

ANNUAL REPORT 2020



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STATEMENT

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

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

PREMIUM QUALITY WITH LEADING BRANDS

PHOTOFINISHING				 
RETAIL				
COMMERCIAL ONLINE PRINTING				

THE CEWE GROUP

EUROPE'S LEADING PHOTO SERVICE AND ONLINE PRINTING PROVIDER

From its beginnings in 1912, CEWE has established itself as the first choice as a photo service for anyone looking to make more of their photos. The company's CEWE PHOTOBOOK in particular stands for this, with multiple awards and significantly more than six million copies sold every year. Customers can obtain further personalised photo products through the brands CEWE, WhiteWall and Cheerz, for instance – and from many leading European retailers. These brand worlds inspire customers to produce a wide range of creative designs with their personal photos, and customers entrust the company with more than 2.3 billion photos every year.

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

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

The CEWE Group is present in more than 20 countries, with more than 4,000 employees, and its turnover increased to 727.3 million euros in 2020. The CEWE share is listed in the SDAX index.

PRESENT IN EUROPE

● PRODUCTION PLANTS

WITH DISTRIBUTION OFFICES

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

● PRODUCTION PLANTS

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

● DISTRIBUTION OFFICES

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

□ DELIVERY AREA FOR CEWE PRODUCTS

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

📄 see Production plants and distribution offices, page 184



KEY INDICATORS CEWE GROUP



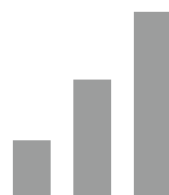
21

European countries



27

Distribution
offices



727.3 million euros
Turnover in 2020



6.5 million

CEWE
PHOTOBOOKS
in 2020



4,000

Employees



14

Production plants

> 20,000

CEWE PHOTOSTATIONS



20,000

Retailers supplied



2.3 billion
Photos produced
in 2020

RESULTS 2020

PHOTOFINISHING SALES

- » Coronavirus-related change in holiday travel behaviour reduces volume of photos, particularly in the case of multi-photo products
- » Total volume of photos slightly lower than in previous year, with 2.34 billion photos (2019: 2.40 billion photos, -2.6%)
- » 6.52 million CEWE PHOTOBOOKS sold (2019: 6.62 million copies, -1.6%)
- » Further increase in the volume of photo calendars, wall art and other photo gifts, reinforcing the trend of higher-quality products
- » Half of all photos are collected from retail stores, while the other half are sent by post

PHOTOFINISHING TURNOVER

- » All CEWE brand products achieve further growth and strengthen Photofinishing turnover
- » Turnover per photo continues to increase: +11.8% to 26.45 euro cents per photo
- » Photofinishing turnover of 618.8 million euros in 2020: strong growth of +8.9 % on previous year
- » Fourth-quarter turnover once again increases by a strong 12.7% to 283.0 million euros

PHOTOFINISHING EARNINGS

- » Significant increase in Photofinishing earnings in 2020: EBIT reaches 88.6 million euros (2019: 66.9 million euros, +32.4%)
- » Photofinishing's operating margin rises in 2020 as a whole - partly due to cost savings - to 15.1% (2019: 12.4%)
- » Fourth quarter delivers 90% of Photofinishing's EBIT for the year as a whole

COMMERCIAL ONLINE PRINTING RESULTS

- » Commercial Online Printing strongly affected by the pandemic: turnover decreases by 34.3% to 67.8 million euros in 2020 (2019: 103.2 million euros)
- » Stringent cost management keeps result in check: EBIT of -3.7 million euros represents an improvement on the previous year, which was affected by restructuring costs (2019: -7.7 million euros)
- » New momentum following the crisis: streamlining of the brand portfolio and concentration on SAXOPRINT, viaprinto and LASERLINE
- » Berlin's LASERLINE production operations successfully integrated at SAXOPRINT's Dresden location in 2020

RETAIL RESULTS

- » CEWE RETAIL strongly affected by coronavirus-related store closures: turnover falls to 34.1 million euros in 2020 (2019: 43.7 million euros)
- » Marginally positive adjusted EBIT (230 thousand euros) even represents slight improvement year-on-year (2019: 35 thousand euros)
- » Accelerated continuation of optimisation strategy, with focus on photofinishing and online business: restructuring accruals for branch closures and valuation adjustments on inventories result in -4.4 million euros negative impact on EBIT

CONSOLIDATED PROFIT AND LOSS ACCOUNT

- » Continued growth and "stay-at-home" effect for Photofinishing result in increase in Group turnover to 727.3 million euros, despite coronavirus-related decreases in COP and Retail (2019: 720.4 million euros)

- » Due to strong Photofinishing result and rigorous cost management, 22.8 million euros improvement in Group EBIT on the previous year: 79.7 million euros (2019: 56.8 million euros)
- » Good Christmas business in the Photofinishing business unit once again delivers profit for the year: Q4 Group EBIT increases to 80.3 million euros (2019: 58.8 million euros)
- » Tax rate at expected normal level of 31.9%
- » Earnings per share increase to 7.20 euros (2019: 4.40 euros)

BALANCE SHEET AND FINANCING

- » Positive course of business despite coronavirus causes equity ratio to increase to 48.1%
- » Capital invested: significant rise in equity - moderate increase in Group's debt

CASH FLOW

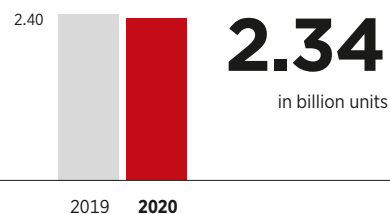
- » Positive business trend despite coronavirus, cash flow from operating activities increases to 142.3 million euros
- » 67.7 million euros improvement in free cash flow, above all due to payments made by mail-order customers and tax payments

RETURN ON CAPITAL EMPLOYED

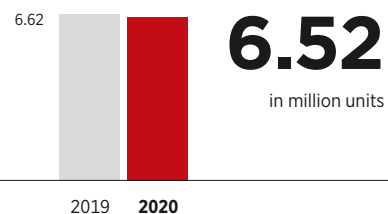
- » Average capital employed almost unchanged at 385.9 million euros
- » Positive earnings trend causes ROCE to rise to 20.6%

DEVELOPMENT OF FINANCIAL INDICATORS 2020

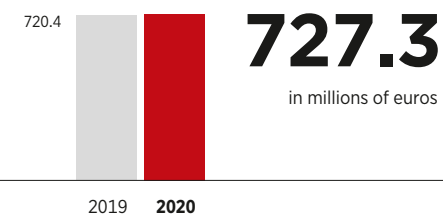
Photos



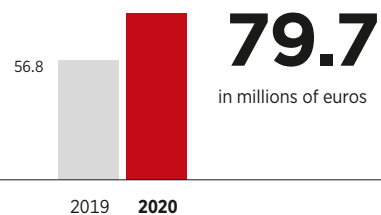
CEWE PHOTOBOOK



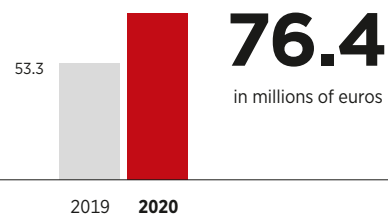
Turnover



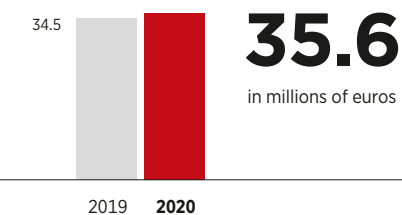
EBIT



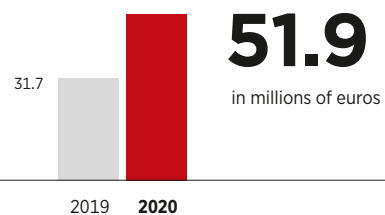
EBT



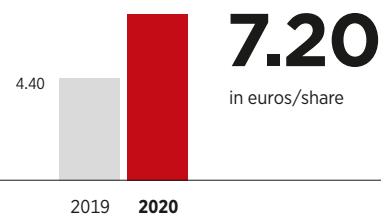
Operational investments



Earnings after taxes



Earnings per share (undiluted)





“Our CEWE PHOTO-BOOK is a really beautiful memory.”
Julie and Moritz Löffler



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TO THE SHAREHOLDERS

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THE BOARD OF MANAGEMENT



From left to right: Dr Reiner Fageth, Carsten Heitkamp, Patrick Berkhouwer, Dr Christian Friege (Chairman of the Board of Management), Dr Olaf Holzkämper, Thomas Mehls, Frank Zweigle

LETTER TO THE SHAREHOLDERS

Dear Shareholders,

We can all look back on a highly memorable year. I very much hope that you too, CEWE's owners, have thus far remained healthy during the pandemic. Your company has come through 2020 in good shape.

The health of our employees and CEWE's viability are paramount concerns

In the letter I wrote you this time last year, we had already defined clear priorities: "In this pandemic, we are seeking to protect the health of our employees while ensuring that we can continue to provide services and deliver products to our customers. CEWE continues to work on maintaining its operational capacity and serving its customers' needs." Your company acted in the past year very much in line with these aims. Thanks to extensive precautions and its employees' high level of commitment, to a very large extent CEWE has succeeded in keeping Covid-19 away from the company and, above all, prevented the virus from spreading within the company.

Thanks to all of our employees - the key to CEWE keeping the virus under control

Even though this means a lot of obstacles for every single member of the CEWE team, our entire workforce has pulled together. We would like to thank all of our colleagues for this personal commitment ... and trust that we may likewise do so on behalf of you, CEWE's shareholders. This huge dedication underpins the commercial success which we have achieved during the pandemic.

The pandemic has had a broad range of different effects on CEWE - many of them negative, but some also positive

On the demand side, CEWE has felt the impact of the pandemic to a very considerable extent, albeit with significant variations in its individual business units. On the one hand, CEWE's business units were affected very differently at different times. On the other, each of our segments had a real rollercoaster experience, with unbelievable ups and downs.

In Commercial Online Printing (COP), the entire industry is suffering hugely

If no one is meeting up with anyone else, then there's no need for new business cards. If no concerts or flea markets are taking place, then there are no posters or flyers to print. Closed restaurants don't require any menus. And so on. These examples clearly demonstrate the extent to which the commercial online printing business is suffering due to the pandemic. At CEWE, too, overall in 2020 COP turnover fell by more than one-third, to 67.8 million euros.

Commercial Online Printing has done its homework during the pandemic

CEWE's management has done a really good job in this business unit. Wherever possible, the responsible personnel have worked together and adjusted the cost situation in line with this strong drop in turnover. As a result, COP's EBIT figure for the financial year 2020 is -3.7 million euros and thus represents a significant improvement on the previous year, when extensive restructuring costs were recognised. COP was faced with a really challenging situation in 2020. In that context: I take my hat off to all those concerned for what they have achieved!

Retail partly made up for retail stores' lockdown phases through online business

The turnover and income achieved through photo hardware (cameras, lenses, etc.) which is reported under "Retail" at CEWE has been falling for some years now, since this business unit focuses on photofinishing products business which is reported in the "Photofinishing" segment. For this reason, for some time now CEWE has been actively reducing its Retail turnover by around 10% per year. The change in the volume of turnover of around -22%, which we witnessed in 2020, naturally also reflects the various lockdown waves. Even though this business is increasingly conducted online, coronavirus is making itself felt here.

Retail has further intensified its "online" focus

In order to further strengthen precisely this online element of the business – which also serves as the basis for the photofinishing products sold through these channels – in 2020 CEWE decided to further reduce its number of retail branches to around 100 and thus closed slightly more than 40 retail stores. This naturally resulted in extraordinary expenses, which reduced the EBIT figure for the Retail business unit to -4.2 million euros in 2020. Without these one-off expenses, Retail actually achieved a 0.2 million euros improvement in its result by comparison with the previous year (0.0 million euros). For all of the coronavirus headwind: this, too, was a solid performance!

CEWE Photofinishing: from being "in the depths of despair" ...

But it is the "Photofinishing" business unit which had the most incredible rollercoaster experience of all in 2020: following a decent start to the year, business almost entirely ground to a halt at the beginning of the first lockdown in March 2020. A very strong second quarter was more positive, with people sending their loved ones photo gifts instead of visiting them over Easter. However, this led into a slack third quarter, when no one took very special photos on long-distance trips. Finally, as in every year since the analogue/digital transformation, the Christmas business season – which was once again characterised by income growth – eclipsed all of the rest of the year.

... to being "on top of the world" – the strong Christmas business season determines the profit for the year

In the fourth quarter, Photofinishing achieved a turnover growth rate of +12.7% and thus delivered a growth level for the year as a whole of +8.9%. We are particularly proud of this growth. Following a third quarter in which only very limited holiday travel was possible, we reacted early on and adjusted our communication campaign for the Christmas business season in line with the changed market conditions. Our team put in a masterly performance in coping with the further increase in volume, particularly in terms of production workflows ... and did so in a pandemic, under "lockdown conditions", while ensuring that the work environment was safe from a health perspective and while complying with the evolving local rules at all times. This is an outstanding performance from our workforce!

Photofinishing has successfully increased its EBIT by almost a third

Photofinishing's 8.9% turnover growth to 88.6 million euros represents a 32.4% EBIT growth rate. Naturally, this very clear increase has not just directly resulted from the income associated with this turnover growth. For many years now, the continuous rise in the volume of turnover in the fourth quarter has resulted in growing economies of scale during the Christmas business season, also known as "operating leverage". These economies of scale are contributing to the positive EBIT trend.

This increase is driven by several different factors

In addition, throughout 2020 we looked ahead to our Christmas business with a great deal of respect. Even in "normal" years, it is very difficult to provide a reasonably reliable forecast here – and in pandemic conditions it proved impossible. We therefore looked with eagle eyes at every one of our cost items. Ultimately, these diverse cost reductions also provided a clearly positive contribution to earnings. On the one hand, the pandemic was "helpful" here, e.g. due to reduced travel expenses, trade fairs, etc. However, on the other it resulted in increased costs due to plexiglass installations, due to the sharp increase in the use of disinfectants, due to extra mess tents to ensure that people eating in the canteen maintain the necessary amount of space, etc. Finally, I would like to mention the second quarter. In previous years, its EBIT contribution had steadily decreased as a result of the seasonal migration to the fourth quarter. In 2020, the "lockdown effect" seen in the spring interrupted this trend and thus resulted in a positive contribution to the profit for the year.

Overall, 2020 was a very unusual and highly successful year for CEWE

Group turnover remained almost unchanged in all three business units, including the progress made in the “Other Activities” unit (above all, the progress achieved by our futalis online business): +1.0% to 727.3 million euros. The increase in Photofinishing has thus compensated for the decline in turnover in the Commercial Online Printing and Retail business units. The Group EBIT figure has risen by 22.9 million euros, 21.7 million euros of which was driven by Photofinishing alone, thanks to the various earnings sources detailed above. Group EBIT thus increased to 79.7 million euros (+40.2%).

We tried out a lot of new things in 2020 ... and grew fond of some of them

“Social distancing” had a major impact on many aspects of working life in 2020: communication among employees, business visits to CEWE or our own visits to business partners, the CEWE general meeting, trade conferences, etc. Every area of CEWE was affected – just like every other company. In all of these areas, we have certainly learned to appreciate efficiency – as with the above-mentioned cost savings. Many areas and departments of the company have achieved their goals without people meeting up in person. In our view, this was possible thanks to a relationship of trust between the people involved which they had generally established on previous occasions when they had met up in person.

We look forward to seeing you again – whatever the format

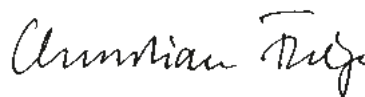
Efficiency is always nice. But we would also like to be able to get back to building relationships of trust through personal interaction. We therefore look forward to seeing you, our shareholders, in person once again, as soon as that is possible.

In 2021, we will continue along the path which we took in 2020

There is one thing which you can be certain of: in 2021, as the pandemic continues, CEWE will operate just as cautiously as it did in the successful year 2020 ... in fact, as it always does. Particularly during this highly uncertain period, many employees have expressed their confidence in the company: “I am delighted to work at such a stable company with a positive outlook. I feel secure.” You, too, can trust in the stability and strength of your company.

Whatever 2021 may bring: CEWE is limbering up for its 2021 Christmas business season even now.

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



Dr Christian Friege



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

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

Due to the coronavirus crisis, the past financial year 2020 was shaped above all by uncertainties, changes to work processes and legislative intervention, while our customers cut back on their travels. The Photofinishing business unit made up for the sharp declines in the Printing and Retail business units. All in all, as a shareholder you will be pleased to hear that our profit for the year has once again increased. This was mainly driven by our disproportionately strong Christmas business.

The Supervisory Board would like to warmly thank all of the company's employees and the Board of Management team for their personal commitment, their flexibility and their mutual understanding in coping with the series of challenges which Covid-19 has posed for CEWE.

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

Supervisory Board meetings, general meeting

The Supervisory Board met in full six times in the year under review, on February 12, March 18 (balance sheet meeting), June 17, August 11, September 9 and November 11. While all of the members were present in person at the meeting held in February, the other meetings took place virtually.

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

Due to the course of the pandemic, the general meeting which had been planned for June 10, 2020 was postponed until October 6, 2020 and was held as a virtual general meeting. The relevant resolutions were passed at the meetings held on March 18 and June 17, 2020.

Core issues dealt with by the Supervisory Board

At all of the Supervisory Board's meetings, the Board of Management presented the turnover and earnings trends for the company's individual segments, including the figures for the previous year and the planning figures (excl. the impact of coronavirus), as well as the Group's results of operations and its net assets and financial position. At every meeting, the Supervisory Board was provided with an outline of the risk report as well as the effects of the disruptions caused by coronavirus, which varied in their intensity.

At the meeting held on February 12, 2020, the corporate planning was discussed in detail with the Board of Management. In this context, the Board of Management also discussed the structure of the expected profit for the year 2019 and the resulting conclusions for its strategy. The Board of Management presented the company's corporate planning and the Supervisory Board discussed this in detail.

At the balance sheet meeting held in March, those present approvingly noted the audit findings for the annual financial statements and the consolidated financial statements, the sustainability report and the summarised non-financial declaration, corporate governance and risk management as well as the report on related parties.

At the request of the Supervisory Board, through a series of presentations the Board of Management reported on the development of the national and international markets in the Photofinishing business unit, the status of SAXOPRINT and viaprinto, the successful integration of WhiteWall Media GmbH as well as the changes to the company's continuously expanding mobile ordering channels and the associated impact on its product portfolio.

The Supervisory Board confirmed the proposal for the appropriation of profits at its meeting held on August 3, 2020, once the general meeting had been scheduled for October 6, 2020.

The issues of human resources development and the advancement of women were discussed in depth at the meeting held on September 9, 2020. The Supervisory Board approved the Employee Share Programme 2020 through which all of the company's employees (with the exception of the members of its Board of Management and its managing directors) were offered three free shares, with the company assuming all of the related charges.

At the meeting held on November 11, 2020, the Board of Management presented an analysis of the markets in China, India and the USA. In addition, an official from the German Federal Office for Information Security (Bundesamt für Sicherheit in der Informationstechnik) reported on its activities in the area of corporate cyber security.

With the exception of one member who was absent on one occasion, all of the members of the Supervisory Board were present in person, or else participated digitally, at all of its meetings.

Due to new legal requirements, the Supervisory Board and the Board of Management discussed internal processes for the identification and evaluation of related party transactions. There were no transactions requiring approval or notification in the year under review.

The members of the Supervisory Board independently receive the initial and advanced training – such as in relation to changes to legal frameworks and new technologies – that they require for their tasks, and the company assists them with this.

Committee meetings

The Nomination Committee did not meet in the year under review. Mr Otto Korte (Chairman), Dr Hans-Henning Wiegmann and Mr Paolo Dell'Antonio serve on this committee.

The members of the Audit Committee are Ms Patricia Geibel-Conrad (Chairwoman), Mr Markus Schwarz (Deputy Chairman), Mr Otto Korte and Ms Marion Gerdes. The Audit Committee met on March 17, August 3 and November 10, 2020 with all of its members present as well as various members of the Board of Management and the auditor. The core aspects of its activities were monitoring the financial reporting process as well as the preparatory audit of the annual financial statements, the consolidated financial statements and the combined management report for the past financial year 2020. The Supervisory Board agreed to the recommendations prepared by the Audit Committee regarding these resolutions. In the presence of the auditor, its report on its review of the semi-annual financial statements as of June 30, 2020 as well as the interim management report were discussed in detail with the Board of Management. Where necessary, the Chairwoman of the Audit Committee also discussed matters with the auditor between these meetings. The managers in charge of relevant central functions were also available at the committee meetings to provide reports and to answer any questions regarding specific items of the agenda.

The meeting held on March 17, 2020 considered in great detail the effects of the coronavirus crisis on the course of business, which was difficult to foresee in 2020, the related reporting in the financial statements for the past financial year as well as the scheduling and format of the general meeting 2020.

The Audit Committee also undertook preliminary planning for the audit of the separate financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA with the combined management report for the financial year 2019, the proposal for appropriation of unappropriated profits as well as the report on related parties. The Chairman of the Board of Management, the Chief Financial Officer and the auditor were present at this meeting. The Audit Committee was provided with detailed information on the audit activities and findings of the auditors for the parent company as well as its German and foreign subsidiaries, particularly in relation to the key audit matters and the defined core audit areas. The audit of the accounting-related internal control system and the early risk detection system were also discussed in depth.

According to the auditor's findings, neither the early risk detection system nor the accounting-related internal control system have given rise to any objections.

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

By way of preparation for the audit, the Supervisory Board also tasked BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, with a review of the contents of the non-financial reporting, with a limited degree of certainty, and the issuance of a related review certificate. The auditor also provided a detailed report on this review, followed by an in-depth discussion of its key results and findings.

The Board of Management and the auditor reported on the auditor's non-audit services provided in 2019 and planned for 2020; no objections were raised.

The Audit Committee ensured that the auditor was rotated and that the auditor in question had the necessary level of independence and qualifications. It provided the Supervisory Board with a recommendation for its proposal to the general meeting on the appointment of the auditor for the financial year 2020.

At the meeting on August 3, 2020, the auditor reported on the review of the semi-annual financial statements as of June 30, 2020. According to its findings, no matters have come to light such as would suggest that the condensed interim consolidated financial statements and interim consolidated management report are not consistent with the requirements of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

An impairment test was carried out over the course of the year for the Retail and Commercial Online Printing business units. This had not had any effect on the goodwill recognised or on intangible assets.

The auditor also reported on possible effects of Covid-19 on the measurement of receivables and the company's existing tenancy agreements.

The Audit Committee discussed the core audit areas in 2020, in particular the measurement of property, plant and equipment and various balance sheet and tax issues for the subsidiaries.

At the meeting held on November 10, 2020, the auditor reported on the outcome of the preliminary audit for 2020 and the results of the audit carried out in accordance with audit standard no. 330 promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW). The core areas for the audit of the financial statements for the financial year 2020 were discussed and agreed with the auditors.

The Audit Committee discussed the new version of the German Corporate Governance Code (GCGC) in relation to the remuneration received by the Supervisory Board members and decided to propose to the Supervisory Board that its remuneration be changed over to the widely used fixed remuneration system.

The Audit Committee ensured that it was kept regularly informed of any changes to the regulatory environment and discussed the measures required of CEWE due to the European Single Electronic Format Regulation, the changes to CSR reporting and the new rules on the risk management system.

Finally, the Audit Committee also approved the budget for the non-audit services in 2021.

Corporate governance

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

By recommendation of the Audit Committee, within the scope of its examination of the revised GCGC the Supervisory Board decided to propose a change to the articles of association at the next general meeting, providing for a fixed remuneration system.

For the financial year 2020, the Board of Management and the Supervisory Board have submitted an updated declaration of conformity in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz – AktG), which has been permanently available on the company's website since November 23, 2020. In addition, in the Board of Management's corporate governance report – which the Supervisory Board adopts as its own – the Board of Management reports on corporate governance at CEWE.

Conflicts of interest

There were no conflicts of interest on the part of members of the Board of Management or the Supervisory Board which must be immediately disclosed to the Supervisory Board and notified to the general meeting. All of the current members of the Supervisory Board are independent within the meaning of item 5.4.2 clause 2 of the GCGC, as amended on February 7, 2017, and Recommendation C.7 of the GCGC, as amended on December 16, 2019.

Efficiency review

The Supervisory Board resolved to implement an efficiency review in the spring of 2021.

Changes to the makeup of the executive bodies

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

Annual financial statements and consolidated financial statements, audit

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

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – which was appointed as the auditor for the financial year 2020 by the general meeting – audited the annual financial statements and the consolidated financial statements as well as the consolidated management report including the management report for CEWE Stiftung & Co. KGaA for the financial year 2020, including the accounting, and issued an unqualified auditor's opinion in each case. Jörg Sabath and Tobias Härle have acted as the company's auditors since the financial year 2019. Tobias Härle has served as the auditor with responsibility for the audit since the financial year 2014. The auditor also determined that the Board of Management has established an appropriate information and monitoring system which is suitable in order to identify early on any developments which jeopardise the continuation of the company as a going concern.

At its meeting held on March 16, 2021, the Audit Committee initially verified on the basis of the audit reports and the Board of Management's report that these two sets of financial statements and the combined management report provide a true and fair view of the net assets, financial position and results of operations in compliance with applicable accounting regulations. At this meeting, the auditor discussed in detail the process as well as the key findings of the audit of the separate financial statements and the consolidated financial statements and of the combined management report – including the key audit matters and core audit areas and the audit of the non-financial reporting – and was available to respond to any additional questions. In particular, he reported on the structure of the accounting-related internal controls and the risk management system. The Chairwoman of the Audit Committee reported to the Supervisory Board on the outcomes of these discussions.

For its part, the Supervisory Board also audited the annual financial statements, the proposal for appropriation of the unappropriated profits for 2020 and the consolidated financial statements as well as the consolidated management report for the financial year 2020. All of these documents were provided in good time. Representatives of the auditor were also present at the balance sheet meeting of the Supervisory Board held on March 17, 2021 and were available to provide further information. Additional questions from the members of the Supervisory Board prompted an in-depth discussion of the results.

The Supervisory Board was able to verify the appropriateness of the general partner's proposal for appropriation of unappropriated profits in relation to the company's net assets, financial position and results of operations – while taking into consideration the changes to the company's business situation as a result of Covid-19 – and agreed to this proposal, following a discussion in the presence of the auditor. Finally, the Supervisory Board complied with its audit obligation under § 171 (1) clause 4 AktG in relation to the summarised non-financial declaration and did not determine any basis for objections.

Following a preliminary audit by the Audit Committee at a meeting held on March 16, 2021, at its meeting of March 17, 2021 the Supervisory Board endorsed the annual financial statements and the consolidated financial statements of CEWE Stiftung & Co. KGaA as well as the combined management report, and found that there were no grounds for objections. Following a discussion at its balance sheet meeting held on March 17, 2021, the Supervisory Board agreed to the general partner's proposal to the general meeting for approval of the annual financial statements of CEWE Stiftung & Co. KGaA and issued its consent for the general partner's proposal for the appropriation of profits, with the distribution of a dividend of 2.30 euros, a further dividend increase.

Report on related parties

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

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

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

The report on related parties and the audit report of the auditor on the report on related parties were available to the Audit Committee at its meeting held on March 16, 2021 and to all of the members of the Supervisory Board at its balance sheet meeting held on March 17, 2021. Even after consultation with the auditor and the Board of Management following the final outcome of its audit, the Supervisory Board has not raised any objections in relation to the general partner's declaration at the end of its report on related parties. The Supervisory Board has approvingly noted the outcome of the auditor's audit of the report on related parties.

Oldenburg, March 17, 2021

The Supervisory Board of CEWE Stiftung & Co. KGaA



Otto Korte, Chairman

INTERVIEW WITH DR CHRISTIAN FRIEGE

**CHAIRMAN OF THE BOARD OF MANAGEMENT
OF NEUMÜLLER CEWE COLOR STIFTUNG**

Mr Friege, how often have people asked you whether you have done well out of the crisis?
Not at all so far. Why do you ask?

Well, in a year in which other companies are struggling to keep afloat, you are reporting record figures.

Mmhh – try telling that to our workforce at CEWE, who spend an entire shift at our production plants with a mask on and are pleased afterwards when they get outside and can catch a decent breath. Try telling that to those of us confined to a flat in a large city such as Paris or Vienna during lockdown, with small children to look after, and who somehow have to reconcile their childcare needs with their job at CEWE. Try telling that to our many colleagues who perhaps have a functioning workplace (whether at home or in the office) but have to rush non-stop from one virtual meeting to the next and regularly feel their head spinning every evening and are longing to finally meet up with a real person. All of our employees have given it their all to ensure that CEWE coped in 2020 and, together, we worked really hard to achieve this success ... and you're talking about "doing well out of the crisis"?

OK, that is understood. I was talking about CEWE by comparison with other companies. You're well placed next to them.

Yes. At the end of the day, above all every company is a product of its people. But OK, now I'll put on my "capital market goggles".

So, to answer your question: "doing well out of the crisis" sounds a bit like "things falling into your lap". But if you look at the examples I just mentioned, it soon becomes clear that our respectable earnings in 2020 certainly didn't just fall into the lap of anyone at CEWE.



To consider things in detail, first of all let's talk about turnover: due to the pandemic, we experienced drastic falls in turnover in some areas, such as a drop of more than 30% in Commercial Online Printing or a decline in Retail which was twice what we had aimed for in our strategy of the past few years. We also had difficult turnover phases in our Photofinishing business unit, such as when things froze up in March or our very flat business over the summer period, when it was unclear whether our Christmas business in 2020 would at least roughly match the previous year's level. Where would all the photos come from if our customers were no longer able to go on any great holidays? For me, the 1% overall rate of turnover growth at CEWE represents more of a standstill than it does progress. There's no way that you can talk of a tailwind with that figure! Even our 8.9% growth rate in Photofinishing is not huge. In the previous year, the figure was +13.8%! And that 8.9% includes an upswing associated with the coronavirus lockdown in the second quarter.

