products	326	56	79	−29.1 %
Other work performed and capitalised	1,034	142	210	−32.4 %
Other operating income	24,589	4,488	5,172	−13.2 %
Cost of materials	−190,017	−35,861	−42,238	15.1 %
Gross profit/loss	**364,501**	**70,039**	**69,825**	**0.3 %**
Employee expenses	−129,882	−32,153	−32,765	1.9 %
Other operating expenses	−167,352	−33,773	−34,367	1.7 %
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**67,267**	**4,113**	**2,693**	**52.7 %**
Depreciation of property, plant and equipment and amortisation of intangible assets	−37,902	−8,119	−9,055	10.3 %
Earnings before interest and taxes (EBIT)	**29,365**	**−4,006**	**−6,362**	**37.0 %**
Net financial income	−1,547	−295	−445	33.7 %
Earnings before taxes (EBT)	**27,818**	**−4,301**	**−6,807**	**36.8 %**
Income taxes	−5,462	−580	207	—-
Other taxes	−737	−198	−186	−6.5 %
Earnings after taxes	**21,619**	**−5,079**	**−6,786**	**25.2 %**
Earnings per share (in euros)				
basic	3.29	−0.77	−1.04	25.7 %
diluted	3.26	−0.76	−1.03	26.0 %

Consolidated Statement of Comprehensive Income

for Q1 2013 and 2014 of CEWE Stiftung & Co. KGaA, Oldenburg

Figures in thousand euros	Q1–Q4 2013	**Q1 2014**	Q1 2013	Change
Earnings after tax	21,619	**−5,079**	−6,786	25.2 %
Currency translation differences	−3,954	73	−1,203	—
Amounts that may be restructured into the profit and loss statement in future periods	−3,954	**73**	−1,203	—
Actuarial gains	98	0	0	—
Amounts not restructured into the profit and loss statement	98	**0**	0	—
Profit-neutral expenses and income after taxes	−3,856	**73**	−1,203	—
Grand total of earnings	17,763	**−5,006**	−7,989	37.3 %

Consolidated Balance Sheet

as at March 31, 2014 of CEWE Stiftung & Co. KGaA, Oldenburg

ASSETS *Figures in thousand euros*	Dec. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013	Change
Property, plant and equipment	98,562	95,569	95,081	0.5 %
Real estate held as financial investment	4,277	4,935	4,272	15.5 %
Goodwill	25,360	25,360	28,529	−11.1 %
Intangible assets	19,969	18,514	21,318	−13.2 %
Non-current financial assets	1,153	1,281	536	139 %
Non-current receivables from income tax refund	1,557	1,557	2,092	−25.6 %
Non-current receivables and assets	1,543	1,552	255	509 %
Non-current other receivables and assets	179	319	208	53.4 %
Deferred tax assets	7,056	7,119	6,980	2.0 %
Non-current assets	**159,656**	**156,206**	**159,271**	**−1.9 %**
Assets held available for sale	1,010	1,006	1,016	−1.0 %
Inventories	59,131	51,460	52,740	−2.4 %
Current trade receivables	88,768	35,610	39,958	−10.9 %
Current receivables from income tax refund	2,127	2,841	2,114	34.4 %
Current financial assets	2,960	2,529	3,775	−33.0 %
Current other receivables and assets	3,793	6,326	4,170	51.7 %
Cash and cash equivalents	14,031	14,164	11,584	22.3 %
Current assets	**171,820**	**113,936**	**115,357**	**−1.2 %**
ASSETS	**331,476**	**270,142**	**274,628**	**−1.6 %**

SHAREHOLDERS´ EQUITY AND LIABILITIES *Figures in thousand euros*	Dec. 31, 2013	**Mar. 31, 2014**	Mar. 31, 2013	Change
Subscribed capital	19,240	19,240	19,188	0.3 %
Capital reserves	56,643	56,643	56,228	0.7 %
Special items for treasury shares	−23,391	−23,391	−23,939	2.3 %
Retained earnings and net retained profits	87,945	83,019	71,084	16.8 %
Equity	**140,437**	**135,511**	**122,561**	**10.6 %**
Non-current special items for investment grants	178	168	239	−29.7 %
Non-current provisions for pensions	17,917	18,343	17,689	3.7 %
Non-current deferred tax liabilities	3,280	3,074	4,162	−26.1 %
Non-current other provisions	350	303	549	−44.8 %
Non-current financial liabilities	4,212	3,871	17,279	−77.6 %
Non-current financial liabilities	3,000	3,000	3,879	−22.7 %
Other non-current liabilities	660	509	80	536 %
Non-current liabilities	**29,597**	**29,268**	**43,877**	**−33.3 %**
Current special items for investment grants	25	24	66	−63.6 %
Current provisions for taxes	4,180	3,734	2,426	53.9 %
Current other provisions	5,627	4,088	7,572	−46.0 %
Current financial liabilities	26,111	21,514	20,314	5.9 %
Current trade payables	101,077	53,432	56,492	−5.4 %
Current financial liabilities	2,432	2,432	1,100	121 %
Other current liabilities	21,990	20,139	20,220	−0.4 %
Current liabilities	**161,442**	**105,363**	**108,190**	**−2.6 %**
Shareholders' Equity And Liabilities	**331,476**	**270,142**	**274,628**	**−1.6 %**