If we now look at costs: costs don't just come down on their own, it is frequently a process which requires careful attention. We have followed through on that. Just think of Commercial Online Printing here! With a fall in turnover of more than 35 million euros, earnings – which are comparable from the point of view of operating activities – have only dropped by a few million. Due to one-off factors in the previous year, we have even reported earnings growth. That required ultra-strict cost management, which demands the greatest respect. In Retail, we were likewise obliged to continue with our tough restructuring activities and further reduce our number of branches. In Photofinishing, too, we counted every euro several times over. We opted not to attend trade fairs or seminars not only due to social distancing, but also to achieve cost savings. We implemented our employee share programme in the autumn, but with a smaller volume than in previous years. We also imposed a recruitment freeze, and other measures as well. In the run-up to Christmas, we deliberately adopted a higher-risk approach and upped our marketing and advertising to the high level seen in the previous year, as an investment in our year-end business. That has evidently paid off – but it was a difficult decision.

But you did at least benefit from the short-time allowance scheme (Kurzarbeitergeld), didn't you? The short-time allowance is ultimately an insurance benefit. In the past, every year all of CEWE's employees and CEWE as an employer have, through social security contributions, paid in as an "insurance premium" almost as much as the benefits which have now been granted, on a one-off basis, in the form of the short-time allowance. So it doesn't really make much business sense, but of course it's a good idea from the point of view of solidarity and by way of insurance.

And if everything freezes up during lockdown and no one is placing any orders, and if the retail stores of our business partners are closed and our field service personnel are unable to visit them, then the event insured against has very clearly materialised. To maintain the same level of reliability in relation to our various stakeholder groups which the German government has demonstrated in the form of the short-time allowance, we have maintained the same high level of donations as in previous years, for instance. In 2020, we were once again one of SOS Children's Villages' biggest supporters and donors. We are committed to being a reliable partner, even when times are tough. We maintain the same level of reliability in relation to our shareholders. In our view, it is essential to strike a fair balance between all of our stakeholders' interests. We approach things from a long-term, sustainable perspective.

OK. I get that. Mr Friege, you have mentioned Commercial Online Printing as a field which was hit particularly badly by the pandemic. In previous years, even without the pandemic, this was not an easy field. Are things now twice as hard? What do you have planned for Commercial Online Printing?

Thank you, that is an entirely legitimate question. You're quite right that our Commercial Online Printing business was not easy even before the pandemic. However, particularly in the case of our core business, SAXOPRINT, we had focused on our extremely efficient production capacity in Dresden and were in the process of providing it with the appropriate market positioning when the pandemic struck. We continue to believe that we were on the right path with these steps. At the end of the year 2020, with a clear focus on the highly efficient cost situation of our company SAXOPRINT/LASERLINE, which we merged in 2020, and our viaprinto brand's continuing clear orientation in terms of services for small and medium-sized enterprises, we were better placed than ever before. And we have thus focused the CEWE brand on photofinishing. So it is not without hope that we are looking forward to the end of the pandemic. Once that happens, there will once again be flyers and posters to be printed for restaurant openings, concerts, circuses, etc. As the market recovers, we consider that we are well positioned here.

Let's talk about another detailed question: futalis. It looks like this former start-up is on the right track. Are you intending to keep it after all?

First of all, together with our colleagues at futalis we are delighted with the progress made. Our team there has done really well. At the same time, it is necessary to assign different priorities during the various phases of a company's life. During its start-up phase, the High-Tech Gründerfonds seed investor was certainly a great partner for futalis. For the phase of the industrialisation

of its production operations, CEWE was definitely the right partner. futalis' idea is the mass customisation of dog food. Pretty much since its founding, CEWE has been a mass customisation specialist. The fit was obvious. The next phase will be about helping futalis to grow in the dog food market, and at an international level, ideally combined with a think-big approach. Strategic players in the dog food market or the pet supplies segment are now potential partners. Financial market investors who have a knack for the scaling-up which is now called for might also make a good match. But you are of course right. We are delighted with our team's current success!

Can I ask you one more typical financial market question?

Of course ...

You have a free cash flow of more than 100 million euros. 100 million euros in the bank. But you're only planning a dividend increase to 2.30 euros? Mr Friege, what do you intend to do with all that money?

I can see why you are asking that question. The answer has to do with several different issues. First of all, to provide you with the technical explanation: we find ourselves in this situation on the back of an unusual year, where many more orders were placed with our business partners online, due to the pandemic, and then delivered immediately, with us receiving prompt payment. We thus collected a lot of money over Christmas. We are now paying out some of that to our business partners, instead of receiving money generated through POS business from our partners. Moreover, over the course of the year we were unable to rely on Photofinishing performing so well. We therefore made use of options in order to reduce tax prepayments, so as to build up a liquidity cushion. We estimate the impact on our cash flow in 2020 at around 25 million euros. This will result in additional cash and cash equivalents outflows in our 2021 cash flow. Moreover, over the course of the year our cash position is at its strongest at the end of the year, due to seasonal factors. It is now that we invest, while the flat months come halfway through the year. Those are purely cash-flow-related reasons not to over-interpret that figure.

Secondly – and this is probably the key argument – we are all very much aware that the pandemic is not yet over. We are repeatedly seeing those notorious super-spreader events. Various mutations are circulating around the world, with unclear consequences. Those countries which were previously role models in how to deal with the pandemic are now suddenly crying out

for assistance. No one knows where that is going to take us. A year ago, at the start of the pandemic, almost the entire business community was quite rightly looking at contingency plans to ensure they remained afloat. As things currently stand, on the whole they were not necessary – with the exceptions of the airlines and some other business sectors. We should therefore remain highly cautious ... in the hope that, looking back, that will then be seen as overcautious.

Thirdly, in 2020, partly due to the pandemic, we didn't spend around 30 million euros on special investments as we did in 2019 or 2018. Over the past few years, we have successfully added companies such as Cheerz and WhiteWall to CEWE. Those are two additions which we are now delighted with. We would like to repeat that step if the opportunity presents itself. And it is good to have the financial leeway for that.

Fourthly, our goal is for CEWE to achieve steady growth and to reflect that through a steadily increasing dividend if the company's finances permit that. For that reason, following what was certainly a remarkably good year 2020 we don't intend to get too far ahead of ourselves with our dividend, but are continuing to pursue a dividend strategy which means that we can offer our twelfth dividend increase in 2021 while at the same time quite realistically already planning for our 13th and 14th increases.

Any more questions?

(Laughs) What are you looking forward to in 2021?

I am looking forward to a "new normal". Whatever that looks like. It will be more fun. We humans are social animals. And there is currently not nearly enough in the way of social interaction. We have all now learned how to use Teams, Zoom, Webex, etc. We will certainly continue to use them. But this highly virtual type of living is no substitute for genuine encounters. I am looking forward to them!

And that's where people will start taking more photos again!

Exactly! (Laughs)

Mr Friege, many thanks for the interview!

You're most welcome.

CEWE SHARE

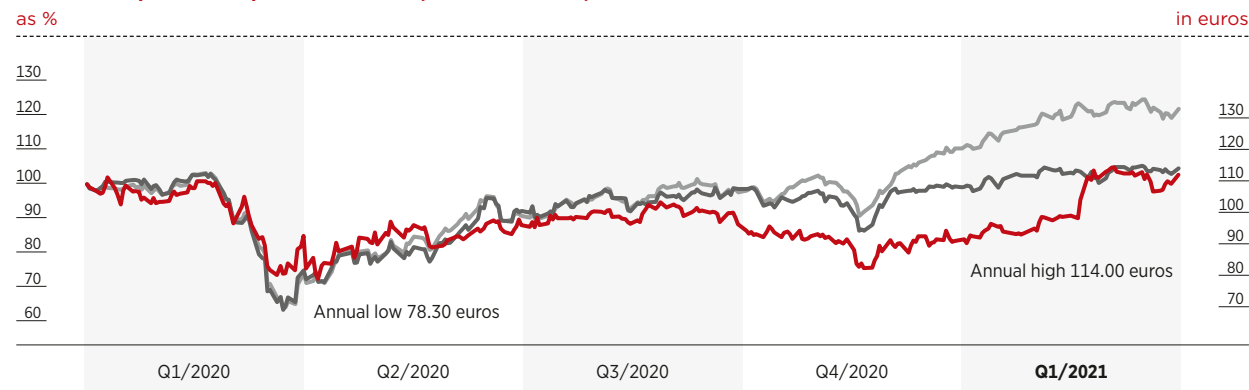
Stock markets hold their own in 2020 in an overall difficult world economic situation

While the stock markets started out in 2020 with a positive performance, a real setback followed with the worldwide outbreak of the coronavirus pandemic at the end of the first quarter. The lockdown in many countries around the world resulted in a sharp decline in economic output. Governments and central banks initiated huge support packages in order to counter this trend. The turnaround then followed fairly promptly: many market participants were surprised at how rapidly the financial markets ultimately recovered, and the year 2020 ended with new all-time highs and record market levels.

Key share information

Type of security	No-par value share
Market segment	Regulated market, Prime Standard
Index	SDAX (from March 23, 2009)
ISIN	DE 0005403901
Symbol	CWC
Reuters	CWCG.DE
Bloomberg	CWC GR
Date of initial quotation	March 24, 1993
Number of shares	7,423,919 units
Daily volume (2020 average)	10,512 units
Annual high in 2020	110.80 euros
Annual low in 2020	78.30 euros
Year-end price 2020	92.50 euros

CEWE share price in the period from Jan. 1, 2020 to March 1, 2021



CEWE share reaches new record high in the first quarter of 2021, following a price drop at the end of 2020

With a year-end price of 92.50 euros on December 31, 2020, the CEWE share suffered a loss of around 12.6% relative to its 2019 year-end price, but in early February 2021 the company's share price climbed to a new record high in excess of 115 euros, following the announcement of its initial, preliminary results for the financial year 2020. This represents an increase in value of more than 20% by comparison with the share's 2020 year-end price. The DAX, MDAX and SDAX benchmark indexes registered gains of 3.6%, 8.8% and 18.0%, respectively, in the calendar year 2020.

Dividend for 2020 to rise for the twelfth consecutive occasion

With a goal of dividend continuity, CEWE seeks to issue a dividend every year which is at least unchanged in absolute terms, and ideally an increased dividend, provided that its balance sheet is solid enough to permit this. In 2020, CEWE was able to offer its shareholders a dividend of 2.00 euros per share, an increase for the eleventh consecutive occasion. With this dividend, on the basis of the year-end price for 2019, shareholders also received a dividend yield of 1.9%.

For the financial year 2020, the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA will propose to the general meeting an increase in the dividend to 2.30 euros for each share conferring a dividend entitlement. On the basis of the 2020 year-end price of 92.50 euros, this corresponds to a dividend yield of 2.5%. If the general meeting, which will be held on June 9, 2021, agrees to this proposal, this will be the twelfth consecutive dividend increase and also the highest dividend in the company's history. Since 2008, the dividend issued by CEWE has risen continuously, year-on-year, from 1.00 euro per share to the current figure of 2.30 euros.

CEWE shares traded with a daily volume of around 1.0 million euros in 2020

On average, 10,512 CEWE shares were traded every day on German stock markets in 2020. This was almost exactly the same average daily volume as in the previous year (2019: 10,565 shares per day). The daily euro trading volume was slightly higher than in the previous year and averaged approx. 1.0 million euros (2019: 0.9 million euros per day). The daily volume of CEWE shares traded continues to confirm the level of around 1 million euros per day, which influences the investment decisions of many institutional investors. The CEWE share thus also remains attractive for other, larger institutional investors on a long-term basis.

All analysts recommend buying the CEWE share

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

Overview of current analysts' assessments

	Analysts' assessment	Date
Baader Bank	Buy	Jan. 28, 2021
montega	Buy	Jan. 27, 2021
Frankfurt Main Research AG	Buy	Jan. 25, 2021
Kepler Cheuvreux	Buy	Jan. 25, 2021
Warburg Research	Buy	Jan. 25, 2021
GSC Research	Buy	Dec. 8, 2020

CEWE still solidly positioned in the SDAX

According to the "Trading volume" criterion, in December 2020 CEWE was in 155th position (December 2019: 148th position) and in terms of "Market capitalisation" it was in 149th position (December 2019: 138th position) in Deutsche Börse's ranking. The CEWE share thus remains a permanent fixture on the SDAX index, whose current structure normally features shares with a ranking of 165 or higher.

Stable shareholder structure strengthens management's strategy

The heirs of the company's founder Heinz Neumüller – Alexander Neumüller (AN Assets GmbH & Co. KG, Oldenburg) and Dr Caroline Neumüller (CN Assets GmbH & Co. KG, Oldenburg) – are CEWE's largest shareholders, with a combined interest of 27.2%, and the company has thus enjoyed a high level of ownership stability for many years now. The group of notifiable investors with shareholdings in excess of 3% also includes Union Investment Privatfonds GmbH, Lupus Alpha Investment GmbH and Allianz Global Investors GmbH. With their small and mid-cap orientation, they make an ideal fit for CEWE.

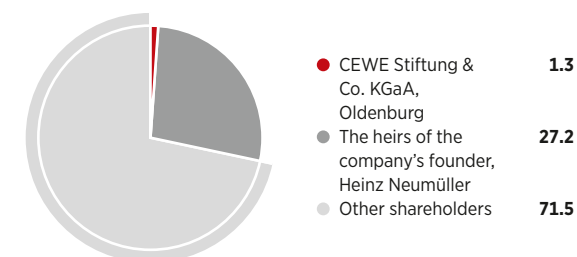
CEWE is there for its shareholders

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

CEWE thus naturally also publishes all of its annual and interim reports and capital market information online at ir.cewe.de/publications. All analyst telephone conferences are made available as webcasts and audiocasts on CEWE's website. The current version of CEWE's company presentation is also available here.

The Board of Management and the Investor Relations team present the company at key capital market conferences and attend roadshows in European and US financial centres. In view of the coronavirus situation, in 2020 almost all of these events took place virtually, as online conferences and roadshows. For details of the dates currently scheduled for 2021, please refer to the financial diary on [page 186](#) of this report or visit our IR website at ir.cewe.de.

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





***“CEWE PHOTOBOOK
is a declaration of love.”***
Sarah Bierau and Mehmet Cem Ates



3

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BASIC INFORMATION ON THE GROUP

BUSINESS MODEL

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

The core business unit: Photofinishing

Photofinishing is the name we give to our photo products business. CEWE is the European market leader in photofinishing, previously based on analogue film and now replaced by digital data. CEWE PHOTOBOOK has established itself as the key product in this field. CEWE has also rigorously expanded its product range, with other significant turnover and growth generators now including photo calendars, wall art, greeting cards and other photo gifts as well as direct printing business at the point of sale, with CEWE INSTANT PHOTOS.

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

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

CEWE RETAIL: proprietary hardware retail business is also a distribution channel for photofinishing products

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

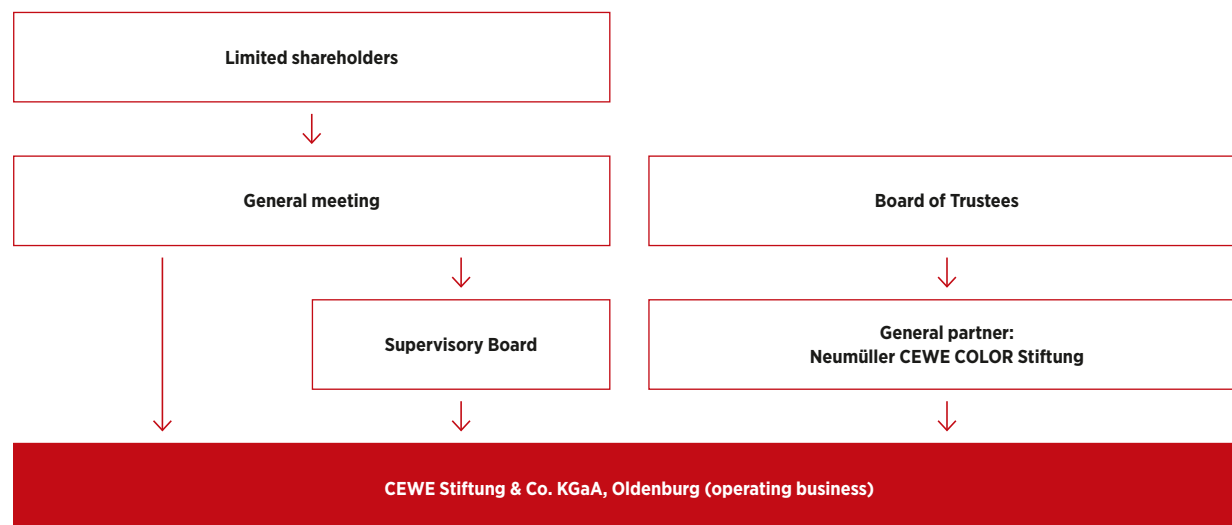
Commercial Online Printing: printing products for the commercial sector

CEWE is active in its Commercial Online Printing business unit through the production and marketing of printed advertising media via the distribution platforms SAXOPRINT, viaprinto and LASERLINE. CEWE launched Commercial Online Printing for printed advertising media in Germany and has rolled out this business model in other European countries, where local websites are present and are increasingly generating business. The depth of added value in Commercial Online Printing is very similar to Photofinishing. However, CEWE provides less software here for the creation of printed products (unlike in the case of CEWE PHOTOBOOK, for instance).

ORGANISATION AND MANAGEMENT SYSTEMS

Organisational structure

The CEWE business group has the following structure:



📄 see Board of Management, page 10

In 2020, Neumüller CEWE COLOR Stiftung was represented by seven members of the Board of Management. The Group's remaining 4,170 staff (2020 average) were employed by CEWE Stiftung & Co. KGaA and the subordinate Group companies.

Legal structure combines the advantages of the capital market and a family approach

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

The company's founder, Senator h.c. Heinz Neumüller, intended to ensure that his entrepreneurial principles would remain permanently established within the company. He also aimed to ensure the company's long-term future. This is safeguarded through Neumüller CEWE COLOR Stiftung and the high interest held by AN Assets GmbH & Co. KG and CN Assets GmbH & Co. KG (the heirs of the company's founder, Heinz Neumüller – Alexander Neumüller and Dr Caroline Neumüller, the company's largest shareholders with a combined 27.2% stake, 📄 see **Shareholder structure, page 23**). The former ensures that the business group continues to be managed true to the legacy of Heinz Neumüller and thus upholds the character of the family firm. It stands for a long-term orientation in terms of the company's business policy. For this reason, it is also responsible for its management.

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

📄 see Results, pages 35 ff.

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

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

CEWE operates through a total of 32 subsidiaries

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

Management of the CEWE Group

The Board of Management of Neumüller CEWE COLOR Stiftung is responsible for overall planning and fulfilment of the goals of the CEWE Group. The allocation of responsibilities is set out in the “Other disclosures” section of the notes, [see page 157](#).

Regular strategic planning: economic forecast reflects identifiable trends

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

Investments on the basis of profitability calculations

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

Close monitoring through monthly target/actual comparisons

Every month, a target/actual comparison is implemented for the strategic business units and for each of the profit centres as well as for the CEWE Group as a whole. These target/previous year/actual comparisons enable close monitoring of the level of goal achievement and an early response by the Board of Management and the management. At the same time, these and other operating indicators of the production plants and the distribution companies are passed on to all of the managers of these profit centres, for internal benchmarking and discussion. The key financial performance indicators used at CEWE are outlined in the “Goals and strategies” section, [see page 28](#).

GOALS AND STRATEGIES

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

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

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

A focus on long-term profit and enterprise value

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

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

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

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

CEWE uses the total number of photos as a non-financial performance indicator in the Photofinishing business unit. These photos also include all of the images which are used in value-added products (e.g. CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gifts). Due to the key significance of this product, the number of CEWE PHOTOBOOKS produced is shown as a separate indicator. CEWE's management analyses all of these indicators at least weekly, and in some cases daily. CEWE also provides information on its development in its annual report, by means of a target/actual comparison, and discusses this in the "Results" chapter, [see page 35](#). A target figure for the following year is indicated in the forecast. Non-financial performance indicators do not play such a significant role in Commercial Online Printing and thus are not discussed in external communications.

CEWE performance indicators

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

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

CEWE analyses its turnover trend every day in all of its units (but not for the consolidated Group) and conducts a monthly review of its earnings (incl. EBT) as key variables. The financial statements prepared by all of the Group's companies are likewise consolidated and analysed in a target/actual/previous-year comparison. Deviations from target figures and previous-year figures are assessed in terms of their effect on financial goals.

The responsible individuals already account for any such discrepancies through comments during preparation of the company's reports. The Board of Management discusses every month both earnings in the strategic business units and for the Group as a whole and the detailed figures for the individual profit centres. Turnover, EBIT and EBT are presented in the annual report in terms of a target/actual comparison and are discussed in the results; a forecast figure is notified for the following year.

Investments

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

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

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

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

Solid balance sheet: equity ratio as a further indicator

CEWE aims to ensure the company’s continuous and sustainable development. For instance, the indicators of a strong balance sheet include sufficient cash reserves, available lines

of credit and a solid equity ratio. At the present time, CEWE considers its level of capitalisation to be stable, with an equity ratio in excess of 50%. In CEWE’s opinion, sufficient liquidity or sufficient lines of credit and an extremely solid equity capital position (also by comparison with the competition) not only boost the company’s stability and resilience in the event of a crisis, they also enable it to purposefully exploit any strategic options which become available, such as attractive acquisition opportunities.

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

[see page 35](#)

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

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

RESEARCH & DEVELOPMENT

Smartphones are generating ever more digital content per device and user by comparison with traditional digital cameras. Images on smartphones are the largest source of data for all of CEWE's ordering channels. For this reason, too, CEWE has further enhanced the assistant function in its CEWE PHOTO-WORLD PC applications and smartphone apps and added new functions which help with the image selection process. On the other hand, CEWE very successfully rolled out the online ordering channels (COPS) for further business partners – including outside Germany, Austria, Switzerland (the “DACH” region) – during the year under review, and made them even easier to use in smartphone browsers.

Additional functions supported by artificial intelligence (AI) have been directly installed in smartphone apps. As well as photos of important events, at consumers' request these apps can now fully automatically place the best images in a CEWE PHOTOBOOK and present them accordingly. These applications were developed in CEWE's MAIC (Mobile & Artificial Intelligence Campus), which was established in 2018 as an internal incubator, precisely in order to implement these types of research activities and in close cooperation with industry partners and universities. For this reason, too, CEWE was the first company to be recognised and designated as a “Digital Zone in Lower Saxony”.

An AI-based customer service bot went live during the 2020 Christmas season. It assists employees here by answering simple questions relating to customers' order status, but can also handle complaints due to products damaged in transport. If the bot is unable to identify a solution or if the customer is not satisfied, it will automatically hand over the issue to a customer service employee.

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

“My CEWE PHOTOWORLD mobile” and other apps

As in the previous year, at Christmas our “CEWE PHOTO-WORLD mobile” app achieved top rankings in the two app stores (Android and iOS). This demonstrates the relevance and also the acceptance of smartphone-based ordering options.

“My CEWE PHOTOWORLD”

Consumers generally use our software “My CEWE PHOTO-WORLD” to produce CEWE PHOTOBOOKS. This software is available for Windows, Mac and Linux. Due to the user-friendliness and productivity of the software on their own computers, customers transfer their images from their smartphones to their computers before placing an order. With this software, users can create a draft version using the redesigned CEWE PHOTOBOOK assistant and then individually design each page using the edit option or the large number of design functionalities. Customers can also use an online software package to produce a CEWE PHOTOBOOK. This is a component of COPS and works in a browser on virtually any device.

New products have been integrated in every category. CEWE PHOTOBOOK has been equipped with additional designs and templates for the yearbook campaign, as well as finishes, while CEWE CALENDAR has gained attractive designs in particular. Consumers very rapidly responded to these additional offerings in order to produce even more attractive gifts for Christmas. This software was launched in Germany in time for Christmas and thus contributed to our success during the 2020 Christmas season. The previous year's editor has been only slightly modified in this version.

COPS – the CEWE ONLINE PRINTING SYSTEM

The rollout of the CEWE ONLINE PRINTING SYSTEM with a design which is customised for the device in question and is responsive, i.e. optimised for various screen sizes, was completed in Germany in 2020 and initiated in the Group's non-DACH regions. The first international version was already rolled out in the first half of 2020 for CEWE's business partner Boots in the UK. This international rollout once again provided a disproportionately strong contribution to the use of CEWE's online platform during the Christmas season. The system's performance once again exceeded our expectations, and an all-time high was reached in terms of the number of orders per day.

CEWE myPhotos

CEWE myPhotos remains particularly popular with existing CEWE customers and is used ever more frequently. Since the images in these products ordered from CEWE are generally particularly valuable to customers, CEWE ensures safe storage in Germany, in line with German data protection legislation. Above all, however, this service makes it possible to store digital images and videos securely in the cloud and to share, organise, edit and order them – anytime, anywhere and on any device. CEWE accordingly provides an open ECO system allowing the exchange of images across all computer- and mobile-based

operating systems (for Windows, MacOS, Linux/Android, iOS). In addition, scanned negatives can now be imported from an image CD. The integrated facial and object recognition functions can be accessed via all ordering channels. The AI-based features presented at photokina 2018 are thus now available upon request for all consumers, via all of CEWE's ordering channels, and thus make the process of searching for relevant images easier. An attractive new user interface with a dashboard makes the benefits of these features even more visible, and active use has thus increased accordingly.

Further optimisation of high-performance back-end system and addition of AI-based function

The CEWE platform set new records over the Christmas season. All of the above-mentioned applications and orders placed at the retail outlets of CEWE's business partners through CEWE photostations deliver finalised jobs to CEWE's back-end system. This back-end system continues to be distributed across two independent and redundant data centres. To ensure rapid transmission of these data volumes from the central data centres to the company's production plants, the necessary additional servers were optimised or installed in good time ahead of the Christmas season. In addition, the company's automated monitoring system for processes and related hardware was further expanded.

The company also implemented further measures in order to optimise the sustainability of its IT processes. CEWE has once again reduced the volume of racks required in its data centres, and thus their level of electricity consumption, by means of further virtualisation as well as new higher-capacity servers and storage devices. For instance, in the data centre at its Oldenburg site CEWE is using new innovative cooling techniques in order to reduce its energy requirements.

ECONOMIC REPORT

MARKETS

World economy under pressure due to the COVID-19 pandemic – German economy contracts sharply

The International Monetary Fund (IMF) has registered a sharp downturn in the global economy due to the COVID-19 pandemic: for 2020, the experts expect global gross domestic product to fall by –3.5% (2019: +2.9%). A negative tendency is apparent in every world region, with the exception of China. The Eurozone is among the worst affected regions, with a decline of –7.2% (2019: 1.2%). Germany's –5.4% GDP decrease is moderate by comparison with the other major Eurozone economies (2019: +0.5%). Of the key European economies, the experts point to a particularly negative trend in Spain, at –11.1%.¹ In December 2020, the unemployment rate in Germany was 5.9% and thus one percentage point higher than at the same point in the previous year (December 2019: 4.9%).² In real terms, gross wages and salaries fell by –1.2% due to the pandemic and thus registered a negative trend for the first time since 2005 (2019: 4.1%).³

Inflation negative due to the pandemic

Due to a pandemic-related decline in the level of demand in the tourism and travel sectors especially, as well as weak wage pressure, in the Eurozone in November 2020 the rate of inflation was –0.3% (2019: 1.2%). The ECB's Governing Council left its key interest rate unchanged at 0.0% and resolved a pandemic emergency purchase programme (PEPP) whose volume it has now increased to 1.85 billion euros.⁴ In Germany, at an average annual rate of 0.5% inflation was significantly lower than in the previous year (2019: 1.4%), but remained positive.⁵ The euro experienced relatively moderate exchange rate fluctuations against CEWE's key non-Eurozone currencies in 2020, despite the euro's strong performance.⁶

CEWE largely independent of cyclical factors

The company's positive development, as reflected in its figures, demonstrates CEWE's independence vis-à-vis the pandemic-related overall economic situation. The emotional resonance of high-quality photo products and the use of digital devices which is increasingly second nature for every age group are driving a positive trend irrespective of economic conditions. Moreover, in the pandemic-related crisis it is clear that, now more than ever, people are keen to use photos to remember nicer moments. In our view, this is driving CEWE's "stay-at-home" strength.

PHOTOFINISHING MARKET

More photos have been created than ever before over the past few years. The number of images taken increased significantly, due to mobile devices. While 660 billion photos were taken worldwide in 2013, this number had already increased to 1,200 billion in 2017 (source: Bitkom Research).

This development also demonstrates the German population's interest in photography: in 2019, 36.49 million people aged 14 years or older in the German-speaking population stated that they are (particularly) interested in photography. In 2020, this figure was 37.08 million (source: IfD Allensbach, AWA 2020).

Besides the increase in the level of interest in photography, the coronavirus situation has resulted in a change in the status of photos which customers take themselves: 31% of the participants in a representative survey carried out by Forsa indicated that they now ascribed heightened personal significance to photos of friends and relatives whom they were unable to meet up with in close proximity.

Due to the long amount of time which they have spent at home, Germans are longing for a change and for some distraction. Around two-thirds (65%) use their photos as a creative way of spending time. In particular, that includes looking at their photos (45%), arranging images (27%), and creating a photo product, e.g. a photo book or calendar (11%).

¹ IMF – World Economic Outlook, January 2021, page 4

² German Federal Employment Agency – Press release "The German Labour Market in December 2020", January 2021

³ German Federal Statistical Office – Special Series 18, Series 1.1 National Accounts, Domestic Product Calculation, First Results for the Year 2020, page 21

⁴ ECB – Economic Bulletin 8/2020, pages 5–7

⁵ German Federal Statistical Office – Press Release No. 025 of January 19, 2021

⁶ Deutsche Bundesbank – Exchange Rate Statistics

The lockdown, the social distancing measures and travel restrictions are also reflected in the choice of photo themes: nature-based themes have increased by 20%. The volume of photos taken of family celebrations or of sightseeing highlights has in each case declined by over 30%, and the same is true of portraits of friends. The reviews of the past year captured in a CEWE PHOTOBOOK and the experiences shared through personal photos are thus gaining an entirely new meaning – closeness at a distance. Out of consideration for their loved ones, 37% of Germans are enabling them to participate in their lives through photos and are sending photos to friends and family. Among families with children, as many as 52% are using this opportunity to overcome physical distance (source: Forsa 2020).

ONLINE PRINTING MARKET

Business climate index under pressure in 2020

At 82 points, the business climate index produced by the German Federal Printing and Media Association (Bundesverband Druck und Medien – BVDM) bottomed out in April 2020 and increased by a seasonally adjusted 5.8% in December by comparison with the previous month. In December 2020, the index reached its highest level in nine months, at 96.4 points, and was thus only 4% lower than its level in the previous year.

While the printing and media companies surveyed by the ifo Institute in December were somewhat more optimistic regarding their business situation in December as compared to the picture in November, their expectations concerning their future business development were considerably more hopeful than in the previous month. And yet, their overall assessment of their business situation had deteriorated by around 28% year-on-year. However, in view of the hard lockdown which was subsequently imposed and which the survey participants were unaware of,

this improved business outlook must be treated with caution. Accordingly, in December 61% of companies indicated that they intended to make use of Germany's short-time allowance scheme (Kurzarbeitergeld) over the next three months. It is therefore hardly surprising that around one-third of those surveyed expected production activities to decline in the coming months (source: BVDM Economic Telegram, December 2020).

However, within the printing and media industry online printing in particular continues to offer its customers considerable advantages: besides consistently high printing quality, convenient ordering over the Internet and rapid delivery, above all there is the price advantage by comparison with traditional offline printing firms. Overall, online printing is therefore likely to emerge as one of the crisis' winners since it offers its customers cost advantages in particular, at a time when budgets are being cut back. Many providers on the online printing market are continuing to diversify into the field of print-related products. This reflects the goal of intensifying and expanding their customer relationships and realising further growth potential.

No discernible bottlenecks resulted in the relevant raw materials markets in the course of the financial year 2020. In particular, the availability of printing paper and printing plates was not jeopardised at any time.

Online printing market: high barriers to market entry

As in previous years, no new market participants with their own production facilities emerged as a relevant competitor as an "online printing firm" in 2020. Market entry barriers in the online printing segment, such as the necessary volume of investment, advertising expenses and the competitive price level which has now established itself and thus the pressure to exploit economies of scale continue to represent effective obstacles for new market participants.

The market is likely to remain characterised by price movements, and the development of this business unit remains strongly dependent on potential lockdown measures.

RETAIL MARKET

In 2020, the coronavirus pandemic triggered a 0.8% fall in the average annual level of retail turnover in the EU. In the Eurozone, average annual retail turnover has registered an even stronger fall of -1.2% (source: Eurostat).

In our view, the coronavirus pandemic has once again underlined the importance of integrating over-the-counter and online business. Despite declining customer frequency, the ability to pick up products and to try them out, or try them on, is greatly appreciated. In an age of digitalisation, ever more frequently retail outlets therefore serve as an experience venue and showroom to provide information and inspiration, while their significance as an actual point-of-sale is declining – a trend which has been accelerated by coronavirus. In our view, over-the-counter retail feeds off local frequency and needs to develop this by means of an active product range policy through which it meets customers' needs while suggesting shopping ideas.

The trend of rising average prices in the camera segment, which has been apparent over the past few years, continued in 2020. While compact cameras (with a built-in lens) and digital reflex cameras (DSLR) continue to decline in terms of the quantities sold, sales of higher-quality mirrorless system cameras (CSC) remain at a high level. Specialist photographic retailers are benefitting particularly strongly from this trend, since they are able to provide advice (both offline and online) for these models.

RESULTS

PHOTOFINISHING BUSINESS UNIT

DEVELOPMENTS IN THE PHOTOFINISHING BUSINESS UNIT

To satisfy customers' high expectations, the brand product CEWE PHOTOBOOK in particular undergoes continuous development to ensure its long-term market leadership. In 2020, a large number of innovations once again helped to offer a format for each customer's photo book projects: now that the number of pages has been increased from 178 to 202 for digital printing products, and from 114 to 130 for photos printed out on photographic paper, customers have even more space to tell their personal stories. Besides a variety of different paper quality levels, formats, more than 6,000 designs and clip art as well as a large number of mounts, backgrounds and layouts, matt covers and new, high-quality yearbook-themed book templates mean that there is just the right product to suit the customers' taste.

A key highlight in 2020 also demonstrated the popularity among customers of the continuous improvements made to CEWE PHOTOBOOK: the Technical Image Press Association (TIPA) was particularly impressed with the leather and linen covers introduced in the previous year for CEWE PHOTOBOOK, and CEWE received its prestigious TIPA World Award as "Best Photo Service Worldwide" for the fourth time.

CEWE also received recognition due to the further progress made in its product development process, in the area of sustainability: CEWE PHOTOBOOK Pure was awarded "Blue Angel" certification for the digital printing paper used. Moreover, CEWE's wall art product category was awarded FSC certification for its poster hangers and canvas prints.

CEWE photo products are marketed in the company's various markets throughout Europe via locally adapted campaigns covering a wide range of different occasions. This marketing is implemented through a multichannel 360-degree communication strategy. The customer's needs are at the heart of this marketing strategy, and CEWE responded flexibly to these needs in 2020 in particular, which was so strongly dominated by the coronavirus pandemic.

CEWE Photo Award – the world's largest open photography competition

Submissions from a large number of countries, ten different categories and the personal perspectives of countless amateur and professional photographers – the CEWE Photo Award competition, whose theme is "Our world is beautiful", is impressive in terms of its diversity. Over the past few years, this photography competition has already demonstrated that photos are a universal language which brings people together all over the world – and this is a quality which has very much gained in importance in the current situation. The competition's theme is intended to open people's eyes to things of beauty which need to be protected, whatever the viewer's personal situation. Every participant makes his or her contribution to making the world a little better: CEWE donates 10 euro cents to SOS Children's Villages worldwide for each photo submitted. With 448,152 images sent in, the previous CEWE Photo Award was the world's largest photography competition.

PHOTOFINISHING RESULTS

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

CEWE's Photofinishing core business unit generates peak sales and particularly strong turnover and, above all, income in the fourth quarter. Many consumers appreciate CEWE PHOTO-

BOOKS as well as photo calendars, wall art, greeting cards and other photo gifts as Christmas presents. The demand trend for many CEWE customers also shows that "order-friendly weather" – i.e. many consumers' heightened enthusiasm for spending time on their PC at home or using mobile ordering applications to place photo orders during the cold and dark time of year – is, on the whole, likewise strengthening the first quarter.

Continued growth in the share of value-added products

For many years now, CEWE's product mix has increasingly shifted towards "value-added products": the level of demand for "simple" photo prints is in decline, while the share accounted for by brand and value-added products (CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gifts) is continuously growing. The volume of CEWE INSTANT PHOTOS, i.e. the photos which customers print out and purchase directly in the retail outlets of CEWE's business partners' has likewise been on the rise for some years. Since CEWE tends to realise a higher volume of turnover and stronger earnings per photo through these value-added products, the move away from "mass" (a large number of lower quality, individual laboratory photos) to "class" (a small number of high-quality photo products in absolute terms, but with a higher level of quality for each individual photo) is continuing to support the earnings trend in the Photofinishing business unit. The pandemic has not fundamentally changed these trends, but it has resulted in some divergences. The first lockdown, in the spring of 2020, gave rise to a temporary boom in some areas. The various lockdowns meant closed retail stores and thus impeded sales of CEWE INSTANT PHOTOS. Equally, customers' limited amount of holiday travel hampered sales of CEWE's traditional multi-photo product CEWE PHOTOBOOK, but on the other hand this strengthened the status of single-photo products as an alternative, e.g. wall art.

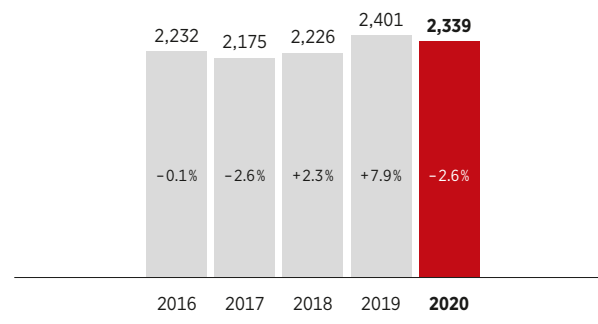
PHOTOFINISHING SALES

- » Coronavirus-related change in holiday travel behaviour reduces volume of photos, particularly in the case of multi-photo products
- » Total volume of photos slightly lower than in previous year, with 2.34 billion photos (2019: 2.40 billion photos, -2.6%)
- » 6.52 million CEWE PHOTOBOOKS sold (2019: 6.62 million copies, -1.6%)
- » Further increase in the volume of photo calendars, wall art and other photo gifts, reinforcing the trend of higher-quality products
- » Half of all photos are collected from retail stores, while the other half are sent by post

Slight decrease in volume of photos

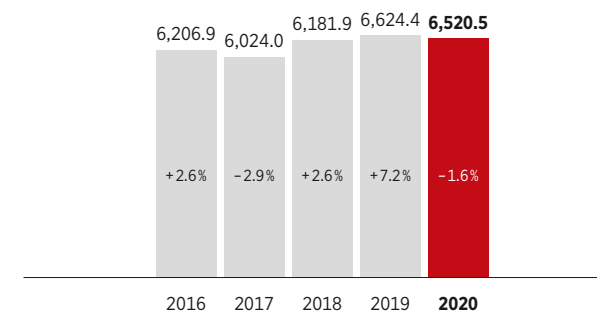
As well as individual photo prints, images forming part of other photo products – such as CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gifts – have also been included in the volume of photos. With 2.34 billion photos, in the financial year 2020 CEWE counted a slightly lower number of photos overall, across its entire product range, year-on-year (2019: 2.40 billion photos, -2.6%). However, its Photofinishing core business unit initially benefited from the first lockdown in April and May 2020. While instant printing at the POS suffered due to reduced footfall, in the company's online photofinishing business the "stay-at-home" effect resulted in a positive incoming order situation and an increase in the volume of photos. Since people found themselves

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



spending so much time at home, many of them dedicated this extra time to photo memories. Particularly during difficult times subject to social distancing measures, photo memories and gifts serve as an important emotional anchor for people. Many CEWE customers have used their time at home to order photo products – with a higher volume of older photos from previous years than usual. In the third quarter, the coronavirus-related changes in holiday travel and photography behaviour were the dominant factor and meant fewer photo orders and thus fewer photos in CEWE products. Due to coronavirus, people avoided long-distance trips, for instance, where they tend to take a lot of photos. To be sure, the fourth quarter of 2020 almost reached the previous year's level, with a volume of 891 million photos (Q4 2019: 892 million photos, -0.2%), but it was unable to make up for the cumulative decline as of the end of the third quarter.

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



However, even in the coronavirus year 2020 this marks the continuation of a long-term trend of a seasonal migration, with a rising volume share in the fourth quarter which now amounts to 38.1% (2014: 33.3%, 2015: 34.7%, 2016: 34.9%, 2017: 35.9%, 2018: 36.6%, 2019: 37.2%).

CEWE PHOTOBOOK sales almost reach previous year's level

While 6.62 million CEWE PHOTOBOOKS were sold in the previous year, 2019, in 2020 the sales figures for CEWE PHOTOBOOK were only slightly lower, with 6.52 million copies sold. While CEWE PHOTOBOOK achieved growth of 6.4% in the first half of 2020 in terms of the number of copies sold, partly due to the "stay-at-home" effect during the first lockdown, in the third quarter in particular the multi-photo product CEWE PHOTOBOOK then suffered a decline of 15.6%, due to the

coronavirus-related changes in people's holiday travel behaviour. This decrease did not continue in the fourth quarter, when demand for a CEWE PHOTOBOOK as a Christmas present traditionally dominates. However, since fewer photos had been taken overall, a slight decline of 2.0% nonetheless resulted.

Mail order grows in popularity among customers due to the lockdown situation

The proportion of digital photos ordered via the Internet has been steadily increasing for many years now. This trend accelerated – certainly partly due to coronavirus – in the year under review, 2020, with an increase from 70.9% in the previous year, 2019, to 77.2% (1,805 million photos). Of the photos ordered over the Internet, 40.1% are collected as finished products from the retail outlets supplied by CEWE (2019: 43.4%). 59.9% chose home delivery by post (2019: 56.6%). Customers thus collected a total of 49.9% of all photos (both analogue and digital, ordered via the Internet and over-the-counter, incl. the photos printed out at CEWE photostations in retail stores) at retail outlets of CEWE's business partners (2019: 59.9%). Even in times of coronavirus, this continues to confirm the strength of CEWE's "clicks and bricks" positioning, a strategic combination of physical outlets and the Internet. CEWE operates as an "omnichannel provider": its products can be purchased in retail stores, while in case of online purchasing photos can be sent to customers by post or else collected from stores.

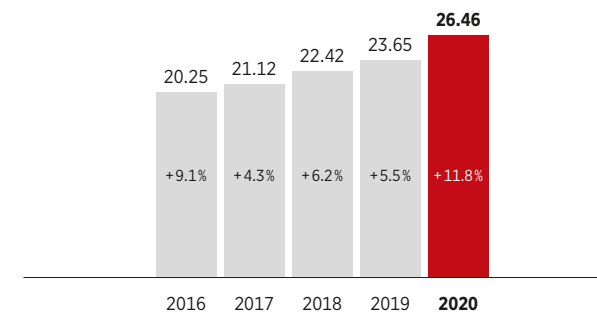
PHOTOFINISHING TURNOVER

- » All CEWE brand products achieve further growth and strengthen Photofinishing turnover
- » Turnover per photo continues to increase: +11.8% to 26.45 euro cents per photo
- » Photofinishing turnover of 618.8 million euros in 2020: strong growth of +8.9% on previous year
- » Fourth-quarter turnover once again increases by a strong 12.7% to 283.0 million euros

Value-added products continue to strengthen Photofinishing turnover

In 2020, CEWE brand products and value-added products once again accounted for an increased share of overall turnover. The trend of higher-quality photo products thus continues to strengthen the turnover trend. The (partly coronavirus-related) success of single-photo products was particularly apparent in the year under review, 2020. Turnover per photo once again rose in 2020: by a double-digit 11.8% from 23.65 euro cents per photo in 2019 to 26.45 euro cents per photo in the year under review. The fourth quarter of 2020 likewise again reinforced this positive trend: turnover per photo climbed in the key Christmas quarter, by 17.1%, from 28.14 euro cents in the same quarter in the previous year to 31.78 euro cents. In 2020, all of the company's product groups – CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gifts – exceeded their respective turnover figures realised in the previous year.

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

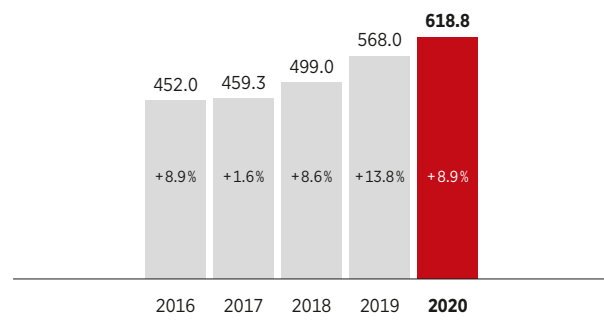


Photofinishing turnover increases by 8.9% to 618.8 million euros

As already detailed in the section on the company's sales, the individual quarters of 2020 were highly varied: the first quarter was almost "normal", until the coronavirus pandemic also took hold in Europe in mid-March. In the second quarter, the Covid situation influenced CEWE's core business unit, POS-based instant printing business suffered due to store closures, but the "stay-at-home" effect resulted in growing online photofinishing turnover. In the third quarter, the changes in holiday travel were the dominant factor and meant fewer (holiday) photos and thus also fewer photo orders and reduced turnover. A Christmas business season in the fourth quarter which once again improved year-on-year played a key role in the trend for the year as a whole.

The Photofinishing business unit achieved growth of +8.9% in 2020 and realised a total annual turnover volume of 618.8 million euros (2019: 568.0 million euros). The wall art specialist WhiteWall which was acquired in June 2019 provided an inorganic contribution to this growth in the period between January and May.

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



In 2020, Christmas business continued to gain in significance on the basis of the fourth quarter's increased volume share in general. In the key fourth quarter, turnover increased by 12.7% from 251.1 million euros in the same quarter in the previous year to the current 283.0 million euros. This once again confirms the long-term trend of a seasonal migration, including in terms of turnover: the fourth quarter's share of turnover has again risen and now amounts to 45.7% (2014: 40.4%, 2015: 42.3%, 2016: 42.0%, 2017: 42.5%, 2018: 43.7%, 2019: 44.2%).

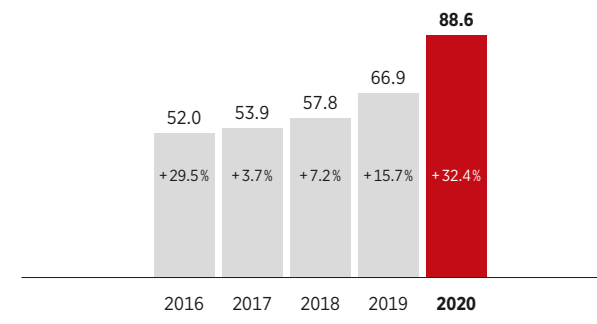
PHOTOFINISHING EARNINGS

- » Significant increase in Photofinishing earnings in 2020: EBIT reaches 88.6 million euros (2019: 66.9 million euros, +32.4%)
- » Photofinishing's operating margin rises in 2020 as a whole – partly due to cost savings – to 15.1% (2019: 12.4%)
- » Fourth quarter delivers 90% of Photofinishing's EBIT for the year as a whole

Photofinishing EBIT increases to 88.6 million euros in 2020, with strong Christmas business

CEWE realised most of its annual profits in the Christmas quarter (the fourth calendar quarter). With an EBIT figure of 88.6 million euros, the Photofinishing business unit achieved significant earnings growth (+21.7 million euros), following a prior-year EBIT volume of 66.9 million euros. The result for the year has thus continued to improve year-on-year. The increase in photo products online business in particular has had a positive impact on earnings in the Photofinishing business unit. Additional contribution margins have resulted from the increase in turnover through Christmas business in particular, due to strong production economies of scale. Moreover, the cost-reduction programme which was already initiated at the start of the coronavirus pandemic, in March 2020, has also improved the EBIT figure. Savings were achieved, above all, in those areas of the company that were particularly negatively affected by the coronavirus pandemic on account of the lockdown and store closures: for instance, in Photofinishing this included the unit which handles business resulting from photos directly printed out in retail outlets, or our field service personnel who were unable to perform their work duties due to store closures. The social security benefit (short-time allowance) with a total volume of 1.3 million euros, which was claimed due to the decrease in employment in these areas of the company in particular, partly made up for the personnel expenses which resulted here.

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



In the past financial year 2020, one-off factors accounted for a total of approx. -5.0 million euros due to amortisation on the purchase price allocation for DeinDesign (-0.2 million euros), Cheerz (-2.0 million euros) and WhiteWall (-2.1 million euros) as well as restructuring costs (-0.7 million euros). In the previous year, 2019, a combined figure of -3.6 million euros was recognised as extraordinary expenses, for amortisation on these purchase price allocations (DeinDesign -0.4 million euros, Cheerz -1.9 million euros and WhiteWall -1.2 million euros).

Adjusted for these one-off factors, at 93.6 million euros the operating EBIT figure for the Photofinishing business unit in 2020 was approx. 23.1 million euros better than in the previous year (adjusted operating EBIT in 2019: 70.5 million euros).

Further increase in Photofinishing's operating EBIT margin

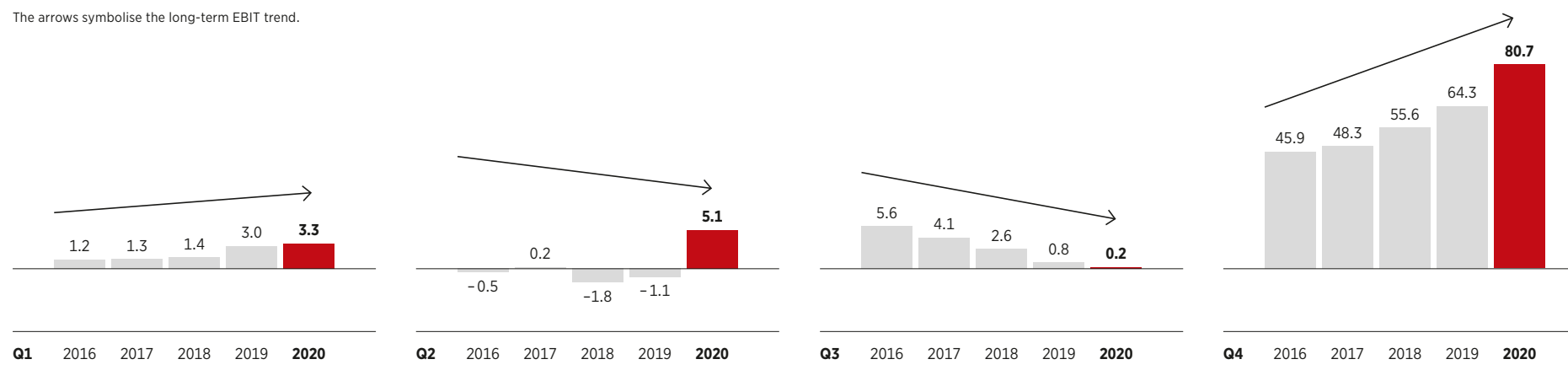
The trend of a changing product mix in the Photofinishing business unit which has been intact for some years now – i.e. the replacement of individual photo prints with value-added photo products such as CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gifts – and the additional (strong) contribution margins resulting from turnover growth during December's Christmas business especially, as well as the cost savings realised, resulted in a further increase in the operating EBIT margin in 2020 (before the extraordinary expenses outlined above): 15.1%, compared to 12.4% in the previous year.

EBIT in the fourth quarter provides much of the overall improvement

The distribution of earnings across the four quarters of the calendar year impressively demonstrates the importance of Christmas business for Photofinishing: the fourth quarter has provided 16.4 million euros out of the 22.4 million euros improvement in earnings over the year as a whole. The EBIT figure in the Christmas quarter thus increased to 80.7 million euros (Q4 2019: 64.3 million euros). This shift in demand is most clearly apparent at the level of earnings – driven by increasing sales of higher-margin value-added products in combination with production-related economies of scale during the Christmas season, as illustrated by this graphic showing the seasonal distribution of Photofinishing EBIT:

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

The arrows symbolise the long-term EBIT trend.



COMMERCIAL ONLINE PRINTING BUSINESS UNIT

DEVELOPMENTS IN THE COMMERCIAL ONLINE PRINTING BUSINESS UNIT

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

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

Focus on variety of different target groups for the online printing brands, with target-group-oriented B2B marketing

With its online printing brands SAXOPRINT, viaprinto and LASERLINE, CEWE is positioned on the European market for printed advertising media and business stationery ordered online and has a particularly strong presence in the DACH region: SAXOPRINT provides reasonably priced services for customers in Germany as well as the Group's other international markets, primarily in the offset printing segment; viaprinto is positioned in the digital printing segment as a provider of high-quality printed products with small print runs; and LASERLINE has a particularly strong presence in Berlin and Brandenburg and serves customers based in this region.

The lockdowns caused by the COVID-19 pandemic significantly reduced the volume of business and thus advertising activity in many countries in Europe. In particular, online printing struggled due to significant turnover fluctuations on account of the weakness of the event, tourism and travel industries in 2020. CEWE therefore accelerated the process of accentuating the focus of its Commercial Online Printing brands, while at the same time intensifying its target-group-focused marketing and acquisition of new customers. With CEWE-PRINT.de, in Germany CEWE is now exclusively focusing on one printing service, including an editor function. This uses templates intended for small businesses as well as for consumers' private use. SAXOPRINT is strengthening its positioning as a price leader by clearly communicating its best-price strategy in Germany, LASERLINE concentrates on providing support for regional customers, while viaprinto focuses on demanding B2B customers.

Expansion of SAXOPRINT's production facilities in Dresden

In 2020, CEWE concentrated the production of business stationery at SAXOPRINT in Dresden for all of its COP brands. This will further strengthen the company's printing plant in Dresden. The current concentration of production at SAXOPRINT will provide an even further boost in production efficiency and deliver an overall improvement in the performance of the Commercial Online Printing business unit. In 2020, all of the brands suffered due to the weak level of turnover which was driven by market factors as a result of the coronavirus pandemic.

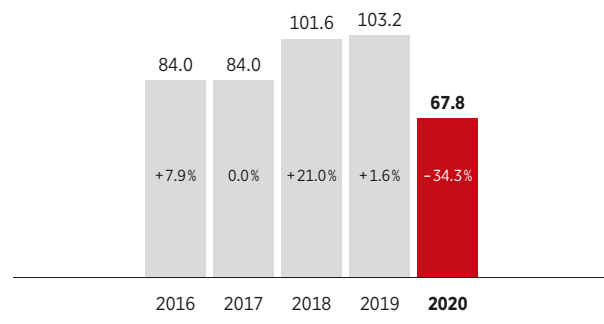
COMMERCIAL ONLINE PRINTING RESULTS

- » Commercial Online Printing strongly affected by the pandemic: turnover decreases by 34.3% to 67.8 million euros in 2020 (2019: 103.2 million euros)
- » Stringent cost management keeps result in check: EBIT of –3.7 million euros represents an improvement on the previous year which was affected by restructuring costs (2019: –7.7 million euros)
- » New momentum following the crisis: streamlining of the brand portfolio and concentration on SAXOPRINT, viaprinto and LASERLINE
- » Berlin's LASERLINE production operations successfully integrated at SAXOPRINT's Dresden location in 2020

Coronavirus crisis results in significant decline in Commercial Online Printing business

Commercial Online Printing has felt the full impact of the coronavirus pandemic. The decline in the volume of business activity in general has had a significant impact on the level of demand for print products such as printed advertising media. In this context, in 2020 the Commercial Online Printing business unit registered a strong, 34.3% turnover decline to 67.8 million euros (2019: 103.2 million euros). In late February – prior to the coronavirus shutdown – CEWE had registered slight single-digit turnover growth in its business stationery segment.

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

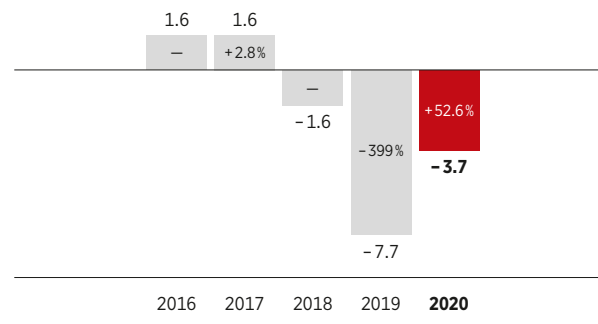


Stringent cost management during the coronavirus crisis keeps result in check

With a reported EBIT figure of –3.7 million euros, in 2020 the Commercial Online Printing business unit achieved an earnings figure which was 4.1 million euros higher than in the previous year, 2019, that had been shaped particularly strongly by the 5.0 million euros in restructuring accruals established for the merger of LASERLINE's production operations with SAXOPRINT's Dresden location.

Adjusted for one-off factors, at –4.6 million euros the operating EBIT figure in 2020 was "only" around 2.4 million euros lower than in the previous year (2019: –2.2 million euros): thanks to stringent cost management, the decline in earnings due to the coronavirus-related sharp drop in turnover was kept in check. Cost savings have been achieved for all of the P&L items: mail-order logistics costs, personnel expenses, other operating expenses as well as depreciation and amortisation. The approx. 1.3 million euros of social security benefits

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



which were provided through the shorttime allowance scheme helped to partly compensate for the personnel costs which CEWE incurred without any work being performed, as turnover dropped strongly.

One-off factors adjusted for in this assessment for 2020 comprise, on the one hand, the non-operating expense resulting from the purchase price allocation of LASERLINE, amounting to roughly –0.2 million euros. On the other hand, on coronavirus-related grounds it was necessary to change the depreciation methods for the major online offset printing machines in particular from a time-based method to a units-of-production-oriented method. This reduced the volume of amortisation and depreciation by approx. 0.6 million euros. In addition, as a one-off factor the release to income of the remainder of the restructuring accrual for LASERLINE which had been made in 2019 and was no longer required, in the amount of 0.6 million euros, was deducted for the purpose of the calculation of the operating EBIT figure. Overall, an adjustment amounting to a rounded figure of 0.9 million euros was thus made for 2020.