Consolidated Statement of Changes in Equity

for Q1 2013 and 2014 of CEWE Stiftung & Co. KGaA, Oldenburg

Figures in thousand euros	**Subscribed capital**	**Capital reserves**	Consolidated equity generated	Special item for Stock Option Plans
Balance on Jan. 1, 2014	**19,240**	**56,643**	92,227	1,266
Earnings after tax	—	—	−5,079	—
Expenses and income not affecting profit or loss	—	—	—	—
Total profit/loss	**—**	**—**	−5,079	—
Stock Option Plan 2010	—	—	—	80
Owner-related change in equity capital	**—**	**—**	—	80
Balance on March 31, 2014	**19,240**	**56,643**	87,148	1,346
Balance on Jan. 1, 2013	**19,188**	**56,228**	80,129	947
Earnings after tax	—	—	−6,786	—
Expenses and income not affecting profit or loss	—	—	—	—
Total profit/loss	**—**	**—**	−6,786	—
Stock Option Plan 2010	—	—	—	80
Owner-related change in equity capital	**—**	**—**	—	80
Balance on March 31,2013	**19,188**	**56,228**	73,343	1,027

Actuarial gains and losses	Adjustment item for currency translation in equity	Income taxes without effect on net income taken into account	Miscellaneous adjustments	**Retained earnings and net retained profits**	**Group equity before deduction of treasury shares**	**Special items for treasury shares**	**Group equity**
–5,934	–2,285	2,261	410	**87,945**	**163,828**	**–23,391**	**140,437**
—	—	—	—	–5,079	–5,079	—	–5,079
—	73	—	—	73	73	—	73
—	73	—	—	**–5,006**	**–5,006**	**—**	**–5,006**
—	—	—	—	80	80	—	80
—	—	—	—	**80**	**80**	**—**	**80**
–5,934	–2,212	2,261	410	**83,019**	**158,902**	**–23,391**	**135,511**
–5,881	1,669	2,129	—	**78,993**	**154,409**	**–23,939**	**130,470**
—	—	—	—	–6,786	–6,786	—	–6,786
—	–1,203	—	—	–1,203	–1,203	—	–1,203
—	–1,203	—	—	**–7,989**	**–7,989**	**—**	**–7,989**
—	—	—	—	80	80	—	80
—	—	—	—	**80**	**80**	**—**	**80**
–5,881	466	2,129	—	71,084	**146,500**	**–23,939**	**122,561**

Consolidated Cash Flow Statement

for Q1 2013 and 2014 of CEWE Stiftung & Co. KGaA, Oldenburg

Figures in thousand euros	**Q1 2014**		Q1 2013		Change	
EBIT		**−4,006**		**−6,362**		**37.0 %**
+ Depreciation	8,119		9,055		−10.3 %	
= EBITDA		4,113		2,693		52.7 %
+/− Adjustments for:						
+/− Unrealized foreign currency effects	−21		−621		96.6 %	
+/− Changes of miscellaneous long-term debt	228		321		−29.0 %	
+/− Changes of miscellaneous long-term receivables	−140		29		—	
+/− Income from the disposal of fixed assets	−44		63		—	
+/− Stock option valuation pursuant to IFRS 2	80		80		—	
+/− Non-cash market valuation of hedging transactions	22		25		−12.0 %	
+/− Other non-cash transactions	−726		829		—	
= **Non-cash adjustments**		**−601**		726		—
+/− Decrease (+) / increase (–) operating net working capital		13,184		−3,556		—
+/− Decrease (+) / increase (–) other operating net working capital (excluding income tax items)		−5,499		−1,973		−179 %
= **Working capital and tax-induced cash flow**		**7,685**		**−5,529**		—
− Taxes paid		−2,207		−1,238		−78.3 %
+ Interest received		18		38		−52.6 %
= **Working capital and tax-induced cash flow**		**−2,189**		**−1,200**		**−82.4 %**
= **Cash flow from operating activities**		**9,008**		**−3,310**		—
− Outflows from investments in fixed assets		−3,681		−4,065		**9.4 %**
− Outflows from investments in financial investments		−132		−34		−288 %
+/− Inflows (+)/outflows (–) from investments in non-current financial instruments		−9		8		—
+ Inflows from the disposal of tangible and intangible assets		89		55		61.8 %
= **Cash flow from investing activities**		**−3,733**		**−4,036**		**7.5 %**
= **Free cash flow**		**5,275**		**−7,346**		—
+/− Inflows (+)/outflows(–) from changes in financing debt		−4,938		6,115		—
− iInterest paid		−335		−508		34.1 %
+/− Miscellaneous non-cash financing transactions		0		38		—
= **Cash flow from financing activities**		**−5,273**		**5,645**		—
Cash and cash equivalents at start of period		**14,031**		**13,370**		**4.9 %**
+/− Effect of exchange rate changes on cash and cash equivalents		131		−85		—
− Cash flow from operating activities		9,008		−3,310		—
− Cash flow from investing activities		−3,733		−4,036		7.5 %
+ Cash flow from financing activities		−5,273		5,645		—
= **Cash and cash equivalents at end of period**		**14,164**		**11,584**		**22.3 %**