In the previous year, 2019, besides the above-mentioned –5.0 million euros in extraordinary expenses for the optimisation and restructuring measures at LASERLINE, the ongoing amortisation on the purchase price allocations for SAXOPRINT (–0.2 million euros) and LASERLINE (–0.3 million euros) was another one-off factor. In total, this thus represents an adjustment amounting to a rounded figure of –5.6 million euros for 2019.

Emerging strengthened from the coronavirus crisis: new momentum for CEWE's brands

To achieve a focused and efficient kick-start for its online printing brands following the coronavirus crisis, in the second half of 2020 CEWE streamlined its brand portfolio in Commercial Online Printing and concentrated on its SAXOPRINT, viaprinto and LASERLINE brands in particular. With CEWE-PRINT.de, in Germany CEWE is now exclusively focusing on one printing service, including an editor function. This uses templates intended for small businesses as well as for consumers' private use. CEWE is convinced that it will emerge strengthened from the coronavirus crisis thanks to this strategy and its long-term optimisation of its cost structure. In addition, the integration of Berlin's LASERLINE production operations at SAXOPRINT's Dresden location, which was initiated at the start of the year, was successfully implemented in the financial year 2020.

RETAIL BUSINESS UNIT

DEVELOPMENTS IN THE RETAIL BUSINESS UNIT

CEWE RETAIL has both retail outlets and online shops

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

CEWE RETAIL is the distribution channel for photofinishing products

CEWE RETAIL clearly focuses on the marketing of CEWE PHOTOBOOK, CEWE CALENDAR, CEWE WALL ART, CEWE CARDS and other photo gifts. The turnover and earnings contribution provided by this photofinishing product range is reported in the Photofinishing business unit. The Retail business unit only reports turnover and earnings from photo hardware business generated with fairly high-end cameras, lenses and other photo equipment. In future, CEWE will continue to develop this merchandise business with optimal margins, while deliberately avoiding unprofitable turnover.

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

Despite the coronavirus pandemic, in 2020 CEWE RETAIL maintained its market position, since it remains a port of call for photography enthusiasts thanks to its product range. In the year under review, CEWE RETAIL benefited from its advantages

resulting from a combination of attractive retail stores with well-trained staff and its Internet business, which has been established for many years now and which it has continuously improved. Instead of growth, CEWE RETAIL focused on optimising its existing branch network. As well as its existing customers, it is thus increasingly also appealing to new customer groups which are interested in photography.

RETAIL RESULTS

- » **CEWE RETAIL strongly affected by coronavirus-related store closures: turnover falls to 34.1 million euros in 2020 (2019: 43.7 million euros)**
- » **Marginally positive adjusted EBIT (230 thousand euros) even represents slight improvement year-on-year (2019: 35 thousand euros)**
- » **Accelerated continuation of optimisation strategy, with focus on photofinishing and online business: restructuring accruals for branch closures and valuation adjustments on inventories result in –4.4 million euros negative impact on EBIT**

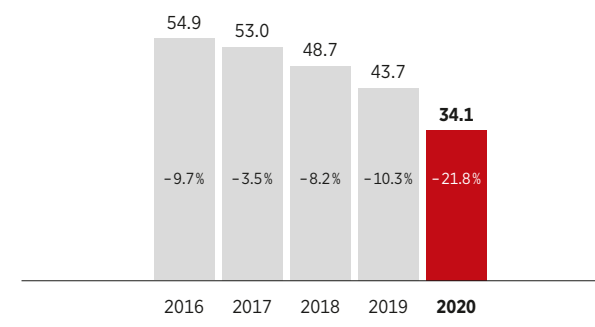
CEWE RETAIL: strongly affected by the closures in the retail sector

In 2020, Retail business suffered due to the coronavirus-related store closures during the lockdowns in particular: at 34.1 million euros, the volume of turnover realised was significantly lower than the previous year's figure, with a decrease of –21.8% (2019: 43.7 million euros). Adjusted for currency effects, the decline is somewhat lower, at –17.3% (2020 currency-adjusted turnover: 36.1 million euros).

Turnover in the Retail business unit has in any case been intentionally reduced for a number of years now, through the deliberate abandonment of low-margin business. However, this decline has been significantly more pronounced due to the effects of the pandemic on the overall retail sector. Due to the focus on photofinishing business and the abandonment of low-margin hardware business, the active decline in turnover prior to the start of the coronavirus crisis was still around –10%, in line with the company's strategy.

The same picture applies for the fourth quarter of 2020, considered in isolation: at 10.1 million euros, CEWE RETAIL remained 18.8% short of the turnover volume achieved in the same quarter in the previous year (Q4 2019: 12.4 million euros). Adjusted for currency effects, the decline is somewhat lower, at 10.7 million euros, or –13.8% on the same quarter in the previous year.

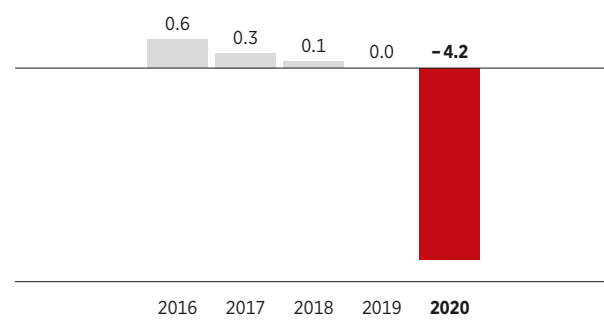
Retail turnover in millions of euros/
change on previous year as %



Marginally positive adjusted EBIT has even improved slightly year-on-year

With a marginally positive earnings figure of 230 thousand euros, the adjusted EBIT figure for the Retail business unit has even improved slightly year-on-year (2019: 35 thousand euros). Cost savings throughout the company's P&L items and partial offsetting of its personnel expenses through approx. 1.2 million euros of social security benefits within the scope of the short-time allowance scheme have helped to achieve this operating result despite the strong, coronavirus-related decline in turnover.

Retail EBIT in millions of euros



Emerging strengthened from the crisis: accelerated continuation of CEWE's optimisation strategy

The coronavirus pandemic is speeding up the trend of focusing on photofinishing and online business in CEWE RETAIL, which was in any case already under way. Overall, CEWE will thus close slightly more than 40 branches in all of the countries where CEWE's Retail business unit operates. Restructuring accruals with a volume of around 1.7 million euros were already established for these store closures in the second quarter, and valuation adjustments with a volume of approx. 1.5 million euros were recognised on inventories. Moreover, in

the fourth quarter of 2020 an additional 1.2 million euros in restructuring expenses was set aside for store closures. Accordingly, the EBIT reported for the Retail business unit declined overall in 2020 to -4.2 million euros (2019: 35 thousand euros).

Fourth quarter delivers important operating earnings contribution of 0.8 million euros, at the same level as in the previous year

In the Retail business unit, too, Christmas business – and thus the fourth quarter – plays a key role in the earnings trend for the year as a whole. With an operating EBIT figure (before restructuring accruals) of 0.8 million euros, which was mainly generated during December's Christmas business season, CEWE Retail was even able to increase its Q4 profitability by comparison with the same quarter in the previous year, with an EBIT margin of 7.5% (EBIT Q4 2019: 0.8 million euros; EBIT margin Q4 2019: 6.5%). Including the restructuring accruals of 1.2 million euros, the EBIT figure reported for the fourth quarter amounted to -0.4 million euros. No such one-off factors were applicable in the previous year.

OTHER ACTIVITIES BUSINESS UNIT

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

CEWE reports its structural and company costs as well as the result of its real estate holdings and other equity investments in its "Other Activities" business unit. Structural and company costs mainly comprise the costs associated with the company's committees as well as the costs of its general meetings and the costs of investor relations activities for all of the company's business units.

The earnings generated by the Group company futalis are also reported in this business unit, since its business activities cannot be allocated to CEWE's other business units. As a premium brand, online at www.futalis.de, futalis produces and markets highly personalised pet food which is tailored to each animal's specific veterinary requirements.

EBIT by business units in millions of euros

	2016	2017	2018	2019	2020
Photofinishing	52.0	53.9	57.8	66.9	88.6
Retail	0.6	0.3	0.1	0.0	-4.2
Commercial Online Printing	1.6	1.6	-1.6	-7.7	-3.7
Other Activities	-7.2	-6.6	-2.6	-2.4	-1.1
Group	47.0	49.2	53.7	56.8	79.7

In 2020, CEWE realised turnover in the amount of 6.6 million euros (2019: 5.5 million euros, +19.3%) in its Other Activities business unit. This turnover is entirely attributable to futalis.

In the past financial year, the EBIT contribution to consolidated income deriving from the expense items for structural and company costs and the result of real estate holdings and equity investments improved to -1.1 million euros (2019: -2.4 million euros). This improvement has resulted, in particular, due to the improvement in earnings achieved by futalis. It registered another highly positive performance, with its earnings at break-even level.

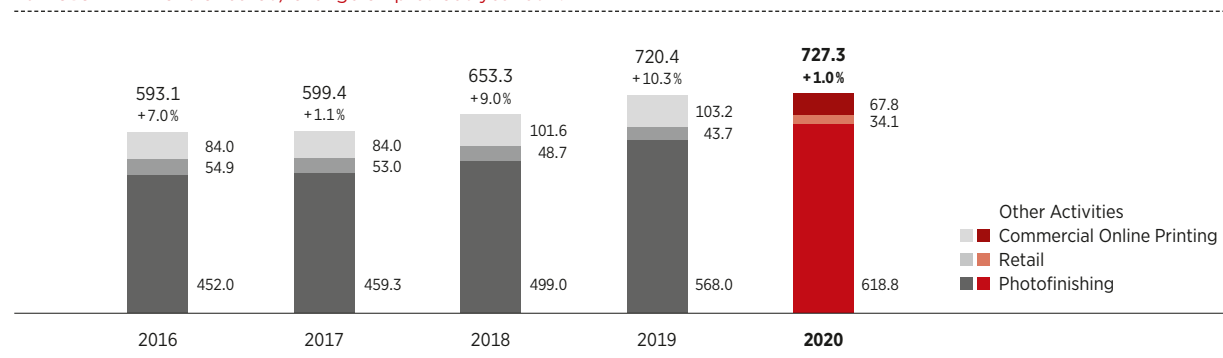
CONSOLIDATED PROFIT AND LOSS ACCOUNT

- » Continued growth and “stay-at-home” effect for Photofinishing result in increase in Group turnover to 727.3 million euros, despite coronavirus-related decreases in COP and Retail (2019: 720.4 million euros)
- » Due to strong Photofinishing result and rigorous cost management, 22.8 million euros improvement in Group EBIT on the previous year: 79.7 million euros (2019: 56.8 million euros)
- » Good Christmas business in the Photofinishing business unit once again delivers profit for the year: Q4 Group EBIT increases to 80.3 million euros (2019: 58.8 million euros)
- » Tax rate at expected normal level of 31.9%
- » Earnings per share increase to 7.20 euros (2019: 4.40 euros)

Overall in 2020, Group turnover increases slightly, by +1.0%, to 727.3 million euros

The turnover growth in the Photofinishing business unit entirely compensated for the declines in turnover in the Commercial Online Printing and Retail business units. In the financial year 2020, this resulted in **Group turnover (1)** of 727.3 million euros (2019: 720.4 million euros). It should be borne in mind that, in line with IFRS 5, the CEWE Group turnover outlined here and any other P&L items above earnings after tax are now once again shown including the Group company futalis, which had previously been held for sale. This reflects the fact that no sales negotiations took place in the past financial year due to the ongoing coronavirus situation.

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



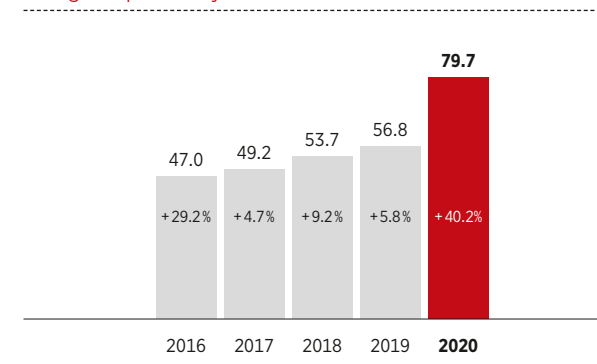
Group EBIT improves considerably, by 22.9 million euros

The CEWE Group's EBIT improved significantly in the financial year 2020, by 22.9 million euros to 79.7 million euros (2019: 56.8 million euros). The improvement in earnings in the Photofinishing business unit, together with rigorous cost management throughout the Group's business units, has very clearly more than made up for earnings in the Retail and Commercial Online Printing business units which were negatively affected by the coronavirus pandemic.

Group EBIT margin increases to 11.0%

The EBIT margin on the basis of the reported Group EBIT figure increased in the year under review to 11.0% (2019: 7.9%). On the basis of the Group EBIT figure before one-off factors (which have been outlined in detail in the chapters concerning the individual business units – in particular: amortisation on purchase price allocations, restructuring costs and valuation adjustments on inventories), the operating EBIT margin actually amounted to 12.1% (2019 operating EBIT margin: 9.2%).

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



Overall year in millions of euros

	2019	2020	Deviation in %
EBIT	56.8	79.7	+40.2
EBT	53.3	76.4	+43.3
Earnings after tax	31.7	51.9	+63.7
Earnings per share (euros/share)	4.40	7.20	+63.6

Sales targets in billions of units

	2019	2020	Deviation in %
Total volume of photos	2.40	2.34	-2.6
CEWE PHOTOBOOKS in millions of units	6.62	6.52	-1.6

Fourth quarter, with strong Christmas business, delivers the profit for the year

The fourth quarter plays a key role in the company's annual EBIT figure due to the clear seasonal peak in the Photofinishing business unit in particular. In the quarter under review, the reported consolidated EBIT figure increased to 80.3 million euros (Q4 2019: 58.8 million euros). This was an outstanding earnings trend in the fourth quarter, which impressively continued the tradition seen in the past few years of continuously improving Q4 earnings contributions.

Changes in individual P&L items largely reflect the (coronavirus-influenced) business trend

The change in the item "Change in inventories" (2) reflects a stronger decline in the volume of finished and unfinished goods than in the previous year. This has mainly resulted from the incoming orders in the period between Christmas and New Year's Eve 2020 as well as the production capacities which are available in this period.

The slight increase in other operating income (3) of around 0.8 million euros is largely attributable to the reversal of accruals as well as gains resulting from foreign-exchange differences. Since the losses resulting from foreign-exchange differences which are reported under other operating expenses have increased by almost as much, the balance of exchange rate gains and losses is almost unchanged on the previous year.

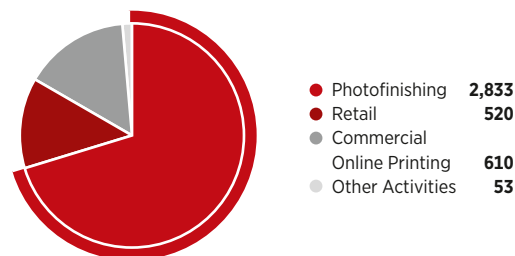
Consolidated profit and loss account in millions of euros

		2019	% of turnover	2020	% of turnover	Change as %	Change in millions of euros
Revenues	(1)	720.4	100	727.3	100	+1.0	+6.9
Change in inventories	(2)	0.2	0.0	-0.4	-0.1	—	-0.6
Other own work capitalised		1.0	0.1	1.3	0.2	+28.3	+0.3
Other operating income	(3)	22.2	3.1	23.0	3.2	+3.8	+0.8
Cost of materials	(4)	-187.5	-26.0	-170.1	-23.4	+9.3	+17.3
Gross profit		556.4	77.2	581.1	79.9	+4.5	+24.8
Personnel expenses	(5)	-197.0	-27.4	-196.1	-27.0	+0.5	+0.9
Other operating expenses	(6)	-245.4	-34.1	-249.9	-34.4	-1.9	-4.5
EBITDA		113.9	15.8	135.1	18.6	+18.6	+21.1
Depreciation	(7)	-57.1	-7.9	-55.4	-7.6	+3.0	+1.7
EBIT		56.8	7.9	79.7	11.0	+40.2	+22.9
Financial income	(8)	0.1	0.0	0.0	0.0	-47.9	-0.0
Financial expenses	(8)	-3.7	-0.5	-3.4	-0.5	+8.0	+0.3
EBT		53.3	7.4	76.4	10.5	+43.4	+23.1
Income taxes		-21.6	-3.0	-24.4	-3.4	-13.3	-2.9
Group earnings after taxes		31.7	4.4	51.9	7.2	+63.8	+20.2

The **material expense ratio (4)** has declined in line with the change in the turnover structure, from 26.0% in the previous year to 23.4% in the year under review: in particular, the coronavirus-related turnover declines in the Retail business segment, which has high cost-of-sales ratios, in conjunction with a growing volume of Photofinishing business, which has lower cost-of-sales ratios, have reduced the overall cost-of-sales ratio. Moreover, in the Photofinishing business unit, too, the increased level of demand for value-added products (CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gift articles) and fewer individual photo prints continues on the whole to reduce the cost-of-materials ratio.

The slight decrease in **personnel expenses (5)** in absolute terms is attributable, on the one hand, to job cutbacks in the Commercial Online Printing and Retail business units and considerable hiring restraint. On the other hand, the insurance benefits paid by the social security system, within the scope of the short-time allowance scheme, have partly compensated for personnel expenses in those areas where CEWE was unable to pursue its activities due to the coronavirus pandemic, or was only able to do so to a limited extent. On the other hand, personnel expenses have increased overall due to the hirings made in the Photofinishing business unit in particular, as well as pay-scale adjustments.

Average workforce of the CEWE Group in 2020
by business unit



On average, the CEWE Group had 4,016 employees in 2020 (2019: 4,105). Of this number, 2,652 employees or approx. 66% (2019: 2,749 employees or 67%) worked at the Group's domestic plants and 1,364 employees or 34% (2019: 1,357 employees or 33%) at the CEWE Group's foreign plants. The slight overall decrease in the average number of employees is due, in particular, to the integration of LASERLINE at SAXOPRINT's printing plant in Dresden and the related decline in the number of positions. In addition, in the Commercial Online Printing business unit SAXOPRINT itself likewise has fewer employees than in the previous year. The Retail business unit also had fewer employees than in the previous year. The slight increase in the volume of personnel in the Photofinishing business unit, which is attributable, in particular, to hirings made for CEWE's central functions in Oldenburg, has had the opposite effect.

Other operating expenses (6) have increased by around 4.5 million euros, mainly on business-related grounds. This trend reflects the mail-order shipping costs associated with the growth in Photofinishing online business especially. Due to the increase in Photofinishing turnover, the business partner commission reported under this item is also higher than in the previous year. Moreover, as already indicated in the "Other operating income" section, the losses resulting from foreign-exchange differences have increased year-on-year. In addition, slightly more valuation adjustments were recognised on receivables in the year under review, relative to the volume of turnover. The slight decrease year-on-year in overall advertising costs, across the company's business units, has had the opposite effect.

The 1.7 million euros year-on-year decrease in **depreciation and amortisation (7)** has mainly resulted from the relinquishment of LASERLINE's production location in Berlin. Not only has no further depreciation been recognised on the machinery which has been run down there, what is more, much of the 5.0 million euros in extraordinary expenses for optimisation and restructuring measures at LASERLINE had already been recognised in the depreciation item in the previous year, 2019, so that this item has decreased year-on-year. In addition, in the Commercial Online Printing business unit at SAXOPRINT the changeover of the depreciation method to a units-of-production-oriented method has also reduced the volume of depreciation and amortisation. On the other hand, the restructuring accruals recognised in the Retail business unit for the optimisation of CEWE's branch structure and the CEWE PHOTOKIOSK infrastructure installed on business partners' premises increased the volume of depreciation and amortisation for the CEWE Group.

The small improvement in the **financial result (8)** has resulted from a decrease in interest payments for the slight overall decline in financing requirements.

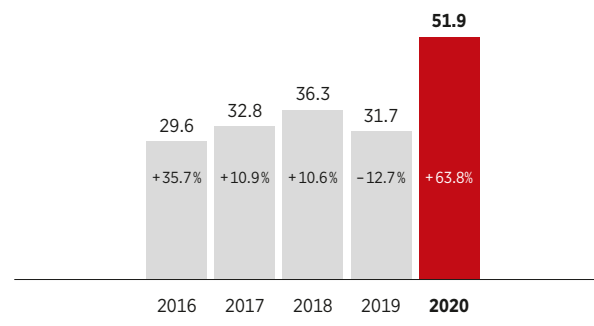
Group tax rate of 31.9%

The Group's tax rate for the reported EBT amounts to 31.9% for the financial year 2020 and is thus at the expected, normal level. In respect of the figure for the previous year, 2019, in the amount of 39.7%, in particular it should be borne in mind that the extraordinary expenses for optimisation and restructuring measures at LASERLINE in the amount of 5.0 million euros – which were not relevant for tax purposes since LASERLINE's operating earnings were negative – have resulted in an increase in the reported Group tax rate. Adjusted for this special balance-sheet item, a normalised tax rate of 31.7% applies for the previous year 2019.

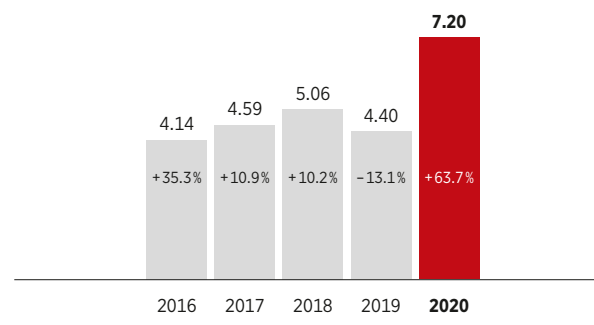
Earnings after tax of 51.9 million euros result in earnings per share of 7.20 euros

The CEWE Group realised earnings after tax of 51.9 million euros in the financial year 2020, an improvement of 20.2 million euros (2019: 31.7 million euros). (Undiluted) earnings per share accordingly amounted to 7.20 euros and thus significantly exceeded the previous year's level (2019: 4.40 euros). In the previous year, 2019, as already outlined above, the restructuring accruals made for LASERLINE especially were not tax-deductible. Adjusted for these 5.0 million euros of restructuring costs alone, earnings after tax (36.7 million euros) and earnings per share (5.11 euros) would notionally have been slightly higher in 2019.

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



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



BALANCE SHEET AND FINANCING

- » **Positive course of business despite coronavirus causes equity ratio to increase to 48.1%**
- » **Capital invested: significant rise in equity – moderate increase in Group's debt**

The following comments on CEWE's balance sheet and financing structure mainly refer to the development of the management balance sheet during the past financial year. Where necessary for a fuller picture, these figures are also compared with the situation as of September 30, 2020. It should be noted that, in line with IFRS 5, the consolidated balance sheet no longer presents futalis as a Group company held for sale and instead presents it as a fully consolidated Group entity. They are preceded by a section detailing general trends for the consolidated balance sheet by comparison with December 31, 2019.

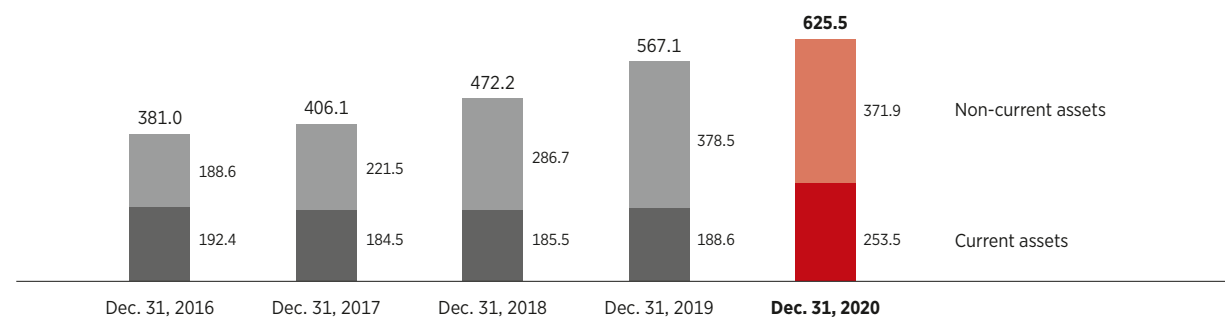
Further growth in Photofinishing prompts rise in volume of total assets

While the introduction of the new lease accounting rules (IFRS 16) and the acquisition of WhiteWall were the key factors influencing the development of the balance sheet in the previous year, in the financial year 2020 it was mainly shaped by the impact of the coronavirus pandemic on operating activities. As already outlined in the chapter on the profit and loss account, the financial year 2020 was characterised by continued growth in Photofinishing. Current assets thus increased by 64.9 million euros to 253.6 million euros. Cash and cash equivalents (102.8 million euros) alone accounted for 69.9 million euros of this increase. This reflected the strength of mail-order business and related payment methods which resulted

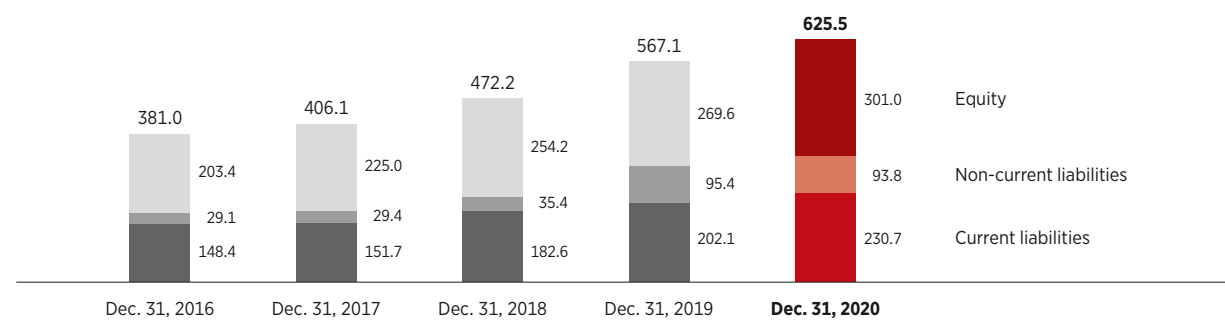
in a faster conversion into cash of the turnover generated through Christmas business at the end of the year. Non-current assets have declined by –6.6 million euros, in particular due to scheduled amortisation of intangible assets purchased through acquisitions as well as scheduled depreciation of IFRS 16 leasing

rights of use. Deferred tax assets did the opposite, as a result of the positive course of business. The company's total assets increased overall by 58.4 million euros to 625.5 million euros due to these effects.

Balance sheet figures – Assets in millions of euros



Balance sheet figures – Equity and liabilities in millions of euros



Positive course of business despite coronavirus causes equity ratio to increase to 48.1%

Equity has increased by a total of 31.4 million euros by comparison with December 31, 2019 and amounts to 301.0 million euros. In particular, this reflects positive comprehensive income in the amount of 49.1 million euros, less owner-related equity changes in the amount of -17.7 million euros, which mainly related to the dividend distribution of 14.5 million euros. The equity ratio at the end of the year was at 48.1% higher than the previous year's level of 47.5%, despite the above-mentioned 58.4 million euros balance sheet increase.

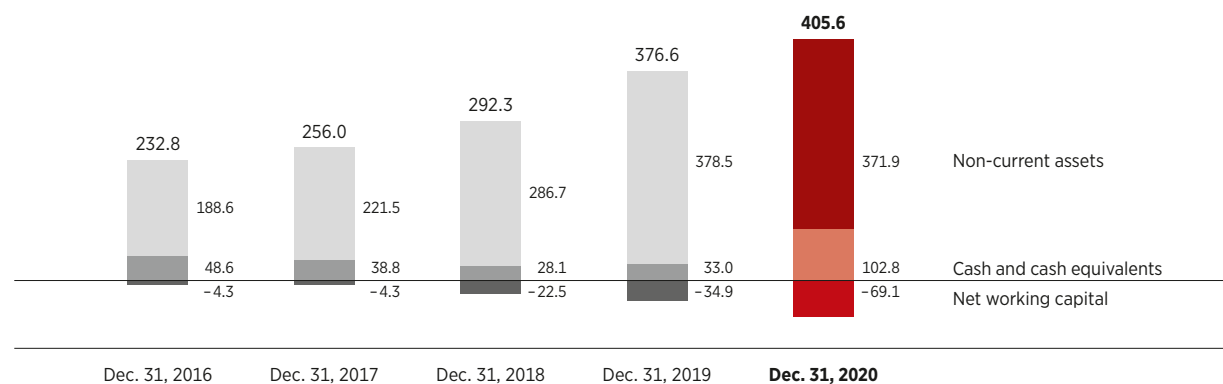
The Group's debt increased by 27.0 million euros by comparison with December 31, 2019 and amounts to 324.5 million euros. This mainly reflects the 28.6 million euros increase in current liabilities to 230.7 million euros due to tax liabilities (due to the positive course of business), trade payables (in particular, on account of the liabilities to business partners included in this item) and current other liabilities (this includes a value-added tax item as well as obligations to the company's employees). The 6.2 million euros decrease in other non-current liabilities compensated for the increase in pension commitments. Due to these trends, current liabilities have risen by 28.6 million euros to 230.7 million euros while non-current liabilities have declined by 1.7 million euros to 93.8 million euros.

Capital employed increases by 98.1 million euros due to build-up of cash and cash equivalents

On December 31, 2020, **capital employed (1)** totalled 405.6 million euros and was thus 29.0 million euros higher than in the previous year. As outlined below, the **cash and cash equivalents**

(2) included in this figure increased by 69.9 million euros to 405.6 million euros. **Net working capital (3)** amounted to -69.1 million euros in the year under review (previous year: -34.9 million euros). **Non-current assets (4)** have decreased by 6.6 million euros to 371.9 million euros.