Segment Reporting by Business Fields*

for Q1 2013 and 2014 of CEWE Stiftung & Co. KGaA, Oldenburg

Q1 2014 *Figures in thousand euros*	Photofinishing	Retail	Online Printing	Scope of consolidation	CEWE GROUP
External revenues	68,451	16,433	16,330	—	101,214
Currency effects	444	1,057	−38	—	1,463
External revenues, currency-adjusted	68,895	17,490	16,292	—	102,677
Internal revenues	5,771	14	—	−5,785	—
Overall turnover	**74,222**	**16,447**	**16,330**	**−5,785**	**101,214**
EBIT	−2,097	−689	−1,220	—	−4,006

Q1 2013 *Figures in thousand euros*	Photofinishing	Retail	Online Printing	Scope of consolidation	CEWE GROUP
External revenues	69,152	24,552	12,898	—	106,602
Internal revenues	2,748	113	—	−2,861	—
Overall turnover	**71,900**	**24,665**	**12,898**	**−2,861**	**106,602**
EBIT	−4,495	−657	−1,210	—	−6,362
Restructuring costs	2,257	—	—	—	2,257
EBIT before restructuring	−2,238	−657	−1,210	—	−4,105

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

Selected Notes

Company information

CEWE Stiftung & Co. KGaA, Oldenburg (hereinafter: CEWE KGaA), is a publicly traded Stock-based Limited Partnership (Kommanditgesellschaft auf Aktien) under German law with headquarters in Germany. It is the parent company of CEWE Group (hereinafter: CEWE). CEWE is an internationally active corporate group whose focus as the technology and market leader are in the Photofinishing, Photo Retail, and Online Print segments.

Basis for preparing the interim Group financial statements as of March 31, 2014

The interim Group financial statements as of March 31, 2014 for CEWE KGaA have been prepared in compliance with the International Financial Reporting Standards (IFRS) applicable on the cutoff date, and the interpretations of the International Accounting Standards Board (IASB), as to how these are applied within the European Union. These interim financial statements contain all details and information required pursuant to IAS 34 for abbreviated interim financial statements.

When preparing abbreviated interim financial statements, the Executive Board is required to make estimates and assumptions in compliance with accounting principles. Said estimates and assumptions relate to the recognition of assets and liabilities, revenues and expenses, and the disclosure of contingent liabilities and receivables. Actual future amounts may deviate from these estimates.

The accounting, valuation, and recognition rules, as well as consolidation methods were applied for the quarterly financial report as of March 31, 2014 without significant modifications in comparison to December 31, 2013, and can be found in the Group financial statements as of December 31, 2013. Equally so, the estimating bases and methods for the quarterly financial report have not been changed versus prior periods.

Group of consolidated companies

In addition to CEWE KGaA, the interim group financial statements as of March 31, 2014 include those domestic and foreign companies, in which CEWE KGaA has direct or indirect options for a controlling influence. The Group controls a company when risk exposure or entitlements to fluctuating returns exist from an involvement in the company, and the Group has the ability to assert its power of disposition versus the affiliated company in such a manner that this influences the extent of the returns generated by the affiliated company. The financial statements of subsidiaries are included in the Group financial statements from the time at which the controlling position begins and up to the time at which the controlling position ends.

In addition to CEWE KGaA as the parent company, the group of consolidated company includes 10 domestic and 21 foreign companies. The retirement liabilities outsourced to CEWE COLOR Versorgungskasse e. V., Wiesbaden, continue to be included into the Group financial statements. To the extent that the retirement fund is unable to honor its obligations from internal funds, these are provided by CEWE KGaA. Because of its minor economic significance, Bilder-planet.de GmbH, Cologne, was not included into the group of consolidated companies, because the share of the balance sheet total in the Group balance sheet total is merely 0.01 %, and the share of turnover proceeds in Group proceeds is at 0.00 %.

Seasonal influences on business activities

Regarding the seasonal and economic influences on the interim financial statements as of March 31, 2014, we refer to the explanations in the interim management report.

Significant business transactions

No other notable circumstances whose nature, extent, and frequency influence the balance sheet, the profit and loss statement, or the cash flow occurred as of March 31 of the current fiscal year.

Events after the balance sheet cutoff date

In April, CEWE sold 500,000 own shares as part of an accelerated placement procedure. The shares were offered for sale to qualified investors in Germany and within Europe, and placed at a price of 54 euros. The gross emission proceeds for CEWE are approximately 27 million euros. Regarding the performance of own shares since the cutoff date, we refer to the explanations pertaining to equity.

Beginning of April, CEWE negotiated a final agreement with a former shareholder of Saxoprint Group about the amount of the earn-out.

No noteworthy circumstances based on their nature, extent, and frequency have occurred since March 31, 2014.

Explanations for the profit and loss statement, balance sheet, and statement of cash flows

Detailed explanations for the profit and loss statement are found in the interim management report in the Business Segment sections, and in the "Group Profit and Loss Statement"; the explanations for the Balance Sheet and Statement of Cash Flows are found in the sections on "Balance Sheet and Financing" and "Cash Flow". The performance of equity is separately shown in the equity schedule following the profit and loss statement, the overall income statement, balance sheet, statement of cash flows, and segment reporting.

Equity

As of December 31, 2013, CEWE Stiftung & Co. KGaA, Oldenburg, held 705,667 bearer shares as own shareholdings. In addition, CEWE COLOR Versorgungskasse e. V., Wiesbaden, held 112,752 of the company's bearer shares at this time. The latter where incorporated into the Group financial statements as a correction, therefore requiring a total of 818,419 bearer shares to be reported as own shareholdings in the Group financial statements of CEWE KGaA as of the December 31, 2013 cutoff date.

As of March 31, 2014, the holdings of own shares held by CEWE KGaA pursuant Section 71 AktG (Stock Act [Aktiengesetz - AktG]) amounts to the unchanged number of 705,667 units (total amount: 19,630 thousand euros average purchase price: 27.82 euros/share; prior year: 722.463 units, 20,178 thousand euros, 27.93 euros/share), and for the Group, a total of 818,419 units (total amount: 23,391 thousand euros, average purchase price: 28.58 euros/share, prior year: 835,215 units, 23,951 thousand euros, 28.68 euros/share). In an effort to increase free float, 500,000 own shares were sold as part of an accelerated placement procedure. Accordingly, the holdings of own shares as of May 13, 2014 amounted to 318,419 units at an average purchase price of 28.60 euros.

As of March 31, 2014, the capital stock of CEWE KGaA was unchanged versus December 31, 2013 at 19,240 thousand euros, apportioned into 7,400,020 shares. The performance of equity can be found in the Group equity schedule, and is explained in the interim management report in the "Balance Sheet and Financing" section.

Financing instruments

With the exception of derivatives to be reflected in the balance sheet at their current market value, all assets and debts are valued at their amortized acquisition costs. With respect to assets and debts reflected in the balance sheet at amortized acquisition costs, the book values of financial assets and debts in the balance sheet represent a good approximation of the assessed market value.

The derivatives reflected in the balance sheet are valued at their assessed market value. The market values determined by banks are the result of discounting the expected future cashflows for the residual term of contracts on the basis of observed market interest or interest structure graphs (Step 2 pursuant to IFRS 7).

Explanations for segment reporting

A detailed explanation for the segment report can be found in the interim management report in the Business Segment section.

Contingent liabilities

Contingent liabilities existed from the granting of bank guarantees and third party guarantees, from contingent litigation costs and other circumstances in the amount of 1,777 thousand euros (end of prior year quarter: 1,578 thousand euros).

Relationships to affiliated companies and persons

CEWE Group defines members of the Executive Board and the Supervisory Board as well as members of the community of heirs for Senator h. c. Heinz Neumüller, Oldenburg, and companies affiliated with the community of heirs has affiliated persons.

Business transactions with miscellaneous affiliated companies and persons where conducted during the first quarter of 2014. Significant transactions pertain to individual lease relationships between the Group and affiliated companies of the community affairs for Senator h. c. Heinz Neumüller, Oldenburg pertaining to operationally used real estate. The nature and scope of the transactions did not materially change versus the Group financial statements as of December 31, 2013.