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



Capital employed in millions of euros

		Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
Non-current assets	(4)	378.5	101	371.9	91.7	-1.7	-6.6
+ Net working capital	(3)	-34.9	-9.3	-69.1	-17.0	-98.1	-34.2
+ Cash and cash equivalents	(2)	33.0	8.8	102.8	25.3	212.0	+69.9
Capital employed	(1)	376.6	100	405.6	100	+7.7	+29.0

Decline in non-current assets due to scheduled amortisation of intangible assets purchased through acquisitions as well as scheduled depreciation of IFRS 16 leasing rights of use

The 6.6 million euros decrease in **non-current assets** (5) is mainly attributable to the scheduled amortisation of **intangible assets** (6) purchased through previous acquisitions (-7.6 million euros), the scheduled depreciation of **property, plant and equipment** (7) reportable as rights of use under leases according to

IFRS 16 (-5.9 million euros) and, on the other hand, to **deferred tax assets** (8) established due to the positive course of business (+4.7 million euros). For property, plant and equipment-related operating investments, the company has invested 11.1 million euros in point-of-sale presences, 8.6 million euros in digital printing and finishing, 5.4 million euros in IT infrastructure, 3.3 million euros in offset printing and finishing and 5.1 million euros in various items of property, plant and equipment. At 3.9 million euros, investments in intangible assets

mainly related to software. Overall, 38.5 million euros were invested in 2020, compared to 39.3 million euros in the previous year. Additions to rights of use under IFRS 16 amounted to 13.4 million euros.

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

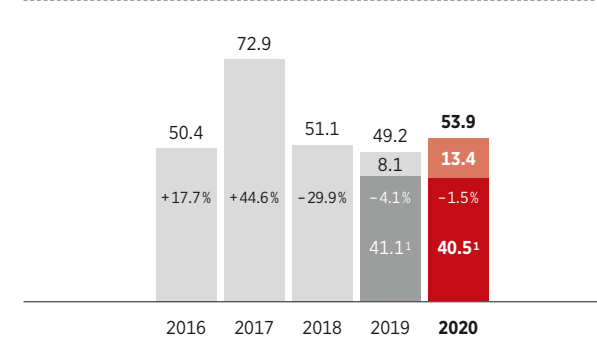
Non-current assets in millions of euros

		Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
Property, plant and equipment	(7)	222.5	59.1	216.7	53.4	-2.6	-5.9
Investment properties		17.2	4.6	17.4	4.3	+0.7	+0.1
Goodwill		77.8	20.6	77.8	19.2	+0.0	+0.0
Intangible assets	(6)	39.1	10.4	31.5	7.8	-19.3	-7.6
Financial assets		5.6	1.5	7.0	1.7	+26.2	+1.5
Non-current financial assets		1.5	0.4	1.5	0.4	+4.9	+0.1
Non-current other receivables and assets		0.7	0.2	1.2	0.3	+79.4	+0.5
Deferred tax assets	(8)	14.2	3.8	18.9	4.7	+32.9	+4.7
Non-current assets	(5)	378.5	101	371.9	91.7	-1.7	-6.6

Net working capital in millions of euros

		Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
Operating net working capital	(9)	26.3	7.0	14.1	3.5	-46.3	-12.2
- Other net working capital	(10)	-61.2	-16.3	-83.3	-20.5	-36.1	-22.1
Net working capital	(11)	-34.9	-9.3	-69.1	-17.0	-98.1	-34.2

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



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

Operating net working capital reduced by 46.3%

By comparison with December 31, 2020, operating net working capital (12) decreased by 12.2 million euros to 14.1 million euros. The 6.6% decrease in trade receivables (13) despite the rise in the volume of turnover demonstrates that the mail-order trend has been strengthened by the coronavirus pandemic, since this entailed the choice of a payment method which resulted in faster monetisation of sales for CEWE by comparison with point-of-sale business. The 7.2% growth in trade payables (14) includes an increase in conditions-related liabilities to business partners due to the volume of turnover as well as liabilities resulting from the end-customer payments collected for business partners during the successful Christmas business season, which are distributable to these business partners soon after the end of the year. While trade receivables declined, inventories (15) increased by 4.4%, mainly in order to ensure the company's unlimited supply capability during the coronavirus pandemic. By comparison with September 30, 2020, operating net working capital has decreased by -11.3 million euros. Accordingly, the scope underwent a positive change, calculated on the basis of the turnover in the previous quarter. The overall scope of operating net working capital as of late December 2020 thus decreased from 8 to 4 days.

Operating net working capital in millions of euros

	Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
Inventories	(15)	48.8	50.9	12.5	+4.4	+2.1
+ Current trade receivables	(13)	91.4	85.3	21.0	-6.6	-6.0
Operating gross working capital	140.1	37.2	136.2	33.6	-2.8	-3.9
- Current trade payables	(14)	113.9	122.1	30.1	+7.2	+8.2
Operating net working capital	(12)	26.3	14.1	3.5	-46.3	-12.2

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

	Dec. 31, 2019	Sep. 30, 2020	Dec. 31, 2020
Inventories	15	32	15
Current trade receivables	28	24	24
Current trade payables	35	40	35
Operating net working capital	8	17	4

As well as the decline in trade receivables and the increase in trade payables, the decrease in the scope was also attributable to the turnover growth in the fourth quarter in Photofinishing. The scope of inventories thus remained unchanged at 15 days, while the average payment period for trade receivables decreased from 28 to 24 days. In respect to current trade payables, the increased volume of business had a positive effect on the accounts-payable collection period, which likewise remained unchanged at 35 days.

Other net working capital provides stronger contribution to financing

Since the start of the year, **other net working capital (16)** has decreased by a further 22.1 million euros and has provided a stronger contribution to the company's financing, in the amount of -83.3 million euros. **Other gross working capital (17)** decreased by 1.0 million euros to 14.5 million euros. This was chiefly due to the **current financial assets (18)** (-2.2 million euros) which resulted from the receivables from payment service providers included in this amount. On the other hand, **other current receivables and assets (19)** increased by 1.7 million euros to 10.3 million euros due to the short-term value-added tax claims included in this item as well as deferrals. **Current tax liabilities (20)** deductible from other gross working capital increased by 16.5 million euros due to the business trend and thus provided the strongest contribution to financing within the other net working capital item. **Current other liabilities (21)** increased by 5.2 million euros. This includes the business-related increase in value-added tax liabilities as well as wage and salary liabilities. In connection with the company's optimisation strategy in its Retail business unit, which resulted in store closures, restructuring accruals in the amount of 3.9 million euros were established under **current other accruals (22)**. **Current financial liabilities (23)** mainly comprise put/call options in connection with acquisitions. These have been measured at fair value.

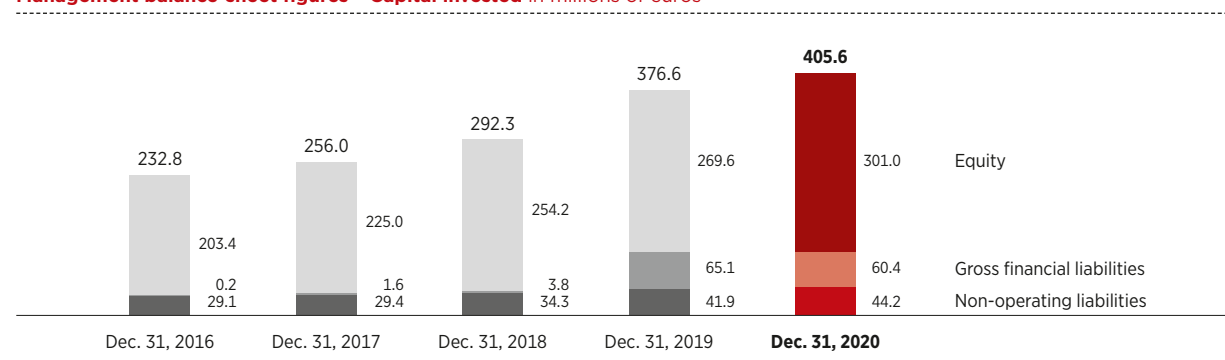
Other net working capital in millions of euros

	Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
+ Current receivables from income tax refunds	1.5	0.4	1.0	0.3	-32.0	-0.5
+ Current financial assets (18)	5.4	1.4	3.2	0.8	-41.1	-2.2
+ Other current receivables and assets (19)	8.6	2.3	10.3	2.5	+19.2	+1.7
Other gross working capital (17)	15.5	4.1	14.5	3.6	-6.6	-1.0
- Current tax liabilities (20)	7.5	2.0	23.9	5.9	+221	+16.5
- Current other accruals (22)	6.3	1.7	6.0	1.5	-5.2	-0.3
- Current financial liabilities (23)	11.2	3.0	10.9	2.7	-2.4	-0.3
- Current other liabilities (21)	51.7	13.7	56.9	14.0	+10.0	+5.2
Other current liabilities	76.7	20.4	97.8	24.1	+27.4	+21.0
Other net working capital (16)	-61.2	-16.3	-83.3	-20.5	-36.1	-22.1

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

On December 31, 2020, the **capital invested figure (24)** – which, by definition, is identical with the capital employed figure – totalled 405.6 million euros and was thus 29.0 million euros higher than in the previous year. This increase was primarily attributable to the 31.4 million euros rise in **equity (25)** to 301.0 million euros as well as the 2.3 million euros increase in **non-operating liabilities (26)** to 44.2 million euros. This includes the amount added to the **pension accruals (27)** and, on the other hand, the decline in **non-current financial liabilities (28)** upon expiry of the time limit in question. **Gross financial liabilities (29)** fell by just 4.7 million euros to 60.4 million euros. This was mainly due to the lease-related repayment of **lease liabilities (30)**.

Management balance-sheet figures – Capital invested in millions of euros



Capital invested in millions of euros

		Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
Equity	(25)	269.6	71.6	301.0	74.2	+11.6	+31.4
Non-current accruals for pensions	(27)	35.5	9.4	40.1	9.9	+12.7	+4.5
+ Non-current deferred tax liabilities		3.5	0.9	2.8	0.7	-20.6	-0.7
+ Non-current other accruals		0.5	0.1	0.5	0.1	-7.4	-0.0
+ Non-current financial liabilities	(28)	1.9	0.5	0.3	0.1	-84.3	-1.6
+ Non-current other liabilities		0.5	0.1	0.6	0.2	+38.8	+0.2
Non-operating liabilities	(26)	41.9	11.1	44.2	10.9	+5.6	+2.3
+ Non-current interest-bearing financial liabilities		1.1	0.3	0.8	0.2	-30.9	-0.3
+ Non-current liabilities from leasing	(30)	52.5	13.9	48.8	12.0	-7.0	-3.7
+ Current interest-bearing financial liabilities		0.8	0.2	0.4	0.1	-51.1	-0.4
+ Current liabilities from leasing	(30)	10.7	2.8	10.4	2.6	-2.1	-0.2
Gross financial liabilities	(29)	65.1	17.3	60.4	14.9	-7.2	-4.7
Capital invested	(24)	376.6	100	405.6	100	+7.7	+29.0

Cash flow from operating activities reverses net financial liability into a net cash position of -42.4 million euros

Through a change of -74.5 million euros, the net financial liability (31) has been reversed from 32.1 million euros into a net cash position of -42.4 million euros. This is due to the strong

cash flow from operating activities in 2020 (see the “Cash flow” section on [page 55](#) for further information), which increased cash and cash equivalents (32) by 69.9 million euros. Gross financial liabilities (33) have declined by 4.7 million euros due to the repayment of lease liabilities (lease accounting according to IFRS 16).

Net cash position in millions of euros

	Dec. 31, 2019	% of capital employed	Dec. 31, 2020	% of capital employed	Change as %	Change in millions of euros
Gross financial liabilities (33)	65.1	17.3	60.4	14.9	- 7.2	- 4.7
- Cash and cash equivalents (32)	33.0	8.8	102.8	25.3	+212	+69.9
Net financial liabilities (+)/ Net cash position (-) (31)	32.1	8.5	- 42.4	- 10.5	+ 232	- 74.5

Financial flexibility ensures strategic leeway

CEWE's existing credit facilities provide it with additional financial leeway. At the end of the year, the total credit line of the CEWE Group amounted to 180.0 million euros (previous year: 180.0 million euros). After deducting the total loan volume drawn down (1.2 million euros, previous year: 1.9 million euros), credit lines not drawn down amounted to 178.8 million euros (previous year: 178.1 million euros). The Group's financing structure offers major strategic leeway. As well as drawn-down fixed-rate loans (1.2 million euros, previous year: 1.9 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose is financing of the company's liquidity requirements, which fluctuate strongly over the course of a given year due to seasonal factors. In addition to this overall volume, additional facilities of up to 120.0 million euros are available for acquisition projects.

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

CASH FLOW

- » Positive business trend despite coronavirus, cash flow from operating activities increases to 142.3 million euros
- » 67.7 million euros improvement in free cash flow, above all due to payments made by mail-order customers and tax payments

Positive business trend despite coronavirus, cash flow from operating activities increases to 142.3 million euros

In the financial year 2020, at 142.3 million euros **cash flow from operating activities (1)** was 39.6 million euros higher than in the same period in the previous year (102.7 million euros). The effects outlined below are described in descending order in terms of their impact on cash flow from operating activities. The **EBITDA growth (2)** (+21.1 million euros) is in line with the increase in earnings in Photofinishing and the cost savings achieved in every area of the company. In the year under review, at 12.2 million euros **operating net working capital (3)** released 11.6 million euros more in cash than in the previous year (0.6 million euros). As already outlined in the section concerning the balance sheet (☞ [see page 48](#)), on the one hand the coronavirus-related increase in the volume of mail-order business resulted in faster monetisation of Photofinishing and Retail sales. At the same time, the volume of liabilities to business partners had thus increased as of the balance sheet date. This was due to the company's handling of the receivables collection process in the context of the significant increase in mail-order business on account of coronavirus.

Cash flow from operating activities in millions of euros

		2019	2020	Change as %	Change in millions of euros
EBITDA	(2)	113.9	135.1	+18.6	+21.1
+/- Non-cash factors		3.5	-1.6	—	-5.0
+ Decrease in operating net working capital	(3)	0.6	12.2	>+1,000	+11.6
+ Decrease in other net working capital	(5)	5.7	8.6	+48.9	+2.8
- Taxes paid	(4)	-21.1	-12.0	43.3	+9.1
+ Interest received		0.1	0.0	-45.9	-0.0
= Cash flow from operating activities	(1)	102.7	142.3	+38.5	+39.6

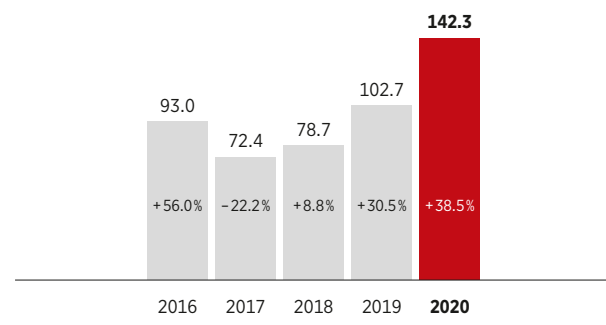
In order to establish a liquidity cushion during the coronavirus crisis, tax payments were postponed until 2021 by means of deferrals and other measures. Accordingly, 9.1 million euros less in **tax payments (4)** was payable than in 2019. From the pre-coronavirus perspective, increased tax payments would have been made. The effects of the rise in liabilities to business partners – which had a positive impact on cash flow in 2020 – and the increase in tax liabilities as a result of the company's profits will give rise to cash outflows in the financial year 2021. In the year under review, **other net working capital (5)** resulted in payment inflows in the amount of 8.6 million euros, compared to a figure of 5.7 million euros in the previous year. This is mainly attributable to value-added tax liabilities which were already collected in the fourth quarter due to customer payments but will only be transformed into cash outflows in the first quarter 2021.

Cash flow from operating activities increased by 37.9 million euros in the fourth quarter

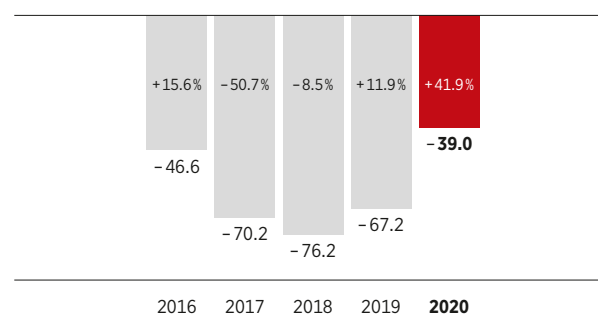
At 94.8 million euros, EBITDA in the fourth quarter of 2020 provided 19.0 million euros more in cash than in the same quarter in the previous year. Here, the cash flow from the normal seasonal decrease in inventories was at -1.8 million euros slightly lower than in the previous year (-3.0 million euros). While the volume of business continued to increase in the fourth quarter, trade receivables released 2.6 million euros in cash due to the change in payment behaviour outlined above (previous year: -6.9 million euros). Trade payables increased by 10.5 million euros. On the one hand, this reflected the fact

that the rise in conditions-related liabilities to business partners included in this figure was already implemented in the previous year. On the other, this increase was also due to the money already collected for business partners of mail-order customers. In addition, trade payables increased in relation to mail-order service providers. Other working capital provided +11.2 million euros more in cash, mainly due to the value-added tax amounts collected. Taxes paid declined by +4.6 million euros. The 37.9 million euros increase in cash flow from operating activities in the fourth quarter 2020 has thus resulted from all of the indicated areas in equal measure.

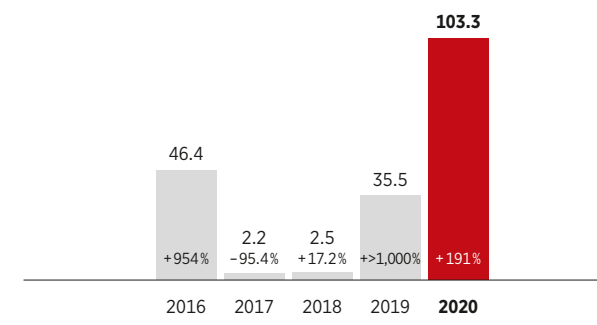
Cash flow from operating activities in millions of euros / change on previous year as %



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



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



Acquisition-free year reduces cash flow from investing activities

In 2020, net cash used in investing activities (6) decreased by 28.1 million euros on the previous year and amounted to 39.0 million euros. In particular, with a figure of -3.5 million euros, 29.4 million euros less was paid for purchases of consolidated interests (7) than in the previous year (WhiteWall). The remaining purchases related to residual minority interests in Cheerz. Operating outflows from investments in fixed assets (8) increased slightly, by 2.9 million euros, and include various operational delays from the previous year. For instance, the installation of CEWE photostations on business partners' premises and a real estate conversion suffered delays in the financial year 2019 and were completed in 2020. At 2.9 million euros, in the past financial year the inflows due to the sale of property, plant and equipment (9) increased by 1.8 million euros on the previous year. The above-mentioned effects have partially offset one another. The outlined issues associated with the company's operating activities have thus reduced the volume of net cash used in investing activities by 28.1 million euros.

67.7 million euros improvement in free cash flow, above all due to payments made by mail-order customers and tax payments

Overall, free cash flow increased by 67.7 million euros to 103.3 million euros. This resulted from the 39.6 million euros increase in cash flow from operating activities to 142.3 million euros. As outlined above, this was strengthened by around 25.0 million euros, due to the temporary effects on account of the coronavirus pandemic as well as the net cash used in investing activities which amounted to just -39.0 million euros, above all due to the lack of further acquisitions in the financial year 2020.

Cash flow from investing activities in millions of euros

	2019	2020	Change as %	Change in millions of euros
- Outflows from investments in fixed assets (8)	-35.6	-38.5	-8.1	-2.9
- Outflows from purchases of consolidated interests/acquisitions (7)	-32.8	-3.5	89.5	29.4
+/- Outflows from investments in financial assets	0.3	0.1	-79.9	-0.3
+/- Inflows from investments in non-current financial instruments	-0.2	-0.1	67.0	0.1
+ Inflows from the sale of property, plant and equipment and intangible assets (9)	1.1	2.9	159	+1.8
= Cash flow from investing activities (6)	-67.2	-39.0	+41.9	+28.1

Cash flow from financing activities in millions of euros

	2019	2020	Change as %	Change in millions of euros
- Dividends paid (13)	-14.1	-14.5	-2.7	-0.4
- Purchases of treasury shares (11)	0.0	-2.4	-	-2.4
+ Amounts paid in for stock option plans	-1.1	-0.8	28.8	0.3
+ Inflows from change in financial liabilities (12)	-12.7	-14.1	-11.2	-1.4
- Interest paid	-2.8	-1.4	50.5	1.4
+ Other financial transactions	0.0	0.0	-	0.0
= Cash flow from financing activities (10)	-30.7	-33.2	-8.1	-2.5

Purchase of treasury shares results in -2.5 million euros increase in cash flow from financing activities

In 2020, cash flow from financing activities (10) amounted to 33.2 million euros, a 2.5 million euros cash-out increase on the previous year. This has mainly resulted from the purchase of treasury shares (11) with a volume of 2.4 million euros. This includes the repayments in the amount of 13.3 million euros due to the leasing liabilities (12) reportable as financial liabilities

under IFRS 16. The dividend payment (13) amounted to 14.5 million euros in the year under review and increased by 0.4 million euros on the previous year. As outlined in the "Balance sheet and financing" section (see page 48), with its available financial resources CEWE was able at all times to fulfil its liquidity requirements which arose over the course of the year due to the seasonal nature of its business.

RETURN ON CAPITAL EMPLOYED

- » Average capital employed almost unchanged at 385.9 million euros
- » Positive earnings trend causes ROCE to rise to 20.6%

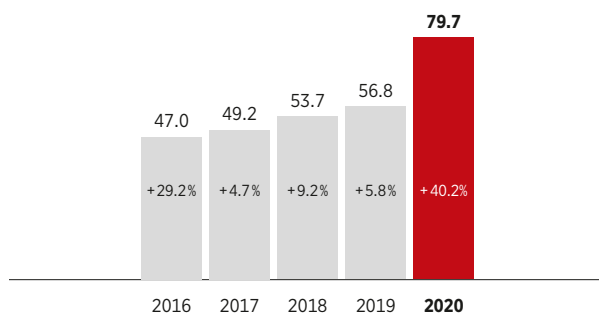
Average capital employed almost unchanged at 385.9 million euros

As of December 31, 2020, as outlined in the balance sheet chapter (☞ see page 53), the capital employed figure was 405.6 million euros and thus 29.0 million euros higher than as of December 31, 2019. This mainly reflects the high level of liquidity. On December 31, 2019, at 385.9 million euros the average volume of capital employed – calculated on the basis of the four quarterly reporting dates within a given 12 month period – was only 1.2 million euros higher than in the previous year.

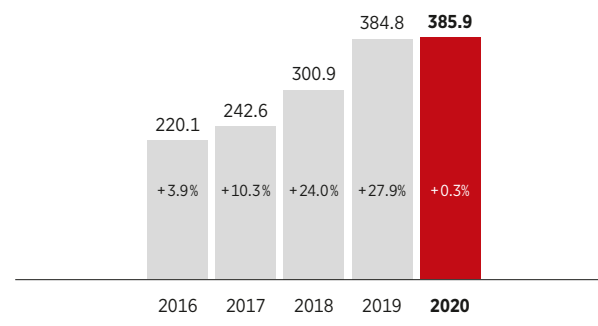
Positive earnings trend causes ROCE to rise to 20.6%

The return on capital employed (ROCE) has increased from 14.8% to 20.6% since December 31, 2019. The value of 20.6% reflects the 12 month EBIT figure of 79.7 million euros and the average volume of capital employed of 385.9 million euros. The ROCE growth thus entirely made up for the effect arising from the IFRS 16 rights of use, which has resulted in a rise in the volume of capital employed since 2019. ☞ see Consolidated profit and loss account, page 44

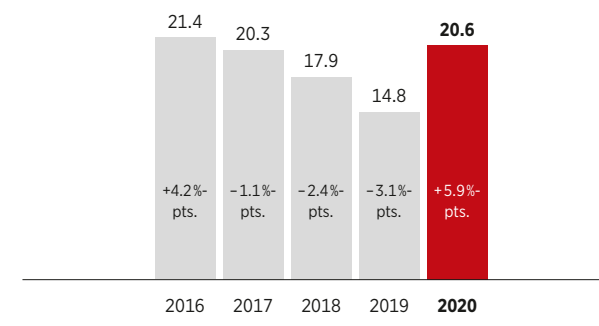
12-month EBIT in millions of euros/
change on previous year as %



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



ROCE as %/
change on previous year in percentage points



OVERALL STATEMENT ON THE ECONOMIC SITUATION

On the basis of the Group's development in the financial year 2020, the Board of Management considers that its economic situation remains positive.

The "Results" chapter includes a detailed discussion of developments in terms of turnover and earnings in the Group's various business units, its P&L structure, its balance sheet and financing structure and its cash flow and return on capital employed. [see Results, page 35](#)

In our Photofinishing core business unit, the trend of a changing product mix – fewer simple photo prints and more value-added products: CEWE PHOTOBOOK, photo calendars, wall art, greeting cards and other photo gifts – remains intact to some degree. CEWE achieves a stronger level of value creation with these value-added products, which consumers purchase from various business partners and also directly from CEWE. The company's preparations for its Christmas business over the course of the first ten months of each year entail very high "outlays". CEWE thus has the opportunity here to realise a slightly increased margin. CEWE sees an opportunity in the use of mobile telephones as a high-quality camera as well as an ordering application, and every area of the company is adapting to this process of change.

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

CEWE has developed Commercial Online Printing as its third business unit. This is a growing market segment in the job printing market. CEWE brings to this a number of areas of expertise which it has already developed in Photofinishing: online marketing, online ordering systems and order acceptance, processing of digital orders, digital printing production, mail-order shipping and the full range of support systems, such as online payments, customer service through various communication channels, etc., have formed part of CEWE's core competences in the area of Photofinishing for some years now. Through SAXOPRINT's online printing operations, CEWE has added online offset printing to its areas of expertise, to enable efficient production of large print runs. The course of business

in 2020 was characterised by a significant decline in turnover in which the ongoing, global coronavirus pandemic was a key factor. Thanks to strongly automated and highly efficient production at SAXOPRINT in Dresden, CEWE has a good chance of further success in this market, once we move past the lockdown situations which are currently predominant. The considerable strength of its Photofinishing business means that CEWE can proceed patiently in taking its next few steps for its Commercial Online Printing business unit.

At the start of 2021, CEWE's business development continued to match the Board of Management's expectations. For some years now, following the seasonal peak during Christmas business the first quarter has also been gaining in significance for the company's core business unit, Photofinishing. All in all, this has strengthened the Board of Management's resolve in terms of the targets which it has indicated for the financial year 2021 in the "Report on expected developments" chapter.

[see Report on Expected Developments, page 64](#)

SUSTAINABILITY

CEWE strives to achieve sustainable success, which it continuously builds upon by means of a strategic approach and a large number of measures which it pursues in relation to a series of five distinct values.

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

Honest and fair conduct

The declared goal is to safeguard and develop the company's economic success, while ensuring that this is consistent with our responsibility to people and the environment. CEWE is strongly committed to rigorous ethical principles. Fulfilment of compliance requirements is continuously reviewed.

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

Economic viability

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

Environmental protection and resource conservation

CEWE aims to significantly reduce its CO₂ footprint and thus to actively support the agreement signed by the UN climate conference in Paris as well as the global development agenda. Since September 2016, all CEWE brand products have been manufactured on a climate-neutral basis. The CO₂ emissions which result during the manufacturing process are offset. The company's production and logistics processes have likewise been continuously improving their ecological footprint for some years now.

Responsibility for the company's workforce

Qualified personnel management and intensive support for young expert talent help CEWE to succeed as an attractive employer. This involvement in the company's success through the Employee Stock Option Plan and support for every individual employee in accumulating capital for their retirement are core objectives of the company. With a rate of participation in our employee share programme in excess of 73.5%, our employees demonstrated the depth of their trust in the company and their desire to actively shape its success.

Social commitment

Socially responsible conduct and social commitment have always been part of CEWE's DNA and corporate culture. CEWE supports the following three areas, as core priorities for its social

commitment: people, the environment and photo culture. The company has had a partnership with SOS Children's Villages worldwide since 2013.

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

As Europe's leading photography service provider, CEWE has long been dedicated to photography as a form of cultural expression. The high level of emotionality which customers bring to their photography and to their design of photo products motivates our company to preserve and support photography as a form of cultural expression. The company's "CEWE Photo Award" was the world's largest photography competition in 2019, with almost 450,000 entries. The new competition was launched in 2020 and will run until the end of May 2021. For every photo, CEWE donates 10 euro cents to SOS Children's Villages worldwide.

Further information in the current sustainability report

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

EVENTS AFTER THE BALANCE SHEET DATE

EVENTS OF PARTICULAR SIGNIFICANCE AFTER THE BALANCE SHEET DATE

Other than the coronavirus pandemic which continues as of the start of 2021, no other events of particular significance have occurred since the end of the financial year. The potential effects of the coronavirus pandemic on CEWE's course of business have been factored into the forecast, opportunities and risk report on the basis of the information currently available.

FORECAST, OPPORTUNITIES AND RISK REPORT

RISK REPORT

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

Management's overall assessment of risks and opportunities

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

The coronavirus pandemic represents a major event. It may mean that individual risks are amplified through their combination, their interaction with one another or their impact on one another. CEWE has given particular consideration to this in its risk assessment and evaluation.