Page 20 ff.
Segments

Page 56 ff.
Group profit and loss statement

Page 35
Balance sheet and financing

Page 39
Cash Flow

Earnings per share *Figures in thousand euros*	**Q1 2014**	Q1 2013
Consolidated earnings after third-party interests	–5,079	–6,786
Weighted average basic number of shares (in pieces)	6,581,601	6,544,805
Basic earnings per share (in euros)	**–0,77**	**–1,04**
Group income in thousand euros	–5,079	–6,786
+ Interest expense from shareholder loans of OHG	—	2
Adjusted consolidated earnings	–5,079	–6,784
Weighted average diluted number of shares (in pieces)	6,581,601	6,564,805
Diluting effect from issued stock options	86,445	—
Diluted earnings per share *(in euros)*	**–0.76**	**–1.03**

Oldenburg, May 13, 2014
CEWE Stiftung & Co. KGaA

on behalf of the general partner, Neumüller CEWE COLOR Stiftung
– The Board of Management –

Dr. Rolf Hollander
(Chief Executive Officer)

Dr. Reiner Fageth | Carsten Heitkamp | Andreas F. L. Heydemann | Dr. Olaf Holzkämper

Thomas Mehls | Harald. H. Pirwitz | Frank Zweigle

Responsibility Statement

To the best of our knowledge we assert that in accordance with applicable accounting principles for interim reporting, the interim Group financial statements accurately represent the asset, financial, and income circumstances of the Group, and that the Group interim management report represents the business performance inclusive of the business income and the Group performance in such a manner that it conveys an accurate representation of actual circumstances, and that the significant opportunities and risks of the prospective Group performance are described for the remaining fiscal year.

Oldenburg, May 13, 2014
CEWE Stiftung & Co. KGaA

on behalf of the general partner, Neumüller CEWE COLOR Stiftung
– The Board of Management –

Dr. Rolf Hollander
(Chief Executive Officer)

Dr. Reiner Fageth Carsten Heitkamp Andreas F. L. Heydemann Dr. Olaf Holzkämper

Thomas Mehls Harald. H. Pirwitz Frank Zweigle

"Responsibility is a front and center topic at CEWE. I always see this when I hold the latest sustainability report in my hands. And the financial publications always regularly and transparently inform me about CEWE's economic condition."

Arno Möller, eCommerce, CEWE shareholder

FURTHER INFORMATION

Multi-Year Overview

Consolidated Profit and Loss Account

Figures in million euros
Revenues
Increase/decrease in the inventory of finished and unfinished products
Other own work capitalised
Other operating income
Cost of materials
Gross profit
Personnel expenses
Other operating expenses
Income before taxes. interest and depreciation (EBITDA)
Depreciation of property. plant and equipment and amortisation of intangible assets
Earnings before interest and taxes (EBIT)
Financial results
Earnings before taxes (EBT)
Income taxes
Other taxes
Earnings after taxes

Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	Q1 2014
82.5	81.7	84.0	89.5	96.3	106.6	101.2
0.0	0.0	0.0	0.0	0.1	0.1	0.1
0.5	0.4	0.4	0.3	0.2	0.2	0.1
4.9	6.5	6.0	3.9	5.3	5.2	4.5
−32.6	−34.7	−34.9	−35.4	−37.7	−42.2	−35.9
55.3	**53.9**	**55.5**	**58.3**	**64.7**	**69.8**	**70.0**
−31.4	−30.6	−24.8	−26.3	−28.8	−32.8	−32.2
−26.2	−28.2	−27.2	−28.7	−33.7	−34.4	−33.8
−2.2	**−4.9**	**3.5**	**3.3**	**2.2**	**2.7**	**4.1**
−11.8	−10.1	−11.3	−8.6	−9.0	−9.1	−8.1
−14.1	**−14.9**	**−7.8**	**−5.2**	**−6.8**	**−6.4**	**−4.0**
−0.2	−0.6	−0.5	−0.2	−0.5	−0.4	−0.3
−14.3	**−15.5**	**−8.3**	**−5.4**	**−7.3**	**−6.8**	**−4.3**
1.9	−0.9	0.4	−0.1	0.4	0.2	−0.6
−0.3	−0.2	−0.2	−0.2	−0.2	−0.2	−0.2
−12.8	**−16.7**	**−8.2**	**−5.7**	**−7.1**	**−6.8**	**−5.1**

Multi-Year Overview

Consolidated Balance Sheet

Assets *Figures in million euros*	Mar. 31, 2008	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2013	**Mar. 31, 2014**
Property, plant and equipment	100.9	90.7	84.3	78.0	99.0	95.1	95.6
Real estate held as financial investment	0.0	3.6	5.2	4.8	4.7	4.3	4.9
Goodwill	6.4	10.3	10.3	9.1	26.9	28.5	25.4
Intangible assets	22.7	21.5	17.3	15.8	23.7	21.3	18.5
Financial assets	0.3	0.3	0.2	0.2	0.6	0.5	1.3
Non-current receivables from income tax refund	3.8	3.4	3.1	2.9	2.6	2.1	1.6
Non-current receivables and assets	0.0	0.0	0.0	0.0	0.2	0.3	1.6
Non-current other receivables and assets	0.6	0.5	0.4	0.7	0.4	0.2	0.3
Deferred tax assets	5.4	4.6	5.4	5.5	6.8	7.0	7.1
Non-current assets	**140.1**	**135.0**	**126.2**	**116.9**	**164.8**	**159.3**	**156.2**
Assets held available for sale	4.6	4.5	2.1	0.2	0.2	1.0	1.0
Inventories	34.0	30.9	43.9	43.2	45.5	52.7	51.5
Current trade receivables	43.0	36.0	38.9	39.6	43.4	40.0	35.6
Current receivables from income tax refund	5.1	6.7	2.3	2.6	2.7	2.1	2.8
Current financial assets	0.0	0.0	0.0	0.0	14.1	3.8	2.5
Current other receivables and assets	9.3	10.1	9.4	21.3	6.3	4.2	6.3
Cash and cash equivalents	7.7	6.0	11.0	18.8	18.8	11.6	14.2
Current assets	**103.7**	**94.3**	**107.5**	**125.7**	**131.0**	**115.4**	**113.9**
	243.8	**229.2**	**233.7**	**242.6**	**295.8**	**274.6**	**270.1**

Shareholders' Equity and Liabilities *Figures in million euros*	Mar. 31, 2008	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2013	Mar. 31, 2014
Subscribed capital	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Capital reserve	56.2	56.2	56.2	56.2	56.2	56.2	56.6
Special item for treasury shares	−14.2	−17.0	−17.0	−17.7	−24.4	−23.9	−23.4
Revenue reserves and net profits	47.0	35.0	47.0	57.1	64.0	71.1	83.0
Equity capital attributable to shareholders	**108.3**	**93.4**	**105.4**	**114.8**	**115.0**	**122.6**	**135.5**
Third-party interests	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Equity	**108.4**	**93.5**	**105.4**	**114.8**	**115.0**	**122.6**	**135.5**
Non-current special items for investment grants	0.7	0.6	0.5	0.4	0.2	0.2	0.2
Non-current provisions for pensions	9.7	9.8	9.8	10.2	12.7	17.7	18.3
Non-current deferred tax liabilities	4.0	2.2	1.6	1.8	4.9	4.2	3.1
Non-current other provisions	1.8	1.5	1.1	0.9	1.1	0.5	0.3
Non-current financial liabilities	9.7	20.6	37.0	23.1	31.7	17.3	3.9
Non-current financial liabilities	0.0	0.0	0.0	0.0	3.9	3.9	3.0
Non-current other liabilities	0.6	0.5	0.1	0.2	0.3	0.1	0.5
Non-current liabilities	**26.6**	**35.3**	**50.0**	**36.6**	**54.9**	**43.9**	**29.3**
Current special items for investment grants	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Current provisions for taxes	2.9	2.9	3.5	3.6	6.0	2.4	3.7
Current other provisions	17.6	15.9	9.8	8.3	10.6	7.6	4.1
Current financial liabilities	22.5	21.3	2.9	6.5	30.5	20.3	21.5
Current other trade payables	46.7	39.1	39.1	50.3	60.4	56.5	53.4
Current financial liabilities	0.0	0.0	0.0	0.0	1.1	1.1	2.4
Current other liabilities	19.0	21.1	22.9	22.4	17.3	20.2	20.1
Current liabilities	**108.9**	**100.5**	**78.3**	**91.2**	**126.0**	**108.2**	**105.4**
	243.8	**229.2**	**233.7**	**242.6**	**295.8**	**274.6**	**270.1**

Multi-Year Overview

Key Figures

Volume and Employees		Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	**Q1 2014**
Digital prints	*in million units*	344.8	390.6	434.9	422.9	461.8	462.9	451.0
Prints from film	*in million units*	185.4	114.2	82.0	51.1	34.4	23.4	18.0
Total prints	*in million units*	530	505	517	474	496	486	469
CEWE PHOTOBOOKS	*in million units*	410	647	825	920	1,027	1,102	1,142
Employees	*on a full-time basis*	2,879	2,819	2,623	2,671	3,130	3,145	3,131

Income		Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	**Q1 2014**
Revenues	*in million units*	82.5	81.7	84.0	89.5	96.3	106.6	101.2
EBITDA	*in million units*	−2.2	−4.9	3.5	3.3	2.2	2.7	4.1
EBITDA margin	*in % of revenue*	−2.7	−6.0	4.1	3.7	2.3	2.5	4.1
EBIT	*in million units*	−14.1	−14.9	−7.8	−5.2	−6.8	−6.4	−4.0
EBIT margin	*in % of revenue*	−17.0	−18.3	−9.3	−5.8	−7.1	−6.0	−4.0
Restructuring costs	*in million units*	9.8	9.4	2.3	0.0	0.0	2.3	0.0
EBT before restructuring	*in million units*	−4.2	−5.6	−5.5	−5.2	−6.8	−4.1	−4.0
EBT	*in million units*	−14.3	−15.5	−8.3	−5.4	−7.3	−6.8	−4.3
Profit after taxes	*in million units*	−12.8	−16.7	−8.2	−5.7	−7.1	−6.8	−5.1