Its regular risk assessment as of December 31, 2020 has established that, despite the impact of the coronavirus pandemic, individual risks – or risks arising in conjunction with others – do not point to any impairment of the net assets, financial position and results of operations of the CEWE Group in a manner which would jeopardise its existence.

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

Strategic risks

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

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

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

Operating risks

In the Photofinishing and the Commercial Online Printing business units, the key operating risks relate to general price risks as well as various risks associated with technical infrastructure

and the functionality of production- and customer-related systems. Consistent price controlling plays a key role in all of CEWE's activities in relation to price risk.

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

In the area of environmental risk, no violations of environmental standards were identified in 2020. This risk is monitored by means of regular internal checks at all of the company's production plants; it is classified as low.

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

Financial risks

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

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

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

Legal risks

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

REPORT ON OPPORTUNITIES

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

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

Opportunities whose realisation is probable have been factored into CEWE's corporate planning and outlook for 2021. This report on opportunities therefore relates to events which may potentially give rise to a positive deviation from these planning figures.

CEWE sees management of opportunities as a core aspect of its corporate activities. Identifying, weighing up and seizing opportunities is a key and ongoing management task. Management of opportunities thus includes documentation of concepts and minutes of meetings.

Opportunities in the Photofinishing business unit

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

Opportunities in the Commercial Online Printing business unit

During the coronavirus pandemic, CEWE is focusing even more strongly on the efficiency of its customer-related processes and its cost structures. Through SAXOPRINT, CEWE is also expanding into neighbouring European countries in its Commercial Online Printing business unit. The new portals offer opportunities to achieve turnover and income beyond the scope of the current planning.

Opportunities in the Retail business unit

CEWE operates photo retail stores through its own Retail operations in Norway, Sweden, Poland, the Czech Republic and Slovakia. In principle, it aims to optimise its Retail presence through its own stores on the market, in line with end-consumers' purchasing behaviour. In Norway, Sweden and Poland, CEWE has established online stores for photography-related articles. Optimisation of these stores is expected to generate opportunities for further turnover increases and income in the online segment.

REPORT ON EXPECTED DEVELOPMENTS

At the start of 2021, the international community continues to be shaped by the global spread of coronavirus. Government measures and restrictions to contain the virus are continuing to affect everyday life in many countries. Due to its responsibility to counter the spread of the virus where possible, CEWE has likewise implemented extensive measures so as to prevent the infection of employees and the outage of plants or business units.

In the financial year 2020, on the turnover side the closure of outlets had a negative impact on POS-based turnover, such as Retail hardware business as well as CEWE photostations. The number of photos taken by consumers – which serve as the basis for future photo product orders – may likewise be negatively influenced by the duration of lockdown situations. The decline in demand from business customers, e.g. due to the cancellation of events, trade fairs, concerts, etc., may mean the continuing loss of turnover in the Commercial Online Printing business unit. Border closures and lockdown situations may also disrupt supply chains for procurement and sales purposes. The present situation may result in liquidity problems for business partners, due to the interruption in operational finance options.

With the measures which it has taken, CEWE is well prepared in order to provide all of its employees with the best possible protection and to ensure that its products can be ordered and delivered. With 13 Photofinishing production plants, CEWE has a strong presence throughout Europe. Even if one plant were unable to produce or were unable to do so in full, customer orders can be directly rerouted electronically to other production plants, and orders can be produced and sent from there.

Even in case of potential restrictions affecting the business partners served by CEWE, customers will still be able to place online orders with these partners or else with CEWE directly. CEWE delivers directly to customers' homes through its shipping partners. The increase in the volume of online business and the "stay-at-home" effect already prompted growth in every product category in CEWE's Photofinishing core business unit in the financial year 2020.

Three different components of long-term business development

Irrespective of the ongoing coronavirus pandemic, CEWE is continuing to pursue the ongoing development of the CEWE Group on the basis of the following three strategic priorities:

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

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

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

(2) Profitable growth in Commercial Online Printing

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

(3) Development of business units

Above all, for potential investments CEWE is interested in online business models which – just like CEWE – produce customised, high-quality products with a substantial customer benefit and thus build a strong brand, while offering the potential of developing CEWE's business in future.

Continuing focus on Europe

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

World economy: recovery from the coronavirus pandemic likely

While the forecast is still subject to some uncertainty due to possible virus mutations, the experts at the International Monetary Fund (IMF) expect that the world economy will gradually recover from the pandemic in 2021 as vaccination rates increase. Following the negative trend in 2020, with a world economic growth rate of -3.5%, the experts anticipate growth of 5.5% in 2021.

In the developed economies, growth will generally be slightly lower. Here, the IMF predicts growth of 4.3% for 2021 (2020: -4.9%), while for 2022 it forecasts a rate of +3.1%. In 2021, the Eurozone will realise a similar level of growth, with an expected 4.2%, followed by a rate of 3.1% in 2022 (2020: -7.2%). The IMF experts expect the emerging markets and the developing countries to provide slightly stronger growth momentum, with a growth rate of 6.3% in 2021 (2020: -2.4%).

The IMF also expects a slight recovery for Germany: following a decline of -5.4% in 2020, for 2021 the IMF predicts growth of +3.5%.¹

Assessment of CEWE's management regarding the overall economic conditions

CEWE's European sales markets play a critical role in its business. Here, the past year 2020 in particular demonstrated that the market for high-quality photo products is almost entirely independent of economic conditions. The "stay-at-home" effect actually had a positive effect on results in the Photofinishing business unit. CEWE's Photofinishing core business unit can therefore be expected to continue to develop positively overall in 2021.

The Commercial Online Printing and Retail business units have been somewhat negatively affected by the pandemic and the series of lockdowns. It remains to be seen how rapidly business will recover here in 2021. To date, the Photofinishing business unit's strong performance has clearly more than made up for this trend. A continuing positive trend for private households' purchasing power can be expected, since interest rates and inflation remain low. This is also supported by the fact that the unemployment figures have risen only slightly despite the pandemic. The management therefore assumes that the positive trend will continue in the company's Photofinishing core business unit.

The low key interest rate level and the ECB's purchase programmes mean that CEWE continues to have low-cost debt funding options. These may serve to safeguard all of its operational liabilities and also be of relevance for acquisitions. Organic growth and all related investments as well as the dividend which has continuously risen for many years will continue to be funded out of the company's operating cash flow.

Photofinishing is expected to continue to develop positively

Thanks to CEWE PHOTOBOK, the European market leader, as well as CEWE's other brand products and its strong Internet expertise, as in previous years CEWE is well placed in order to actively promote this process of ongoing change in its product mix, away from simple photo prints to value-added products such as photo books, photo calendars, wall art, greeting cards and other photo gifts. The upshot of this is that this trend of value-added products should continue to strengthen Photofinishing in 2021 and offer the prospect of a stable EBIT margin, which will ideally register a further slight increase.

Expected further increase in the significance of the fourth quarter

Over a calendar year, the share of turnover and earnings accounted for by the second and third quarters has generally continued to decline over the course of the past few years, even if 2020 has been partially distorted by coronavirus-related one-off factors. This was compensated for by the growing significance of the fourth quarter for annual business – sales of higher-margin value-added products increasingly focused on the fourth quarter – and by the first quarter's growing significance for earnings, on the whole. Leaving aside coronavirus effects, this trend in CEWE's core Photofinishing business unit has persisted for a number of years and is thus shaping global strategy for the Group as a whole. Commercial Online Printing only moderately offset this trend: Commercial Online Printing business also focused on the fourth quarter, albeit to a lesser degree. This was attributable to the advertising materials for CEWE's printing customers' Christmas business. These orders were mainly placed at the start of the fourth quarter. Here too, coronavirus effects have not been taken into consideration.

Retail is continuing to focus on sales of photofinishing products as well as online business

In 2020, the Retail business unit once again provided a significant turnover contribution through sales of CEWE photo products. Turnover and earnings for these photofinishing products – which CEWE distributes through its own retail operations – are reported in the Photofinishing business unit. For a few years now, CEWE has deliberately reduced the hardware turnover which is reported in its Retail business unit and which is generated by means of cameras, lenses, photo equipment, etc. The company continues to consistently optimise this in order to increase its earnings margins. In addition, at the start of 2021 the hardware retail segment remains affected by continuing lockdowns, on account of businesses shuttered due to coronavirus. In this context, the necessary adjustments will be

¹ IWF – World Economic Outlook, January 2021

made in a focused manner in the financial year 2021: with the restructuring expenses of 2.9 million euros for which CEWE made provision in its 2020 annual financial statements, in the past year under review CEWE already began to relinquish a good 40 branches in its own retail network. CEWE will complete this downsizing to around 100 retail stores over the remainder of 2021.

Commercial Online Printing well placed

The Commercial Online Printing business unit currently remains strongly affected by coronavirus in its B2B print segment. In 2020 alone, turnover in this business unit fell by a good 30% due to coronavirus. In the past financial year, CEWE already implemented necessary measures so as to enable Commercial Online Printing to emerge strengthened from the coronavirus crisis: rigorous cost management is intended to deliver a sustained improvement in its overall cost base; the merger of LASERLINE's production operations with SAXOPRINT's printing plant in 2020 has improved the overall level of production efficiency; and the streamlining of the brand portfolio, concentrating on the SAXOPRINT, viaprinto and LASERLINE brands especially, is intended to enable a focused and efficient kick-start for its online printing brands following the coronavirus crisis.

EBIT earnings target range in 2021:

72 to 84 million euros

On average, Group turnover will increase slightly in 2021, from 727.3 million euros in the previous year, 2020, to between 710 million euros and 770 million euros. The turnover trend for the core Photofinishing business unit will improve slightly, on average. The Retail business unit is expected to once again register a decline in turnover generated by photo hardware, while Commercial Online Printing will achieve slight turnover growth in most markets once the lockdown situation is eased. In 2021, Group EBIT will fall within a range of between 72 million euros and 84 million euros, the EBT figure will amount to

between 70 million euros and 82 million euros and earnings after tax to between 48 million euros and 56 million euros. Due to the increased volume of business and, in particular, the continuing pandemic-related uncertainty, the traditional 6 million euros EBIT target range was increased to 12 million euros.

The ranges for these targets for the financial year 2021 represent approximate target figures and reflect the current level of uncertainty associated with the general coronavirus situation and the potential impact on CEWE's course of business. At the

time of preparation of this annual report, it is not possible to provide a reliable prediction as to when and how rapidly the end of the pandemic will emerge or even whether it is likely to get worse, e.g. due to the spread of virus mutations.

The operational investments planned for 2021 (i.e. outflows from investments in property, plant and equipment and intangible assets less inflows from the sale of property, plant and equipment and intangible assets; excl. business and company acquisitions) are expected to amount to approx. 48 million euros.

Goal for 2021 CEWE Group

		2021	Change as %
Photos	billion units	-2.3 to -2.4	-2 to +3
CEWE PHOTOBOOK	million units	-6.4 to -6.7	-2 to +3
Operational investments ¹	millions of euros	-48	
Turnover	millions of euros	710 to 770	-2 to +6
EBIT	millions of euros	72 to 84	-10 to +5
Earnings before taxes (EBT)	millions of euros	70 to 82	-8 to +7
Earnings after taxes	millions of euros	48 to 56	-8 to +7
Earnings per share	euros/share	6.60 to 7.73	-8 to +7

¹ Outflows from investments in property, plant and equipment and intangible assets less inflows from the sale of property, plant and equipment and intangible assets; excl. business and company acquisitions

Minimum goal of dividend continuity

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

In this annual report, CEWE is publishing a combined management report for the CEWE Group and for the individual company CEWE Stiftung & Co. KGaA. This means that a forecast is necessary for the individual company CEWE Stiftung & Co. KGaA, as required by law: for the financial year 2021, CEWE expected that CEWE Stiftung & Co. KGaA would realise turnover of between 350 million euros and 400 million euros. Earnings before interest and taxes of between 60 million euros and 72 million euros are expected for 2021.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

COMPLIANCE

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

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

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

RISK MANAGEMENT SYSTEM

Goals and strategy of the risk management system

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

Organisation and structure of the risk management system

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

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

Key features of the internal control system

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

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

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

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

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

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

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

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

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

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

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

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

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

ACQUISITION-RELATED DISCLOSURES

DISCLOSURES IN ACCORDANCE WITH § 315A (1) HGB

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

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

Composition of subscribed capital

Type of share	ISIN	Form of share	Volume of this class of shares	Share of subscribed capital in euros	Share of subscribed capital as %	Rights and obligations
Bearer shares	DE 0005403901	No-par value shares	7,423,919	19,302,189.40	100.0	The shares confer full voting and dividend rights unless mandatory provisions of the German Stock Corporation Act stipulate otherwise (e.g. shares which the company holds as treasury shares)
			7,423,919	19,302,189.40	100.0	

In the year under review, the share capital was increased by 23,248.00 euros and by 8,980 no-par value shares within the scope of the existing Contingent Capital 2020. This increase was implemented for the purpose of the Employee Share Programme 2020. Shares issued to employees within the scope of employee share programmes are subject to holding periods. A total of 42,681 shares must be held until the employee share-

holder has reached the age of 65 or begun to draw his statutory pension (previous year: 37,730). Due to the changes made to the offering to the company's employees, there are still five employee-held shares which must be held up to the end of the year following their transfer (previous year: 7,872 shares). The company is not aware of any more extensive restrictions of voting rights or transfer restrictions within the meaning of § 315a (1) no. 1 HGB.

Direct or indirect equity investments (§ 315a (1) no. 3 HGB)

According to the company's published notices and the available information, the following direct and indirect equity investments held in the company exceed 10% of the voting rights:

Shareholder subject to reporting requirement

	Type of interest	Notified voting rights as a proportion of the subscribed capital as %
AN Assets GmbH & Co. KG and CN Assets GmbH & Co. KG, Oldenburg	Direct	27.2
Neumüller Beteiligungsgesellschaft mbH, Oldenburg	Indirect	27.2

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

There are no shares conferring special rights.

**Form of control of voting rights in case of employee
participation (§ 315a (1) no. 5 HGB)**

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

**Statutory regulations and provisions in the company's
articles of association regarding the appointment
and removal from office of members of the Board of
Management and amendments of the articles of
association (§ 315a (1) no. 6 HGB)**

The company's general partner, Neumüller CEWE COLOR Stiftung, Oldenburg, is authorised to manage the affairs of CEWE Stiftung & Co. KGaA, Oldenburg, and to represent it (§ 8 of the articles of association of CEWE Stiftung & Co. KGaA). Unless imperatively stipulated in the articles of association or by law, the legal relationships between the company and its general partner will be regulated in a separate agreement; the company shall be represented by the Supervisory Board in

this respect. Article 9 of the articles of association of CEWE Stiftung & Co. KGaA provides for the withdrawal of the company's general partner. Neumüller CEWE COLOR Stiftung thus assumes this role irrespective of any capital contribution; but the imperative statutory grounds for the withdrawal of the general partner remain unaffected (§ 9 (1) of the articles of association). It will not be entitled to any credit balance in case of partition in the event of its withdrawal (§ 9 (2) of the articles of association). In the event of Neumüller CEWE COLOR Stiftung's withdrawal from its position as the company's general partner or if its withdrawal is foreseeable, to prevent the liquidation of CEWE Stiftung & Co. KGaA, § 9 (3) includes the following provision: the Supervisory Board of CEWE Stiftung & Co. KGaA is entitled and obliged immediately/as of this withdrawal to appoint a company limited by shares – which are held in their entirety by CEWE Stiftung & Co. KGaA – as the new general partner of CEWE Stiftung & Co. KGaA with a sole authorisation for management of its business and a sole power of representation (clause 1). Should Neumüller CEWE COLOR Stiftung withdraw from its position as the company's general partner without the simultaneous appointment of a new general partner, CEWE Stiftung & Co. KGaA's limited shareholders will assume the continuing management of the company on a temporary basis (clause 2). In this case, the Supervisory Board shall immediately apply to the competent court for the appointment of a substitute representative to represent the company up to the appointment of a new general partner, particularly in

the event that CEWE Stiftung & Co. KGaA need first acquire or establish a company limited by shares to serve as its general partner (clause 3). The Supervisory Board is authorised to adjust the wording of the articles of association in accordance with the replacement of the company's general partner (clause 4).

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

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

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

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

- » the resale of the shares over the stock exchange or by means of an offer submitted to all of the shareholders, with the consent of the Supervisory Board and while complying with the principle of equal treatment (§ 53a AktG);
- » the retirement of the shares, in whole or in part, on one or more occasions, with the consent of the Supervisory Board. The fact or the procedure of these shares' retirement will not require a further resolution to be passed by the general meeting. These shares may therefore be called in through simplified procedures, without any capital reduction, by adjusting the pro rata notional value of the other no-par value shares in the company's share capital;

- » to dispose of the shares, with the consent of the Supervisory Board, in return for a payment in kind; in particular, these shares may be offered or granted to third parties within the scope of company mergers or at the acquisition of companies;
- » to offer the shares for purchase to employees of the company or its affiliates within the meaning of §§ 15 ff. AktG, with the consent of the Supervisory Board, or to promise these shares or transfer them with a lockup period of not less than one year; the treasury shares may also be promised and transferred to eligible persons in fulfilment of dividend claims arising from shares of the company;
- » with the consent of the Supervisory Board, to offer the shares for purchase to employees, including the members of the Board of Management and the management of Neumüller CEWE COLOR Stiftung, within the scope of a stock option plan. In this case, the waiting period is four years. The Supervisory Board will specify the details of share-based remuneration for the members of the Board of Management;
- » with the consent of the Supervisory Board, to dispose of the shares purchased in accordance with the above authorisation in a form other than via the stock exchange or by means of an offer submitted to all of the shareholders.

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

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

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

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

ANNUAL FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGAA

RESULTS OF OPERATIONS, ASSET AND FINANCIAL POSITION

RESULTS OF OPERATIONS

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

Revenues increased by 24.9 million euros or 6.94% to 383.3 million euros in the financial year 2020. This was mainly due to the growth achieved by the Photofinishing business unit in Germany.

Other operating income increased by 1.2 million euros, from 6.6 million euros in the previous year to 7.8 million euros. This corresponds to 2.0% of turnover (previous year: 1.8%), due to income from the reversal of accruals.

The material expense ratio has increased slightly, by 1.2% to 26.5% (previous year: 25.3%). In absolute terms, the **cost of materials** has increased to 101.7 million euros (previous year: 90.9 million euros) due to an increased volume of business.

Accordingly, **personnel expenses** also increased, by 4.4 million euros to 103.5 million euros (previous year: 99.1 million euros). The personnel expense ratio amounted to 27.0%, a decline of 0.7% (previous year: 27.7%).

Depreciation and amortisation have increased by 1.7 million euros on the previous year to 21.6 million euros (previous year: 20.0 million euros).

Other operating expenses increased slightly, by 0.9 million euros, to 105.9 million euros (previous year: 105.0 million euros). However, in relation to turnover they declined by 1.7% to 27.6% (previous year: 29.3%), despite increased mail-order logistics costs in 2020.

The **financial result** improved from 9.2 million euros in the previous year to 11.9 million euros. This is mainly due to earnings provided by affiliates.

Earnings before income taxes have once again increased, to the current 70.4 million euros (previous year: 59.5 million euros) and amount to 18.4% of turnover (previous year: 16.6%).

Due to the higher earnings before tax figure, tax expenses have increased to 22.1 million euros (previous year: 18.9 million euros), of which income taxes amount to 22.0 million euros (previous year: 18.7 million euros), with an unchanged income tax ratio.

Net income for the year has also once again improved, at 48.3 million euros (2019: 40.7 million euros), with a post-tax profit-to-turnover ratio of 12.6% (previous year: 11.3%).

ASSET POSITION

CEWE KGaA's **total assets** increased by 97.9 million euros on the previous year to 624.1 million euros.

The proportion of **fixed assets** remains unchanged at 272.1 million euros (previous year: 275.4 million euros).

Current assets increased by 100.0 million euros to 348.0 million euros. This is chiefly due to the 59.7 million euros increase in cash and cash equivalents to 73.7 million euros as well as the 36.4 million rise in receivables from affiliates to 198.0 million euros. Inventories also rose, by 6.8 million euros to 20.2 million euros.

Equity has increased by 30.4 million euros to 342.2 million euros, due to the unappropriated profits realised less the dividend paid in the financial year 2020 for 2019, with an equity ratio of 54.8% (previous year: 59.3%). Further information is provided in the notes.

As in the previous year, in 2020 the development of tax accruals (+11.3 million euros) and pension accruals (+3.3 million euros) once again shaped the accruals trend. Total **accruals** amount to 69.6 million euros as of the reporting date (previous year: 52.8 million euros).

Liabilities have increased by 50.8 million euros to 211.9 million euros. This is mainly due to the 41.5 million euros increase in amounts owed to affiliates (of which cash pool liabilities +41.3 million euros as well as the 9.8 million rise in trade payables to 40.0 million euros).

Investments

Of the investments in fixed assets excluding financial assets, throughout the various locations of CEWE Stiftung & Co. KGaA, 25.3 million euros consisted of property, plant and equipment while 1.9 million euros comprised intangible assets.

In the past financial year, with a figure of 10.8 million euros much of the company's investments in property, plant and equipment was invested in the area of POS activities, followed by 6.9 million euros which was invested in digital printing and 3.7 million euros in IT infrastructure. Further investments were allocated to buildings, the fleet of vehicles and other installations.

Financial assets have decreased by 1.8 million euros on the previous year due to loans to affiliates as well as the acquisition of an investment.

As of December 31, 2020, commitments amounted to 1.6 million euros. Of this amount, 1.4 million euros consisted of property, plant and equipment (of which 0.8 million euros for packaging technology) while 0.2 million euros comprised intangible assets.

Financing

CEWE's existing credit facilities provide it with additional financial leeway. At the end of the year, the total credit line of the CEWE Group amounted to 180.0 million euros (previous year: 180.0 million euros). After deducting the total loan volume drawn down (1.2 million euros, previous year: 1.9 million euros), credit lines not drawn down amounted to 178.8 million euros (previous year: 178.1 million euros). The Group's financing structure offers major strategic leeway. As well as drawn-down fixed-rate loans (1.2 million euros, previous year: 1.9 million euros), the company has long-term revolving credit lines which have been granted for up to seven years as well as continuously renewed one-year lines whose overall purpose is financing of the company's liquidity requirements which fluctuate strongly in the course of a given year, due to seasonal factors. In addition to this overall volume, additional facilities of up to 120.0 million euros are available for acquisition projects.

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

For CEWE Stiftung & Co. KGaA, the cash flow from operating activities calculated according to GAS 21 has improved to 98.6 million euros in the financial year 2020 (2019: 67.6 million euros). It thus exceeded the cash flow from investing activities of -17.2 million euros (previous year: -48.9 million euros). Cash flow from financing activities amounts to -21.7 million euros (previous year: -15.3 million euros). Cash and cash equivalents have thus improved to 73.7 million euros (previous year: 14.0 million euros).

REMUNERATION REPORT

In accordance with applicable legal requirements (§§ 285 clause 1 no. 9, 289a (2), 314 (1) no. 6 and 315a (2) of the German Commercial Code), the rules laid down in the German Accounting Standards (GAS) 17.10 and 14 ff. and the guidelines provided in the German Corporate Governance Code (GCGC), as amended on December 16, 2019, as well as previous versions of this Corporate Governance Code, the remuneration report sets out the basic features of the remuneration system for the Board of Management of Neumüller CEWE COLOR Stiftung as the general partner of CEWE Stiftung & Co. KGaA and its Supervisory Board. In the year under review and the previous year, no external remuneration expert was consulted for an assessment of the appropriateness of the remuneration received by the Board of Management and the Supervisory Board.

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

REMUNERATION OF THE BOARD OF MANAGEMENT

Remuneration system

The remuneration paid over to the members of the Board of Management is determined by the Board of Trustees of Neumüller CEWE COLOR Stiftung. This continues to comprise fixed and performance-related variable components. As well as the tasks handled by the members of the Board of Management, the criteria for determination of overall remuneration are the economic success of the CEWE Group and its peer

group. The company's remuneration structure is intended to promote its sustainable and positive long-term development. No remuneration components are granted which may result in a dilution of the share capital. Nor has the company concluded any agreements on discretionary or guaranteed bonus payments. It thereby complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG). No remuneration was forthcoming from other companies in the CEWE Group.

Elements of the Board of Management's remuneration system

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

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

In terms of its annual and multi-year shares (bonus I and bonus II), the bonus is based on earnings before taxes (EBT) as well as depreciation on property, plant and equipment and amortisation on intangible assets of the CEWE Group for the year under review and the previous year. Overall, it is limited to a maximum of 100% of the fixed remuneration in a given year. This only includes bonus shares which are relevant for depreciation purposes and which have been earned through earnings before tax (earned depreciation). A multi-year assessment basis for the variable remuneration components is established for most of the employment contracts in that bonus I (annual special payment) and bonus II (multi-year special payment) are calculated separately from one another. The one-year bonus entitlement (bonus I) is based on earnings before taxes (EBT) as well as depreciation and amortisation in the CEWE Group. On the other hand, the multi-year bonus entitlement (bonus II) is directly calculated on the basis of earnings before taxes (EBT), with no interest accumulated. The balance resulting from bonus II is retained for the multi-year term of the contract of the respective member of the Board of Management and will be paid out at the end of the period. For Mr Berkhouwer, for the year under review the provision concerning the variable remuneration components of bonus I and bonus II applies for the last time, such that only 80% of the

calculated overall entitlement will be paid out in the year following the financial year in question (bonus I). The 20% remaining amount (bonus II) is credited to his personal bonus account. The bonus account balances will attract interest at a rate of 5.0% per annum and be paid out at the end of the period, including the interest credited. The employment contract signed with Mr Berkhouwer for the following financial year 2021 includes the same provision regarding variable remuneration components as for the other members of the Board of Management. From an economic point of view, there is no significant difference between these two slightly different bonus arrangements.

In the event of the premature retirement of the respective member of the Board of Management, pro rata payment rules apply. Extraordinary developments (such as the disposal of shares in the company and the realisation of hidden reserves) are not included in the calculation of bonus I and bonus II. In the event of a deterioration in the position of CEWE Stiftung & Co. KGaA, Neumüller CEWE COLOR Stiftung may reduce these amounts appropriately, if their continued grant would otherwise be unreasonable.

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

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

		Number of participants	Number of rights issued	Fair value euros/opt.	Fair value in euros	Underlying price euros/opt.	Performance premium as %	Performance target euros/opt.
SOP 2019	Board of Management	7	8,400	12.82	107,688.00	81.00	125	101.25
SOP 2017	Board of Management	7	8,400	20.20	169,680.00	74.00	125	92.50
SOP 2016	Board of Management	8	9,600	18.06	173,376.00	74.00	125	92.50
Total	Board of Management		26,400		450,744.00			

the scope of the currently applicable option programmes are as indicated below; for further details of the programmes, please [see pages 137 ff.](#)

Upon expiry of the waiting period of four years, the SOP 2015 was wound up in the year under review, 2020.

The company has taken out a Group financial loss liability insurance policy for all of the members of the Board of Management, the managing directors and the executives of the CEWE Group, both in Germany and in other countries. This policy is concluded or extended annually. This insurance covers the personal liability risk in the event of this group of persons being sued for financial losses resulting from their activities (D&O insurance). Cover for the members of the Board of Management and the Supervisory Board of CEWE Stiftung & Co. KGaA complies with the requirements of the German Act on the Appropriateness of Management Board Remuneration. The insured Board of Management member thus bears 10% of a potential loss, up to one-and-a-half times their fixed annual remuneration. The individual member of the Board of Management is free to arrange additional cover privately, on their own account. Insurance cover also applies through D&O insurance as well as insurance covering legal expenses under criminal law for all of the company's employees (total annual expenditure: 85 thousand euros, previous year: 62 thousand euros). The

company's statutory representatives and the members of its supervisory body are also jointly insured against any violations which they commit, or are alleged to have committed, in the performance of their duties. The company has also taken out an accident insurance policy (total annual expenditure: 7 thousand euros, previous year: 7 thousand euros) for all of its executives. This includes all of the members of the Board of Management.

Individual remuneration of the Board of Management for 2020

In addition to applicable accounting principles, the following presentation of the remuneration paid out in the financial year 2020 also reflects the guidelines provided in the German Corporate Governance Code (GCGC). The remuneration granted and received is presented in line with the model tables recommended in the Code to date. The maximum possible figures are also indicated. Except for fixed remuneration, no minimum limits apply. The two tables distinguish between potential and prospective payments (remuneration granted) and the payments actually made for the financial year (remuneration received). The indicated fair values of the share-based remuneration granted have been calculated according to applicable accounting principles.