Capital		Mar. 31, 2008	Mar. 31, 2009	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2013	**Mar. 31, 2014**
Total assets	*in million units*	243.8	229.2	233.7	242.6	295.8	274.6	270.1
Capital Employed (CE)	*in million units*	157.6	150.2	158.4	158.1	200.4	186.8	186.3
Equity	*in million units*	108.4	93.5	105.4	114.8	115.0	122.6	135.5
Equity ratio	*in % of assets*	44.4	40.8	45.1	47.3	38.9	44.6	50.2
Net debt	*in million units*	24.5	36.0	28.8	10.8	43.3	26.0	11.2
ROCE (previous 12 months*)	*in % of average* capital employed*	6.9	7.1	16.0	20.0	17.5	15.4	16.6

** Until December 31, 2011, ROCE was calculated based on capital employed at the cut-off date.*

Cash Flow		Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	**Q1 2014**
Cash flow from operating activities	*in million euros*	−2.4	−2.6	2.4	2.2	−2.9	−3.3	9.0
Outflow of funds from investing activities	*in million euros*	−8.8	−7.3	−6.6	−5.5	−27.6	−4.0	−3.7
Net cash flow	*in million euros*	−11.2	−9.9	−4.1	−3.3	−30.5	−7.3	5.3
Cash flow from financing activities	*in million euros*	—	6.0	6.7	−1.3	18.3	5.6	−5.3
Net changes in liquid funds due to payments	*in million euros*	—	−3.9	2.6	−4.6	−12.2	−1.7	−0.0

Share		Q1 2008	Q1 2009	Q1 2010	Q1 2011	Q1 2012	Q1 2013	**Q1 2014**
Number of shares (nominal value: 2.60 euros)	*in units*	7,380,020	7,380,020	7,380,020	7,380,020	7,380,020	7,380,020	7,400,020
Earnings per share								
basic	*in euros*	−1.83	−2.45	−1.20	−0.84	−1.08	−1.04	−0.77
diluted	*in euros*	−1.82	−2.44	−1.20	−0.84	−1.08	−1.03	−0.76

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This interim report is also available in English. We shall be pleased to send you your desired version of the report upon request:

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GLOSSARY

Capital Employed (CE)
Net working capital plus long-term assets and cash and cash equivalents

Capital Invested (CI)
Equity plus long-term debt and short-term non-operational debt

Core Capital Employed
Capital employed minus cash and cash equivalents and other financial investments that exceed 5 % of the turnover from the previous 12 months

Days Working Capital
Cover of net working capital in days, measured against turnover of the previous quarter

EBIT
Income before interest and taxes

EBITDA
Income before taxes, interest and depreciation/amortization

EBT
Income before taxes

Equity
Calculated pursuant to IAS 32 as the residual claim on the net assets remaining after deducting debt

Equity ratio
Share of equity in total capital; calculated as the ratio between equity to the balance sheet total

Financing obligations
Any long-term and short-term financing obligations recognized as such, without interest earning repayment claims reflected in the balance sheet under other lines

Fixed Assets
Tangible assets including real estate held as financial investments, goodwill, intangible assets and financial investments

Free-Cash Flow
Cash flow from operational business activities minus cash flow from investment activities (both based on the statement of cash flows)

Gross Cash Flow
Income after tax plus depreciation on intangible assets and tangible assets

Gross Financing Debt
Total of long-term financial obligations and short-term financial obligations; also refer to financial obligations

Gross Working Capital
Short-term assets, not including cash and cash equivalents

Liquidity ratio
Calculated as the ratio of cash and cash equivalents to the balance sheet total

Miscellaneous Gross Working Capital
Assets held for sale, short-term receivables from income tax reimbursements, short-term miscellaneous financial assets, as well as other short-term receivables and assets

Miscellaneous Net Working Capital
Miscellaneous Gross Working Capital minus Miscellaneous short-term debt

Net financing debt
Long-term financial obligations plus short-term financial obligations minus cash and cash equivalents

Net Working Capital
Short-term assets, not including cash and cash equivalents, minus short-term debt, not including short-term special accounts for investment subsidies, and not including short-term financial obligations

Net Cash Flow
Gross cash flow minus investments

NOPAT
Net operating profit after tax. EBIT minus taxes on income and revenue, including miscellaneous taxes