The total remuneration granted for the members of the Board of Management of Neumüller CEWE COLOR Stiftung for the performance of its tasks within the parent company and the subsidiaries, as fixed gross and variable remuneration in the

financial year 2020, amounts to a total of 5,539 thousand euros (previous year: 4,855 thousand euros). The breakdown of the payments granted is as follows for the individual members of the Board of Management:

Remuneration granted in euros

	Dr Christian Friege Chairman of the Board of Management and Head of National and International Distribution, Neumüller CEWE COLOR Stiftung				Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung				Dr Reiner Fageth Head of Technology and R&D, Neumüller CEWE COLOR Stiftung				Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
Fixed gross remuneration																
Fixed remuneration	360,000	420,000	420,000	420,000	240,000	270,000	270,000	270,000	258,000	270,000	270,000	270,000	252,000	270,000	270,000	270,000
Fringe benefits	14,570	14,621	14,621	14,621	25,323	15,308	15,308	15,308	16,654	17,328	17,328	17,328	16,903	16,806	16,806	16,806
Total fixed gross remuneration	374,570	434,621	434,621	434,621	265,323	285,308	285,308	285,308	274,654	287,328	287,328	287,328	268,903	286,806	286,806	286,806
Variable remuneration																
One-year variable remuneration	143,376	149,762	0	420,000	112,390	144,078	0	216,000	97,086	117,498	0	270,000	112,390	117,498	0	270,000
Multi-year variable remuneration																
Bonus II	35,844	86,074	0		28,097	36,019	0	54,000	48,532	70,424	0		28,097	70,424	0	
Stock option plan	11,478	15,324	0	15,324	14,226	15,324	0	15,324	14,226	15,324	0	15,324	14,226	15,324	0	15,324
Total variable remuneration	190,698	251,160	0	435,324	154,713	195,421	0	285,324	159,844	203,246	0	285,324	154,713	203,246	0	285,324
Pension expenses	423,660	462,653	462,653	462,653	318,535	375,973	375,973	375,973	313,257	356,989	356,989	356,989	298,731	324,552	324,552	324,552
Total remuneration (GCGC)	988,928	1,148,434	897,274	1,332,598	738,571	856,702	661,281	946,605	747,755	847,563	644,317	929,641	722,347	814,604	611,358	896,682

Remuneration granted in euros

	Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung				Thomas Mehls Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung				Frank Zweigle Head of Administration, Neumüller CEWE COLOR Stiftung				Total Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
Fixed gross remuneration																
Fixed remuneration	258,000	270,000	270,000	270,000	252,000	270,000	270,000	270,000	96,000	96,000	96,000	96,000	1,716,000	1,866,000	1,866,000	1,866,000
Fringe benefits	13,712	15,512	15,512	15,512	15,253	15,985	15,985	15,985	11,425	9,301	9,301	9,301	113,840	104,861	104,861	104,861
Total fixed gross remuneration	271,712	285,512	285,512	285,512	267,253	285,985	285,985	285,985	107,425	105,301	105,301	105,301	1,829,840	1,970,861	1,970,861	1,970,861
Variable remuneration																
One-year variable remuneration	97,086	117,498	0	270,000	112,390	117,498	0	270,000	0	0	0	0	674,718	763,831	0	1,716,000
Multi-year variable remuneration																
Bonus II	48,827	70,424	0		28,097	70,424	0		0	0	0		217,494	403,790	0	54,000
Stock option plan	14,226	15,324	0	15,324	14,226	15,324	0	15,324	14,226	15,324	0	15,324	96,834	107,268	0	107,268
Total variable remuneration	160,139	203,246	0	285,324	154,713	203,246	0	285,324	14,226	15,324	0	15,324	989,046	1,274,890	0	1,877,268
Pension expenses	328,464	379,068	379,068	379,068	353,237	393,526	393,526	393,526	0	0	0	0	2,035,884	2,292,761	2,292,761	2,292,761
Total remuneration (GCGC)	760,315	867,826	664,580	949,904	775,203	882,757	679,511	964,835	121,651	120,625	105,301	120,625	4,854,770	5,538,512	4,263,622	6,140,890

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

In the year under review, the variable, performance-related remuneration granted for the active members of the Board of Management totalled 1,275 thousand euros and was thus higher than in the previous year (989 thousand euros). For the one-off variable remuneration, the amounts granted relate to the financial year in which the preconditions were fulfilled for the actual remuneration entitlements (in this case, earnings before tax and depreciation amounts) (bonus I). The members of the Board of Management will only receive amounts calculated on this basis in the following year. Multi-year variable remuneration comprises the bonus II shares as well as the expenses registered in the waiting period for the stock option plans pursuant to IFRS 2.10 ff., due to initial measurement of share-based remuneration; the fair value as of the grant date is key in this respect. None of the members of the Board of Management has been granted third-party payments in relation to their service. The remuneration of the members of the Board of Management of Neumüller CEWE COLOR Stiftung for the financial year 2020, which is paid out in 2021 (bonus I), will amount to 764 thousand euros and thus be higher than the figure for 2020 (675 thousand euros).

A total of 404 thousand euros (previous year: 217 thousand euros) has been paid over to the accounts holding the Board of Management members' personal bonus II entitlements. As

of December 31, 2020, the accounts of the members of the Board of Management had the following balances, including the pro rata contractually stipulated amount of interest:

Bonus II in euros

	Opening balance Jan. 1, 2019	Amount added 2019	Amount paid out 2019	End balance Dec. 31, 2019	Amount added 2020	Amount paid out 2020	End balance Dec. 31, 2020
Dr Christian Friege (Chairman)	63,012	35,844	0	98,856	86,074	-103,504	81,426
Patrick Berkhouwer	73,803	28,097	0	101,900	36,019	0	137,920
Dr Reiner Fageth	115,008	48,532	-114,713	48,826	70,424	0	119,251
Carsten Heitkamp	50,104	28,097	0	78,201	70,424	-81,469	67,156
Dr Olaf Holzkämper	50,427	48,827	0	99,254	70,424	0	169,678
Thomas Mehls	50,104	28,097	0	78,201	70,424	-81,469	67,156
Frank Zweigle	0	0	0	0	0	0	0
Total active members of the Board of Management	402,457	217,494	-114,713	505,238	403,790	-266,443	642,585

In the year under review, the payout amounts for bonus II entitlements amounted to 404 thousand euros (previous year: 217 thousand euros).

The following table shows the inflow of cash in the financial year 2020 as a result of fixed remuneration, fringe benefits, one-year variable remuneration and multi-year variable remuneration as well as pension expenses. In deviation from the remuneration set out above which was granted for the past financial year, this table indicates the actual remuneration granted in previous years and received in the financial year 2020. The inflows from the 2015 Stock Option Plan include those resulting from options exercised in cash as well as those resulting from the privileged purchase of CEWE shares in the amount of the respective benefits in money's worth.

In the financial year 2020, the overall remuneration which the active members of the Board of Management of Neumüller CEWE COLOR Stiftung received as fixed and variable components totalled 5,584 thousand euros (previous year: 4,826 thousand euros). Of the total fixed gross remuneration, the amounts received match the amounts granted (see above). The breakdown of these payments is as follows for the individual members of the Board of Management:

Remuneration received in euros

	Dr Christian Friege Chairman of the Board of Management and Head of National and International Distribution, Neumüller CEWE COLOR Stiftung		Patrick Berkhouwer Head of Foreign Markets and Expansion, Neumüller CEWE COLOR Stiftung		Dr Reiner Fageth Head of Technology and R&D, Neumüller CEWE COLOR Stiftung		Carsten Heitkamp Head of German Plants, Neumüller CEWE COLOR Stiftung		Dr Olaf Holzkämper Head of Finance and Controlling, Neumüller CEWE COLOR Stiftung		Thomas Mehls Head of Marketing and Acquisitions, Neumüller CEWE COLOR Stiftung		Frank Zweigle Head of Administration, Neumüller CEWE COLOR Stiftung		Total Remuneration received by the Board of Management of Neumüller CEWE COLOR Stiftung	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
Fixed gross remuneration																
Fixed remuneration	360,000	420,000	240,000	270,000	258,000	270,000	252,000	270,000	258,000	270,000	252,000	270,000	96,000	96,000	1,716,000	1,866,000
Fringe benefits	14,570	14,621	25,323	15,308	16,654	17,328	16,903	16,806	13,712	15,512	15,253	15,985	11,425	9,301	113,840	104,861
Total fixed gross remuneration	374,570	434,621	265,323	285,308	274,654	287,328	268,903	286,806	271,712	285,512	267,253	285,985	107,425	105,301	1,829,840	1,970,861
Variable remuneration																
One-year variable remuneration	132,641	143,376	104,771	112,390	104,771	97,086	104,771	112,390	85,420	97,086	104,771	112,390	0	0	637,145	674,718
Multi-year variable remuneration																
Bonus II	0	103,504	0	0	114,713	0	0	81,469	0	0	0	81,469	0	0	114,713	266,443
Stock option plan	0	0	35,160	66,420	35,996	64,260	33,720	58,680	33,525	63,420	34,500	64,260	35,130	62,535	208,031	379,575
Other items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total variable remuneration	132,641	246,880	139,931	178,810	255,480	161,346	138,491	252,539	118,945	160,506	139,271	258,119	35,130	62,535	959,889	1,320,736
Pension expenses	423,660	462,653	318,535	375,973	313,257	356,989	298,731	324,552	328,464	379,068	353,237	393,526	0	0	2,035,884	2,292,761
Total remuneration (GCGC)	930,871	1,144,154	723,789	840,091	843,391	805,663	706,125	863,897	719,121	825,086	759,761	937,630	142,555	167,836	4,825,613	5,584,358

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

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

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

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

In principle, the commitments entered into do not include provision for dependants. However, provision has been made for the dependants of Dr Reiner Fageth, Dr Olaf Holzkämper and Patrick Berkhouwer in deviation from the pension arrangement outlined above. This is cost-neutral from an actuarial point of view, through a reduction in retirement benefits by comparison with the arrangements which apply in principle. The service

cost for pensions in 2020 is as follows, subject to an actuarial interest rate of 0.7% (previous year: 1.8%) and use of the projected unit credit method in accordance with the IFRS.

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

survival, as a pension, with an insured sum of 38 thousand euros. The related annual expenses for each member of the Board of Management amount to 1 thousand euros (previous year: 1 thousand euros). No loans or advance payments have been granted. Moreover, nor has the company entered into any contingent liabilities for the benefit of the members of the Board of Management.

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

	2019				2020			
	Vested pension entitlements	Pension entitlements Dec. 31, 2019	Service cost for pensions	Provision for pension liabilities	Vested pension entitlements	Pension entitlements Dec. 31, 2020	Service cost for pensions	Provision for pension liabilities
Members of the Board of Management of Neumüller CEWE COLOR Stiftung								
Dr Christian Friege (Chairman)	15	58	316	1,700	26	84	428	2,321
Patrick Berkhouwer	9	36	253	1,279	14	50	322	1,889
Dr Reiner Fageth	24	87	258	2,458	13	100	316	3,130
Carsten Heitkamp	11	67	249	1,799	17	84	302	2,281
Dr Olaf Holzkämper	10	64	258	2,195	12	76	332	2,903
Thomas Mehls	10	60	275	2,129	16	76	357	2,766
Frank Zweigle	0	0	0	0	0	0	0	0
Total active members of the Board of Management	79	372	1,609	11,560	98	470	2,057	15,290
Dr Rolf Hollander (to Jun. 30, 2017)	0	312	0	7,026	12	324	0	7,230
Andreas F. L. Heydemann (to Dec. 31, 2015)	0	97	0	2,100	0	97	0	2,086
Harald H. Pirwitz (to Dec. 31, 2015)	0	110	0	2,161	0	110	0	2,135
Total former members of the Board of Management	0	519	0	11,287	12	531	0	11,451
Total for CEWE Stiftung & Co. KGaA	79	891	1,609	22,847	110	1,001	2,057	26,741

Company pension scheme in thousands of euros

	2019			2020		
	Vested pension entitlements	Pension entitlements Dec. 31, 2019	Service cost for pensions	Vested pension entitlements	Pension entitlements Dec. 31, 2020	Service cost for pensions
Members of the Board of Management of Neumüller CEWE COLOR Stiftung						
Dr Christian Friege (Chairman)	0.0	0.0	0.0	0.0	0.0	0.0
Patrick Berkhouwer	0.0	0.0	0.0	0.0	0.0	0.0
Dr Reiner Fageth	0.0	0.0	0.0	0.0	0.0	0.0
Carsten Heitkamp	0.0	0.0	0.0	0.0	0.0	0.0
Dr Olaf Holzkämper	0.0	0.0	0.0	0.0	0.0	0.0
Thomas Mehls	0.0	0.0	0.0	0.0	0.0	0.0
Frank Zweigle	0.0	0.0	0.0	0.0	0.0	0.0
Total active members of the Board of Management	0.0	0.0	0.0	0.0	0.0	0.0
Andreas F. L. Heydemann (to Dec. 31, 2015)	0.0	3.0	0.0	0.0	3.0	0.0
Total former members of the Board of Management	0.0	3.0	0.0	0.0	3.0	0.0
Total for CEWE Stiftung & Co. KGaA	0.0	3.0	0.0	0.0	3.0	0.0

The following arrangements apply in the event of the premature termination of the contracts of the members of the Board of Management: in case of dismissal for good cause, their contracts will have been terminated as of the date of dismissal. In case of a dismissal which is not made for good cause or which is made on grounds lying outside of the responsibility of the member of the Board of Management, their fixed remuneration will be paid up to the end of the term of their contract. In addition, in this case this member of the Board of Management will receive a settlement in the amount of half of one year's fixed salary in case of a period of at least twelve months before he begins to draw a pension, and otherwise a pro rata compensation amount. Pro rata payment rules apply for the payment of any positive bonus II balance. The

company has not concluded any compensation agreements with the members of the Board of Management to cover the event of a takeover offer (§ 315a (1) no. 9 HGB; [see page 69](#)).

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

REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

Supervisory Board remuneration, shareholdings, options in thousands of euros

	2019 ¹							2020 ²						
	Fixed remuneration	Attendance fees	Performance-related remuneration	Dividend-linked remuneration	Total remuneration	Shareholdings number	Options number	Fixed remuneration	Attendance fees	Performance-related remuneration	Dividend-linked remuneration	Total remuneration	Shareholdings number	Options number
Supervisory Board of CEWE Stiftung & Co. KGaA														
Otto Korte (Chairman)	12.0	7.0	48.0	34.0	101.0	550	0	12.0	8.0	41.5	35.0	96.5	550	0
Paolo Dell' Antonio	6.0	5.0	24.0	17.0	52.0	0	0	6.0	4.0	20.8	17.5	48.3	0	0
Patricia Geibel-Conrad (since June 6, 2018)	6.0	7.0	14.0	9.9	36.9	0	0	6.0	8.0	20.8	17.5	52.3	0	0
Prof Dr Christiane Hipp	6.0	5.0	24.0	17.0	52.0	0	0	6.0	5.0	20.8	17.5	49.3	0	0
Corinna Linner (to June 6, 2018)	0.0	0.0	10.0	7.1	17.1	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Prof Dr Michael Paetsch (to June 6, 2018)	0.0	0.0	10.0	7.1	17.1	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Dr Birgit Vemmer (since June 6, 2018)	6.0	5.0	14.0	9.9	34.9	0	0	6.0	5.0	20.8	17.5	49.3	0	0
Dr Hans-Henning Wiegmann	6.0	5.0	24.0	17.0	52.0	0	0	6.0	5.0	20.8	17.5	49.3	0	0
Subtotal	42.0	34.0	168.0	119.0	363.0	550.0	0.0	42.0	35.0	145.3	122.5	344.8	550.0	0.0
Vera Ackermann (to June 6, 2018)	0.0	0.0	10.0	7.1	17.1	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Petra Adolph (since June 6, 2018)	6.0	4.0	14.0	9.9	33.9	0	0	6.0	5.0	20.8	17.5	49.3	0	0
Dr Christina Debus (to June 6, 2018)	0.0	0.0	10.0	7.1	17.1	0	900	0.0	0.0	0.0	0.0	0.0	0	600
Angelika Eßer (to June 6, 2018)	0.0	0.0	10.0	7.1	17.1	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Marion Gerdes (since June 6, 2018)	6.0	7.0	14.0	9.9	36.9	36	1,850	6.0	8.0	20.8	17.5	52.3	40	1,100
Insa Lukaßen (since June 6, 2018)	6.0	5.0	14.0	9.9	34.9	28	0	6.0	5.0	20.8	17.5	49.3	31	0
Philipp Martens (to June 6, 2018)	0.0	0.0	10.0	7.1	17.1	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Alexander Oyen (since June 6, 2018)	6.0	5.0	14.0	9.9	34.9	0	0	6.0	5.0	20.8	17.5	49.3	0	0
Markus Schwarz (Deputy Chairman)	9.0	7.0	31.0	22.0	69.0	45	0	9.0	8.0	31.1	26.3	74.4	45	0
Thorsten Sommer (to June 6, 2018)	0.0	0.0	15.0	10.6	25.6	0	0	0.0	0.0	0.0	0.0	0.0	0	0
Elwira Wall (since June 6, 2018)	6.0	5.0	14.0	9.9	34.9	45	0	6.0	5.0	20.8	17.5	49.3	48	0
Subtotal	39.0	33.0	156.0	110.5	338.5	155	2,750	39.0	36.0	134.9	113.8	323.6	164	1,700
Supervisory Board of CEWE Stiftung & Co. KGaA	81.0	67.0	324.0	229.5	701.5	705	2,750	81.0	71.0	280.1	236.3	668.4	714	1,700

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

2 Fixed remuneration and attendance fees for 2020, payable after the end of the financial year in 2021; performance-related and dividend-linked remuneration for the financial year 2019, payable 10 working days after the general meeting in 2020

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

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

REMUNERATION OF PREVIOUS MEMBERS OF THE BOARD OF MANAGEMENT

Remuneration of retired members of the Board of Management

Andreas F. L. Heydemann and Harald Pirwitz retired from the Board of Management as of December 31, 2015. In accordance with the terms of the stock option plans, Dr Hollander, Mr Heydemann and Mr Pirwitz kept their options under the 2015 plan. These options have been fully exercised. The granted multi-year variable remuneration is reported in the waiting period for the stock option plans pursuant to IFRS 2.10 ff., in the amount of the expenses registered due to initial measurement of share-based remuneration. In detail, former members of the Board of Management received the following overall remuneration (excl. pensions):

Remuneration granted former members of the Board of Management in euros

	Dr Rolf Hollander Chairman of the Board of Management, Neumüller CEWE COLOR Stiftung to Jun. 30, 2017				Andreas F. L. Heydemann Head of IT and Legal, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015				Harald H. Pirwitz Head of Distribution, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015				Total Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung			
	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020	2019	2020	Min. 2020	Max. 2020
Fixed gross remuneration																
Fixed remuneration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fringe benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total fixed gross remuneration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Variable remuneration																
One-year variable remuneration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi-year variable remuneration																
Bonus bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stock option plan	8,166	5,418	0	5,418	2,748	0	0	0	2,748	0	0	0	13,662	5,418	0	5,418
Total variable remuneration	8,166	5,418	0	5,418	2,748	0	0	0	2,748	0	0	0	13,662	5,418	0	5,418
Pension expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total remuneration (GCGC)	8,166	5,418	0	5,418	2,748	0	0	0	2,748	0	0	0	13,662	5,418	0	5,418

Remuneration received former members of the Management Board in euros

	Dr Rolf Hollander Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung to Jun. 30, 2017		Andreas F. L. Heydemann Head of IT and Legal, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015		Harald H. Pirwitz Head of Distribution, Neumüller CEWE COLOR Stiftung to Dec. 31, 2015		Total Remuneration granted to the Board of Management of Neumüller CEWE COLOR Stiftung	
	2019	2020	2019	2020	2019	2020	2019	2020
Fixed gross remuneration								
Fixed remuneration	0	0	0	0	0	0	0	0
Fringe benefits	0	0	0	0	0	0	0	0
Total fixed gross remuneration	0	0	0	0	0	0	0	0
Variable remuneration								
One-year variable remuneration	0	0	0	0	0	0	0	0
Multi-year variable remuneration								0
Bonus bank	0	0	0	0	0	0	0	0
Stock option plan	33,340	63,720	30,055	64,900	36,360	61,823	99,755	190,443
Other items	0	0	0	0	0	0	0	0
Total variable remuneration	33,340	63,720	30,055	64,900	36,360	61,823	99,755	190,443
Pension expenses	0	0	0	0	0	0	0	0
Total remuneration (GCGC)	33,340	63,720	30,055	64,900	36,360	61,823	99,755	190,443

The inflows from the stock option plans are indicated in the amount of the respective benefits in money's worth.

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

For former members of the Board of Management of the old CEWE COLOR Holding AG and Neumüller CEWE COLOR Stiftung, as of December 31, 2020 the company had made pension accruals in the amount of 19,136 thousand euros (previous year: 18,894 thousand euros). Pension payments for the financial year 2020 amounted to 1,034 thousand euros (previous year: 1,019 thousand euros). With effect as of April 1, 2007, the pension commitments for the former members of the Board of Management who had already retired as of this date were transferred to CEWE COLOR Versorgungskasse e.V.,

Wiesbaden. They are included in the consolidated financial statements. The company's pension commitments for the other retired members of the Board of Management were maintained in the form of a direct commitment. The company has not granted any loans, advance payments and contingent liabilities for former members of the Supervisory Board and the Board of Management of Neumüller CEWE COLOR Stiftung, the old CEWE COLOR Holding AG or the current CEWE Stiftung & Co. KGaA.

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

REPORTS ON THE COMPANY'S MANAGEMENT

MANAGEMENT DECLARATION

This management declaration under § 289f and § 315d of the German Commercial Code includes the declaration of conformity in accordance with § 161 of the German Stock Corporation Act, relevant details of corporate governance practices beyond the scope of applicable statutory requirements, a description of the procedures of the Board of Management and the Supervisory Board and the makeup and procedures of their committees. It also includes information concerning the stipulations in § 76 (4) AktG and § 111 (5) AktG and a description of the company's diversity concept.

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

CEWE Stiftung & Co. KGaA attributes great importance to the principles of sound corporate governance.

The Board of Management of the general partner of CEWE Stiftung & Co. KGaA and the Supervisory Board of CEWE Stiftung & Co. KGaA declare, in accordance with § 161 of the German Stock Corporation Act, that since they presented their last declaration of conformity on February 1, 2020 they have complied with the recommendations of the German Corporate Governance Code government commission, as notified by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette (Bundesanzeiger), as amended on February 7, 2017, following their publication on April 24, 2017 ("GCGC 2017"), with the following exception:

Standard limit for period of membership on the Supervisory Board (deviation from item 5.4.1 (2) GCGC 2017)

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

The Board of Management of the general partner of CEWE Stiftung & Co. KGaA and the Supervisory Board of CEWE Stiftung & Co. KGaA confirm in accordance with § 161 of the German Stock Corporation Act their compliance, now and in the future, with the recommendations of the German Corporate Governance Code government commission, as notified by the German Federal Ministry of Justice and Consumer Protection in the official section of the German Federal Gazette (Bundesanzeiger), as amended on December 16, 2019 ("GCGC 2019"), with the following exceptions:

Modifications due to CEWE Stiftung & Co. KGaA's legal form as a stock-market-listed partnership limited by shares

CEWE Stiftung & Co. KGaA is a stock-market-listed partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). In the case of a stock-market-listed partnership limited by shares, the general partner has the responsibilities which are handled by the board of management of a stock corporation (Aktiengesellschaft – AG). The sole general partner of CEWE

Stiftung & Co. KGaA is Neumüller CEWE COLOR Stiftung, whose Board of Management manages the business of CEWE Stiftung & Co. KGaA.

The rights and obligations of the supervisory board of a stock-market-listed partnership limited by shares are limited by comparison with those of the supervisory board of a stock corporation. In particular, the Supervisory Board of CEWE Stiftung & Co. KGaA does not have the power to appoint the Board of Management of the general partner, to prescribe the contractual terms for the Board of Management of the general partner, to issue rules of procedure for the Board of Management or to stipulate transactions subject to approval. Those tasks are performed by the Board of Trustees of Neumüller CEWE COLOR Stiftung.

The Board of Management of the general partner and the Supervisory Board of CEWE Stiftung & Co. KGaA are of the opinion that, where the GCGC 2019 includes recommendations regarding the tasks and competences of the Supervisory Board which are performed by the Board of Trustees of Neumüller CEWE COLOR Stiftung on account of the company's legal form, these recommendations are not applicable to CEWE Stiftung & Co. KGaA either directly or analogously. This applies for the recommendations of the GCGC 2019 concerning the makeup of the Board of Management (Recommendations B.1 to B.5) and its remuneration (Recommendations G.1 to G.16). Insofar as the company will deviate from these recommendations in the future on account of its legal form, this is not explicitly disclosed in this declaration of conformity since these recommendations do not apply for the company. This is without prejudice to applicable statutory provisions.

Taking into consideration the above-mentioned details specific to its legal form, the company complies with all of the recommendations set out in the GCGC 2019, with the following exceptions:

Elections to the Supervisory Board: attachment of curricula vitae and their contents (deviation from Recommendation C.14 GCGC 2019)

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

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

Rules of procedure of the Supervisory Board: making the rules of procedure accessible on the company's website (deviation from Recommendation D.1 GCGC 2019)

The Supervisory Board of CEWE Stiftung & Co. KGaA has established rules of procedure for its activities. These rules of procedure are a key instrument in the organisation of the Supervisory Board which regulates procedural issues arising on the Supervisory Board. We are therefore of the view that these rules of procedure are an internal document of the Supervisory Board which is not suitable for publication.

Remuneration of the Supervisory Board: performance-related remuneration of the Supervisory Board (deviation from Recommendation G.18 clause 2 GCGC 2019)

The remuneration granted to the Supervisory Board of CEWE Stiftung & Co. KGaA is stipulated in § 14 of the company's articles of association. According to § 14 (1) clause 2 of the articles of association, each Supervisory Board member receives performance-related and dividend-linked annual remuneration for the past financial year. On account of the company's legal form, due to its lack of authority with respect to matters involving personnel the Supervisory Board is only able to influence the company's long-term development to a limited extent. We therefore consider it appropriate for the Supervisory Board to participate in the (variable) profit realised in the previous financial year.

Disclosures on management practices

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

Commitment to social responsibility as a part of CEWE's corporate culture

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

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

- » Our activities are defined by integrity and lawful behaviour.
- » We aim to safeguard and to expand the CEWE Group's leading position as Europe's foremost provider of photo services.
- » We pursue appropriate business relationships, which are free of any dishonest practices.
- » We avoid any conflicts between the interests of the CEWE Group and private interests.
- » We treat business information and trade secrets confidentially.
- » We will not tolerate any abuse of employees' positions for personal advantage, for the benefit of third parties or to the detriment of the CEWE Group.

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

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

Procedures of the management and the Supervisory Board and makeup and procedures of the Supervisory Board's committees

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

The Board of Management, the Board of Trustees of Neumüller CEWE COLOR Stiftung and the Supervisory Board maintain a close and trusting working relationship, while safeguarding the interests of the company. All key business transactions are discussed together with the competent committees. In particular, the details of the relationship between the Board of Management, the Board of Trustees of Neumüller CEWE COLOR Stiftung and the Supervisory Board and issues for which the Board of Management requires approval are laid down in the rules of procedure of the Board of Management and the Supervisory Board.

Management

The general partner, Neumüller CEWE COLOR Stiftung ("the management"), holds 20,020 no-par value bearer shares in the share capital of CEWE Stiftung & Co. KGaA and thus approx. 0.27%, while the limited shareholders hold the remainder of the shares. Neumüller CEWE COLOR Stiftung manages the company's business through its Board of Management in accordance with applicable legislation, the articles of association of CEWE Stiftung & Co. KGaA and its own articles of association and also the rules of procedure for its Board of Management. Due to its unlimited personal liability, Neumüller CEWE COLOR Stiftung has a considerable interest in the orderliness and efficiency of the business activities of CEWE Stiftung & Co. KGaA, which it accordingly encourages. The rules of procedure approved by the Board of Trustees of Neumüller CEWE COLOR Stiftung for the Board of Management set out the allocation of duties and cooperation on the Board of Management. The Board of Management passes resolutions at its meetings, which are normally held once a week. Each member of the Board of Management notifies the other members in good time of important events and transactions within his area of business. Specific tasks are assigned to individual members of the Board of Management by means of a schedule of responsibilities.

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

Supervisory Board

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

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

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

The Supervisory Board and the Board of Trustees are notified of key decisions of the Board of Management early on. The management and the Supervisory Board also regularly discuss issues of strategy and planning as well as current business

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

In the period under review, an Audit Committee performed the tasks assigned to it under the rules of procedure approved by the overall Supervisory Board.

The Audit Committee prepares the Supervisory Board's discussions and resolutions concerning the approval of the annual financial statements and the consolidated financial statements and of the proposal to be made to the general meeting on the appointment of the auditor. It also deals with accounting, risk management and compliance issues.

Ms Patricia Geibel-Conrad chairs this committee, partly in view of her position as a financial expert. Mr Otto Korte, Ms Marion Gerdes and Mr Markus Schwarz are the other members of the Audit Committee.

The Audit Committee met on three occasions during the period under review. All of the members of the Audit Committee were present at these meetings. The Board of Management of the general partner and the auditors were also invited to attend these meetings and were available at all times to provide relevant information to the members of the Audit Committee.

The Supervisory Board has also established a Nomination Committee. The Nomination Committee prepares the resolutions to be passed by the Supervisory Board on nominations which are to be submitted to the general meeting regarding the appointment of Supervisory Board members provided by the limited shareholders. It follows the criteria specified by the Supervisory Board on its makeup as well as the competence profile resolved by the Supervisory Board. The Nomination Committee is chaired by Mr Otto Korte. Dr Hans-Henning Wiegmann and Mr Paolo Dell'Antonio are additional members. The Nomination Committee did not meet in the period under review.

The Supervisory Board and its committees regularly undergo an efficiency review of their own and incorporate the findings in their future activities. In the period under review, the Supervisory Board has not carried out any self-evaluation of the effectiveness of its activity as a supervisory board within the meaning of Recommendation D.13 of the GCGC 2019. It intends to do so in the financial year 2021.

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

Board of Trustees of Neumüller CEWE COLOR Stiftung

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

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

The general meeting of CEWE Stiftung & Co. KGaA

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

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

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

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

The Supervisory Board has twelve members, of whom half are appointed by the company's shareholders and half by its employees. The shareholders most recently appointed members at the general meeting held on June 6, 2018, and the employees likewise routinely appointed new members of the Supervisory Board. The Supervisory Board currently has three female members appointed by the shareholders and four female members appointed by the employees. The members appointed by the shareholders have resolved to fulfil the prescribed women's quota independently of the employees' representatives. For their part, the employees have agreed an analogous goal. The statutory targets have thus been fulfilled.