Operational Net Working Capital
Inventories plus short-term receivables from goods and services, minus short-term liabilities from goods and services

P&L
Profit and loss statement

Return on capital
See return on capital employed

Return on Capital Employed (ROCE)
Income before taxes and before financial earnings (EBIT) in relation to capital employed; this is typically calculated based on a 12 month perspective to show rolling annual return

Short-term residual debt
Short-term tax provisions, short-term residual provisions, other short-term financial obligations and other short-term obligations

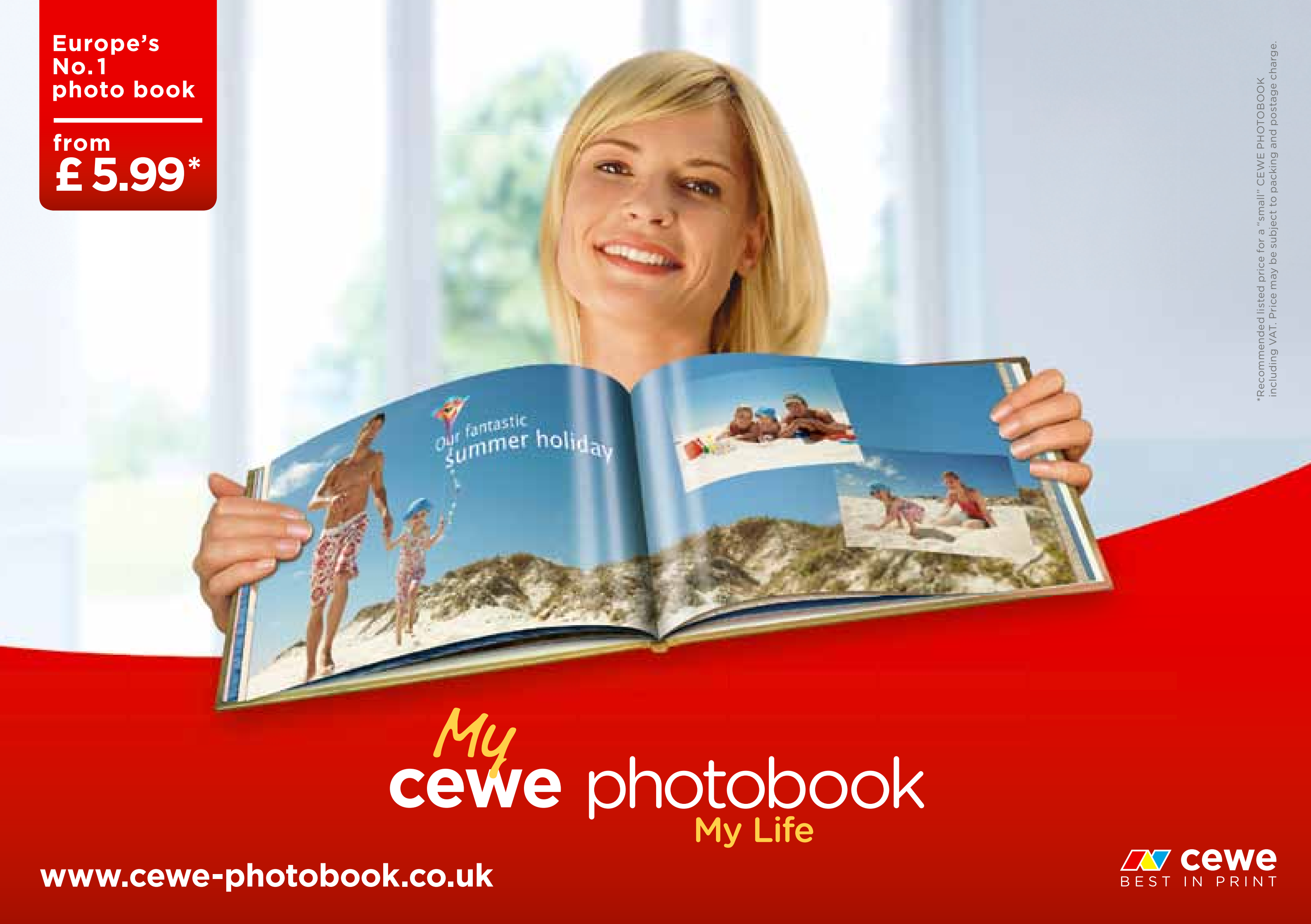
Third-party capital
Total value of long-term and short-term debt recognized under liabilities

Working capital and tax induced cash flow
Changes from the net working capital and taxes paid

Please note::

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

As a rule, all figures are calculated as precisely as possible and are rounded off in the tables in line with applicable commecial procedure. This rounding-off may give rise to discrepancies, particularly in totals lines.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