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

Recommendations A.1, B.1 and C.1 clause 2 of the German Corporate Governance Code, as amended on December 16, 2019, deal with the issue of diversity in terms of appointments to the Board of Management and management positions within the company as well as the makeup of the Supervisory Board. With the goal of sound corporate governance, the management and the Supervisory Board of CEWE Stiftung & Co. KGaA have considered this issue in detail within the scope of their responsibilities. The Supervisory Board has not therefore considered the makeup of the Board of Management.

Makeup of the Board of Management

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

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

Makeup of the Supervisory Board

The Supervisory Board of CEWE Stiftung & Co. KGaA consists of twelve members. It traditionally comprises members with international experience.

An age limit is stipulated for the members of the Supervisory Board of CEWE Stiftung & Co. KGaA in § 2.1 of the rules of procedure for the Supervisory Board. In principle, membership of the Supervisory Board is to end on December 31 in the year in which the respective Supervisory Board member reaches the age of 71. In deviation from this principle, the other members of the Supervisory Board may resolve with a three-quarters majority to extend this person's membership, but not beyond the end of the year in which the member in question reaches the age of 75.

Goals and competence profile of the Supervisory Board

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

Independence of the Supervisory Board members

With its current makeup, the Supervisory Board almost entirely complies with the requirements set out in Recommendations C.1 to C.12 of the GCGC 2019. The Supervisory Board has reviewed the independence of its members. To be sure, Mr Otto Korte has served on the Supervisory Board for a period of more than twelve years. However, through his actions over the course of this long period of service he has demonstrated his independence to the other members of the Supervisory Board and the Board of Management of the general partner. All of the other members of the Supervisory Board of CEWE Stiftung & Co. KGaA are likewise considered to be independent within the meaning of Recommendations C.6 to C.12 of the GCGC 2019.

Compliance with the minimum proportions of male and female members of the Supervisory Board

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

Appointments to management positions

In compliance with Recommendation A.1 of the GCGC 2019, CEWE Stiftung & Co. KGaA has already implemented a large number of measures which are intended to promote diversity – in particular, a greater share of women – in management positions.

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

- » Contract with "AWO Eltern- und Seniorenservice" in Oldenburg to provide free consultations for employees needing to arrange placements for their children or for their parents
- » Nursery at CEWE Stiftung & Co. KGaA's site in Oldenburg

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

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

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

This resolution remains valid for appointments to management positions.

In regard to proposed appointments to management positions, CEWE Stiftung & Co. KGaA also takes into consideration factors including candidates' age, gender, cultural origin and educational and professional backgrounds and seeks to achieve the greatest possible level of diversity.

FINAL DECLARATION BY THE BOARD OF MANAGEMENT

of the general partner on the report on relationships with affiliates

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

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

TRANSACTIONS WITH RELATED PARTIES

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

Oldenburg, March 17, 2021

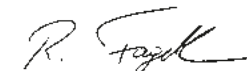
CEWE Stiftung & Co. KGaA
For the general partner
Neumüller CEWE COLOR Stiftung
- The Board of Management -



Dr Christian Friege
(Chairman of the Board of Management)



Patrick Berkhouwer



Dr Reiner Fageth



Carsten Heitkamp



Dr Olaf Holzkämper



Thomas Mehls



Frank Zweigle

DESCRIPTION OF KEY INDICATORS

Definition of key indicators used in this report

Borrowed capital

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

Capital employed (CE)

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

Capital invested (CI)

Equity plus non-operating liabilities and gross financial liabilities

Days working capital

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

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation and amortisation

EBT

Earnings before taxes

Equity

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

Equity ratio

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

Fixed assets

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

Free cash flow

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

Free float

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

Gross cash flow

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

Gross financial liabilities

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

Gross working capital

Current assets without cash and cash equivalents

Interest-bearing financial liabilities

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

Liquidity ratio

Ratio of cash and cash equivalents versus the balance sheet total

Net cash flow

Gross cash flow less investments

Net cash position/net financial liabilities

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

Net working capital

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

Non-operating liabilities

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

NOPAT

EBIT less income taxes and other taxes

Operational investments

Outflows from investments in property, plant and equipment and intangible assets less inflows from the sale of property, plant and equipment and intangible assets; excluding business and company acquisitions

Operating net working capital

Inventories plus current trade receivables less current trade payables

Other current liabilities

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

Other gross working capital

Assets held for sale, current receivables from income tax refunds, other current financial assets and other current receivables and assets

Other net working capital

Other gross working capital less other current liabilities

Other operating cash flows

Changes resulting from taxes paid as well as proceeds from interest received

P&L

Profit and loss account

POS

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

Return on capital employed (ROCE)

The ratio of earnings before interest and taxes (EBIT) versus the capital employed; in general, the 12 month perspective is chosen for the calculation of a rolling annual return on investment

Return on capital employed (ROCE) before restructuring

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

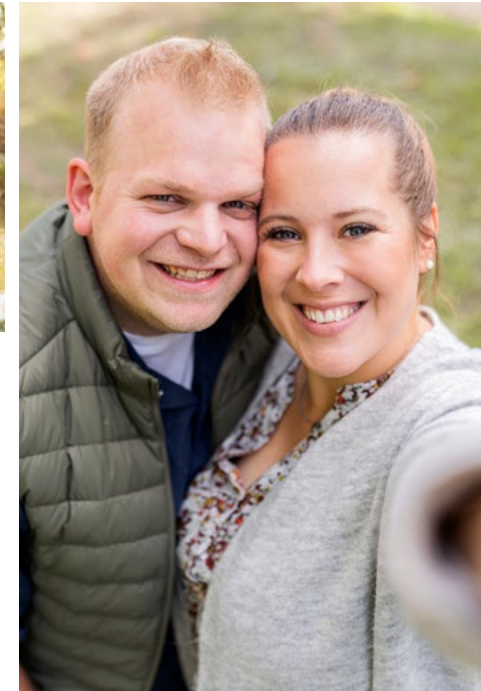
Working-capital-induced cash flow

Changes resulting from net working capital

Please note:

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

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



“It is important to keep all of your memories together in one place.”

Julia Kahlke and Philipp Brüggemann



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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE FINANCIAL YEAR 2020 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	Notes	2019	2020	Change as %
Revenues	C27	720,398	727,258	1.0
Increase/decrease in finished and unfinished goods		181	- 401	–
Other own work capitalised		1,038	1,332	28.3
Other operating income	C28	22,187	23,032	3.8
Cost of materials	C29	-187,454	-170,113	9.3
Gross profit		556,350	581,108	4.5
Personnel expenses	C30	-197,038	-196,101	0.5
Other operating expenses	C31	-245,386	-249,935	-1.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		113,926	135,072	18.6
Amortisation of intangible assets, depreciation of property, plant and equipment	C32	-57,089	-55,381	3.0
Earnings before interest and taxes (EBIT)		56,837	79,691	40.2
Financial income	C33	73	38	-47.9
Financial expenses	C33	-3,656	-3,364	8.0
Financial result		-3,583	-3,326	7.2
Earnings before taxes (EBT)		53,254	76,365	43.4
Income taxes	C34	-21,553	-24,429	-13.3
Group earnings after taxes		31,701	51,936	63.8
Group earnings per share (in euros)				
Undiluted	C35	4.40	7.20	63.7
Diluted	C35	4.36	7.15	64.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR 2020 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	Notes	2019	2020	Change as %
Group earnings after taxes		31,701	51,936	63.8
Difference resulting from currency translation	A5	733	-2,339	—
Amounts which may be reclassified to the profit and loss account in future periods		733	-2,339	—
Actuarial losses	D54, D55	-4,994	-2,945	41.0
Income taxes on income and expenses not affecting net income		1,411	893	-36.7
Other comprehensive income from equity instruments measured at fair value		-1,034	1,518	—
Other comprehensive income not subsequently reclassified to the profit and loss account		-4,617	-534	88.4
Other comprehensive income		-3,884	-2,873	26.0
Comprehensive income		27,817	49,063	-76.4

CONSOLIDATED BALANCE SHEET

AS OF DECEMBER 31, 2020 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

ASSETS	Notes	Dec. 31, 2019	Dec. 31, 2020	Change as %
Property, plant and equipment	D36	222,543	216,654	-2.6
Investment properties	D37	17,240	17,368	0.7
Goodwill	D38	77,758	77,758	–
Intangible assets	D39	39,083	31,532	-19.3
Financial assets	D40	5,579	7,038	26.2
Non-current financial assets	D41	1,468	1,540	4.9
Non-current other receivables and assets	D41	655	1,175	79.4
Deferred tax assets	D42	14,203	18,875	32.9
Non-current assets		378,529	371,940	-1.7
Inventories	D43	48,757	50,885	4.4
Current trade receivables	D44	91,379	85,342	-6.6
Current receivables from income tax refunds	D45	1,520	1,034	-32.0
Current financial assets	D46	5,354	3,153	-41.1
Other current receivables and assets	D47	8,644	10,300	19.2
Cash and cash equivalents	D48	32,958	102,809	212
Current assets		188,612	253,523	34.4
Assets		567,141	625,463	10.3

in thousands of euros

EQUITY AND LIABILITIES	Notes	Dec. 31, 2019	Dec. 31, 2020	Change as %
Subscribed capital	D49, D50	19,279	19,302	0.1
Capital reserve	D51, D52	76,491	75,065	-1.9
Treasury shares at acquisition cost	D53	-6,655	-8,491	-27.6
Retained earnings and unappropriated profits	D54	180,529	215,127	19.2
Equity		269,644	301,003	11.6
Non-current accruals for pensions	D55	35,546	40,051	12.7
Non-current deferred tax liabilities	D56	3,500	2,779	-20.6
Non-current other accruals	D57	501	464	-7.4
Non-current interest-bearing financial liabilities	D58	1,115	771	-30.9
Non-current lease liabilities	D59	52,453	48,769	-7.0
Non-current financial liabilities	D60	1,865	293	-84.3
Non-current other liabilities	D61	451	626	38.8
Non-current liabilities		95,431	93,753	-1.8
Current tax liabilities	D62	7,456	23,945	221
Current other accruals	D63	6,347	6,015	-5.2
Current interest-bearing financial liabilities	D64	832	407	-51.1
Current lease liabilities	D59	10,668	10,442	-2.1
Current trade payables	D65	113,850	122,099	7.2
Current financial liabilities	D66	11,201	10,933	-2.4
Current other liabilities	D67	51,712	56,866	10.0
Current liabilities		202,066	230,707	14.2
Equity and liabilities		567,141	625,463	10.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	Subscribed capital	Capital reserve	Generated Group equity	Special item for stock option plans	Compensating item from currency translation	Income taxes not affecting net income	Retained earnings and unappropriated profits	Total	Treasury shares at acquisition cost	Group equity
As of Jan. 1, 2019	19,240	75,334	179,344	-11,189	-5,220	3,867	166,802	261,376	-7,176	254,200
Comprehensive income	—	—	30,667	-4,994	733	1,411	27,817	27,817	—	27,817
Capital increase	39	—	—	—	—	—	—	39	—	39
Dividend paid out	—	—	-14,090	—	—	—	-14,090	-14,090	—	-14,090
Stock option plans	—	1,157	—	—	—	—	—	1,157	521	1,678
Owner-related equity changes	39	1,157	-14,090	—	—	—	-14,090	-12,894	521	-12,373
As of Dec. 31, 2019	19,279	76,491	195,921	-16,183	-4,487	5,278	180,529	276,299	-6,655	269,644
Comprehensive income	—	—	53,454	-2,945	-2,339	893	49,063	49,063	—	49,063
Capital increase	23	—	—	—	—	—	—	23	—	23
Dividend paid out	—	—	-14,465	—	—	—	-14,465	-14,465	—	-14,465
Purchases of treasury shares	—	—	—	—	—	—	—	—	-2,431	-2,431
Stock option plans	—	-1,426	—	—	—	—	—	-1,426	595	-831
Owner-related equity changes	23	-1,426	-14,465	—	—	—	-14,465	-15,868	-1,836	-17,704
As of Dec. 31, 2020	19,302	75,065	234,910	-19,128	-6,826	6,171	215,127	309,494	-8,491	301,003

The reference figures have been restated (cf. comments in section A, [page 108](#)).
See D49 – D54 for details.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR 2020 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

	2019	2020	Change as %
EBITDA	113,926	135,072	18.6
+/- Non-cash factors	3,474	-1,574	—
+ Decrease in operating net working capital	595	12,158	>1,000
+ Decrease in other net working capital (excl. income tax items)	5,743	8,552	48.9
- Taxes paid	-21,087	-11,955	43.3
+ Interest received	61	33	-45.9
= Cash flow from operating activities	102,712	142,286	38.5
- Outflows from investments in property, plant and equipment and intangible assets	-35,618	-38,519	-8.1
- Outflows from purchases of consolidated interests/acquisitions	-32,824	-3,454	89.5
+ Inflows from investments in financial assets	344	69	79.9
- Outflows (-) from investments in non-current financial instruments	-215	-71	67.0
+ Inflows from the sale of property, plant and equipment and intangible assets	1,140	2,949	159
= Cash flow from investing activities	-67,173	-39,026	41.9
= Free cash flow	35,539	103,260	-191
- Dividends paid	-14,090	-14,465	-2.7
- Purchases of treasury shares	0	-2,431	—
- Amounts paid out for stock option plans	-1,135	-808	28.8
= Outflows to shareholders	-15,225	-17,704	—
- Outflows from change in financial liabilities	-12,656	-14,079	11.2
- Interest paid	-2,793	-1,382	50.5
+ Other financial transactions	5	0	—
= Cash flow from financing activities	-30,669	-33,165	-8.1
Cash and cash equivalents at the start of the reporting period	28,061	32,958	17.5
+ Exchange-rate-related changes in cash and cash equivalents	26	-244	—
+ Cash flow from operating activities	102,712	142,286	38.5
- Cash flow from investing activities	-67,173	-39,026	41.9
- Cash flow from financing activities	-30,669	-33,165	-8.1
= Cash and cash equivalents at the end of the reporting period	32,958	102,809	212

See D71 for details.

SEGMENT REPORTING BY BUSINESS UNIT¹

FOR THE FINANCIAL YEAR 2020 OF CEWE STIFTUNG & CO. KGAA

in thousands of euros

		Photofinishing	Retail	Commercial Online Printing	Other Activities	CEWE Group
External revenues	2020	618,767	34,135	67,791	6,565	727,258
	2019	567,991	43,673	103,230	5,504	720,398
External revenues, adjusted for currency effects	2020	1,911	1,998	-144	—	3,765
	2019	567,991	43,673	103,230	5,504	720,398
EBIT prior to restructuring	2020	89,340	-1,250	-3,673	-1,091	83,326
	2019	66,915	35	-2,746	-2,367	61,837
Restructuring	2020	-728	-2,907	—	—	-3,635
	2019	—	—	-5,000	—	-5,000
EBIT	2020	88,612	-4,157	-3,673	-1,091	79,691
	2019	66,915	35	-7,746	-2,367	56,837
Scheduled depreciation	2020	43,728	2,765	7,589	533	54,615
	2019	38,290	5,978	9,826	774	54,868
Non-scheduled depreciation	2020	487	279	—	—	766
	2019	50	—	2,171	—	2,221

¹ Segment reporting by business unit is an integral part of the notes, see D73.

Comments on the segments

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

NOTES

A. GENERAL DISCLOSURES

1 CORPORATE INFORMATION

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

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

These consolidated financial statements and the combined management report for the financial year 2020 have been prepared by the Board of Management of CEWE KGaA and submitted to and duly published in the German Federal Gazette (Bundesanzeiger).

2 PRINCIPLES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of CEWE KGaA for the year under review from January 1, 2020 to December 31, 2020 have been prepared in compliance with the International Financial Reporting Standards (IFRS) effective as of the reporting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as applied in the EU, as well as the supplementary rules prescribed by § 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB).

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

Amendment/standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Amendments to References to the Conceptual Framework in IFRS Standards	Mar. 28, 2018	Nov. 29, 2019	Jan. 1, 2020
Amendments to IAS 1 and IAS 8: Definition of “Material”	Oct. 31, 2018	Nov. 29, 2019	Jan. 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of the Interest Rate Benchmark	Sep. 26, 2019	Jan. 16, 2020	Jan. 1, 2020
Amendments to IFRS 3: Definition of a Business	Oct. 22, 2018	Apr. 21, 2020	Jan. 1, 2020
Amendments to IFRS 16: Covid-19-Related Rent Concessions ¹	May 28, 2020	Oct. 9, 2020	Jun. 1, 2020

¹ Earlier adoption is permitted, incl. for financial statements which had not yet been approved for publication on May 28, 2020 (IFRS 16.C1A).

These standards are mandatorily applicable for the first time in the year under review.

The practical relief granted by the IASB within the scope of its amendment of IFRS 16 “Covid-19-Related Rent Concessions” has been adopted for the reporting of all Covid-19-related rent concessions which lessors have granted CEWE as a lessee. COVID-19-related rent concessions are thus treated as though no change had occurred in the respective lease.

At the start of the financial year 2020, Commercial Online Printing changed over the depreciation method for its offset machines from straight-line time-dependent depreciation to units-of-production depreciation. The coronavirus-related under-utilisation since the start of the coronavirus crisis had made it clear that the decline in the value of offset printing machines can be more accurately presented in terms of the volume of printing done than by means of time-dependent depreciation. If this method had already been applied in the previous year, depreciation in the financial year 2019 would have decreased by 380 thousand euros. If the straight-line depreciation method had been maintained in the current financial year, depreciation would have been 1,036 thousand euros higher in the financial year 2020. The increase resulting from retrospective application of the consumption-based depreciation method would have amounted to 380 thousand euros for the financial year 2020. The previous-year figures have not been restated.

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

Amendment/standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
Amendment to IFRS 4: Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9	Jun. 25, 2020	Dec. 15, 2020	Jan. 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	Aug. 27, 2020	Jan. 13, 2021	Jan. 1, 2021

Standards and amendments which had already been resolved as of the balance sheet date are listed here. However, they have not yet come into force, and their effects will only become apparent in a subsequent reporting year.

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

The following standards and interpretations and amendments of existing standards which have also been issued by the IASB as of the balance sheet date are not yet mandatorily applicable in the consolidated financial statements as of December 31, 2020. They will become applicable following their adoption within the scope of the EU's endorsement of the IFRS.

Amendment/standard

	Date of publication	Date of endorsement within the scope of EU law	Date of adoption (EU)
IFRS 17: Insurance Contracts	May 18, 2017	open	Jan. 1, 2023
IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Jan. 23, 2020	open	Jan. 1, 2023
Annual Improvements, 2018 – 2020 Cycle	May 14, 2020	open	Jan. 1, 2022
Amendments to			
– IFRS 3: Business Combinations: Reference to the Conceptual Framework			
– IAS 16: Property, Plant and Equipment: Proceeds before Intended Use			
– IAS 37: Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract	May 14, 2020	H2/2021	Jan. 1, 2022

Standards and interpretations which are not yet mandatorily applicable in the EU are listed here. However, they have been resolved with mandatory effect and are currently being transposed into national law within the scope of an EU endorsement process.

Insofar as any further new standards which are not yet valid for 2020 may be adopted voluntarily, the Group has not made use of this option. The future effects on the Group's net assets, financial position and results of operations resulting from implementation of the standards issued as of the reporting date but not yet mandatorily applicable are still being reviewed. Several standards may necessitate additional notes. The new standards will be adopted in the EU upon completion of the endorsement procedure.

Determination of fair values

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

- » Level 1: Quoted prices (unadjusted) on active markets for identical assets or liabilities
- » Level 2: Valuation parameters which do not involve the quoted prices included in Level 1 but which are observable for the asset or the liability either directly (i. e. as a price) or indirectly (i. e. derived from prices)
- » Level 3: Valuation parameters for assets or liabilities which are not based on observable market data

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

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

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

3 SCOPE OF CONSOLIDATION

Apart from CEWE Stiftung & Co. KGaA, the consolidated financial statements as of December 31, 2020 include domestic and foreign companies over which CEWE Stiftung & Co. KGaA has a direct or indirect controlling interest. The Group has control over a company if it is exposed to risk in relation to fluctuating yields, or is entitled to receive these yields, from its holdings in the company in question, and if the Group also has the ability to use its power of control over the investee so as to affect the value of the yield granted by this investee. The financial statements of subsidiaries are incorporated into the consolidated financial statements as of the point in time at which the relationship of control begins, and remain so until the relationship of control ends.

As of December 31, 2020, apart from CEWE Stiftung & Co. KGaA, Oldenburg, as the parent company, the scope of consolidation includes 11 German and 20 foreign companies (cf. E69, [page 157](#)). The pension commitments transferred to the pension fund CEWE COLOR Versorgungskasse e.V., Wiesbaden, according to IAS 19 are also included in the scope of consolidation. No contractual trust arrangement (CTA) is applicable, since the pension commitments remain attributable to CEWE KGaA from a legal point of view. Insofar as this pension fund is unable to meet its obligations on the basis of its own resources, resources are provided by CEWE KGaA.

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

Discontinued operations

On June 30, 2019, the subsidiary futalis GmbH was reported as a discontinued operation and classified as held for sale, on the basis of a concrete intention to sell as well as approval from the relevant bodies. Since no sale occurred in the period to June 30, 2020, the disposal plan has been abandoned. The 12 month time limit has not been extended. This subsidiary has therefore

been retrospectively reclassified as a continuing operation. Assets and liabilities have been recognised at their existing book values, less scheduled depreciation on non-current assets. The figures for the previous year have been restated, as presented in the following table. futalis GmbH is presented in the "Other Activities" business unit, [page 43](#).

Balance sheet in thousands of euros

	Dec. 31, 2019	
	Restatement futalis	Total change
Property, plant and equipment	1,413	1,413
Intangible assets	91	91
Inventories	399	399
Current trade receivables	217	217
Current financial assets	34	34
Other current receivables and assets	79	79
Cash and cash equivalents	601	601
Assets classified as held for sale	-2,951	-2,951
Assets	-117	-117
Retained earnings and unappropriated profits	-117	-117
Non-current lease liabilities	0	0
Current other accruals	18	18
Current lease liabilities	92	92
Current trade payables	298	298
Current other liabilities	94	94
Current financial liabilities	3	3
Liabilities classified as held for sale	-505	-505
Equity and liabilities	-117	-117

Consolidated profit and loss account in thousands of euros

	2019	
	Restatement futalis	Total change
Revenues	5,504	5,504
Other operating income	109	109
Cost of materials	-1,985	-1,985
Gross profit	3,628	3,628
Personnel expenses	-2,200	-2,200
Other operating expenses	-2,112	-2,112
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-684	-684
Amortisation of intangible assets, depreciation of property, plant and equipment	-314	-314
Earnings before interest and taxes (EBIT)	-998	-998
Income taxes		0
Earnings after taxes from continuing operations	-998	-998
Post-tax profit/loss for discontinued operation	881	881
Group earnings after taxes	-117	-117

4 CONSOLIDATION PRINCIPLES

The consolidated financial statements have been prepared on the basis of the incorporated German and foreign financial statements of the subsidiaries, on the basis of uniform accounting and measurement methods. For all of the companies included in the consolidated financial statements, the reporting date for the separate financial statements is the same as the reporting date for the consolidated financial statements, i. e. December 31, 2020.

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

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

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

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

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

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

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

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

5 CURRENCY TRANSLATION

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

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

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

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

The following key exchange rates apply for currency translation:

Currency translation

		2019		2020	
		Balance sheet exchange rate	Profit and loss account exchange rate	Balance sheet exchange rate	Profit and loss account exchange rate
CHF	Swiss franc	1.08540	1.11245	1.08020	1.07052
CZK	Czech crown	25.41000	25.67001	26.24500	26.45885
DKK	Danish krone	7.47150	7.46606	7.44090	7.45421
GBP	British pound sterling	0.85080	0.87777	0.89903	0.88970
HUF	Hungarian forint	330.52000	325.37106	365.13000	351.16579
NOK	Norwegian krone	9.86380	9.85109	10.47030	10.72279
PLN	Polish zloty	4.25880	4.29912	4.52720	4.44606
SEK	Swedish krona	10.44680	10.58908	10.03430	10.48475
USD	US dollar	1.12340	1.11947	1.22710	1.14220

B. ACCOUNTING AND MEASUREMENT PRINCIPLES

6 GENERAL DISCLOSURES

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

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

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

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

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

The CEWE Group is obliged to pay income taxes in various countries (chiefly in Europe). Material assumptions are therefore necessary for calculation of Group-wide income tax liabilities. Income taxes are determined by calculating for each taxable entity the expected actual amount of income tax and the deferred taxes resulting from temporary differences between the balance sheet items in the consolidated financial statements and the accounts prepared for tax purposes. This requires assumptions for interpretation of applicable tax regulations in Germany and other countries. This also requires an assessment of the possibility of realising a sufficiently high level of taxable income for each type of tax and in each tax jurisdiction. For some transactions and calculations, the final level of taxation cannot be conclusively determined. The Group assesses the value of accruals for expected tax audits on the basis of estimates of whether additional income taxes may fall due and the respective amount. Insofar as the final level of taxation for these transactions deviates from the initially assumed level of taxation, this will affect the actual and deferred taxes in the period in which the level of taxation is conclusively determined. If the final values (in the areas affected by estimates) were to deviate from the management's estimates by 10%, the Group would be required to increase its tax liabilities by 2,394 thousand euros and its deferred tax liability by 278 thousand euros, in case of a negative deviation, or reduce its tax liabilities by 2,394 thousand euros and its deferred tax liability by 278 thousand euros in case of a positive deviation. Pensions and similar obligations are measured on the basis of actuarial procedures. These measurements are mainly based on assumptions regarding discount factors, salary and pension trends and life expectancies. Pensions and similar obligations may be subject to significant changes if these assumptions significantly deviate from actual trends due to changes in the market and economic environment.

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

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

7 RECOGNITION OF INCOME AND EXPENSES

The ordinary activities of the CEWE Group comprise photofinishing and other printing services and trading of photographic hardware as well as photofinishing products and services. CEWE mainly realises revenues from the sale of goods and does so only marginally from the provision of services. Any income associated with the Group's ordinary activities is presented as revenue in the profit and loss account. All other income is presented as other operating income (cf. C28, [page 119](#)). Revenues are recognised on the basis of a five-step model. Amounts which are expected as consideration for the transfer of goods to or for the provision of services for a customer must thus be recognised as revenues. Turnover will be realised where (or once) the power of disposal over goods or services has been transferred to a customer, either over a period of time or at a point in time. Operating expenses are recognised in profit or loss upon use of the service or as of the time at which they are incurred. In principle, turnover-related expenses or accruals are measured as of the date of realisation of the corresponding revenues; this includes estimated amounts for rebates and discounts and other sales deductions. Interest income and expenses are recognised on an accrual basis.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost and, in case of wear and tear, less scheduled straight-line depreciation. At the start of the financial year 2020, Commercial Online Printing changed over the depreciation method for its offset machines from straight-line time-dependent depreciation to units-of-production depreciation (cf. A2, [page 105](#)). Production costs comprise all directly attributable costs as well as appropriate portions of the production-related overheads. Financing costs are capitalised. The profits or losses resulting from the write-off of the asset are calculated as the difference between the net disposal proceeds and the book value and are recognised in profit or loss as other operating income or expenses in the period in which this item is written off.

9 LEASE ACCOUNTING

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

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

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

10 INVESTMENT PROPERTIES

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

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

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

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

11 GOODWILL

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

12 INTANGIBLE ASSETS

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

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

13 IMPAIRMENT

Average useful life in years

	Dec. 31, 2019	Dec. 31, 2020
Asset		
Customer base and customer lists	5	5
Software and other intangible assets	3 to 8	3 to 8
ERP software	5	5
Buildings	25 to 50	25 to 50
Machinery		
Adhesive binding equipment and machinery	8	8
Offset printing machines	8 to 10	8 to 10
Digital printing machines	4 to 7	4 to 7
Sorting systems	5 to 8	5 to 8
IT equipment	3 to 7	3 to 7
Motor vehicles	5	5
Office furniture	13	13

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

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

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

For calculation of the value in use, the future cash flows resulting from continued use of the cash-generating units are discounted by a risk-adjusted interest rate. The cash flows are determined on the basis of the planning which has been approved by the Board of Management and is valid at the time of the impairment test. This planning is based on expectations of future market shares, growth on the respective markets and products' profitability. Cash flow forecasts beyond the detailed planning period are calculated on the basis of suitable growth rates. This includes both the current market assessment regarding the fair value of the money and the risks to which the respective asset is exposed, if these factors have not already been reflected in the estimate of the cash flows. Before taxes, the risk-adjusted interest rates used for discounting of cash flows amount to between 6.8% and 12.9% in the Photofinishing business unit, to between 7.3% and 10.1% in the Retail business unit and to 8.0% in the Commercial Online Printing business unit. The risk-adjusted interest rate for the cash-generating units is based on the weighted average cost of capital (WACC). This is determined on the basis of the capital asset pricing model (CAPM), with due consideration of current market expectations. Specific peer group information for beta factors, capital structure data and the cost of borrowing are used to calculate the risk-adjusted interest rate for the purpose of the impairment test. Periods not included in the planning are reflected by means of a terminal value. Various sensitivity analyses are also performed. If the recoverable amount of an asset or a cash-generating unit falls below its book value, impairment is recognised in the amount of the difference. If the value in use is less than the book value, for the calculation of the recoverable amount the fair value less the disposal costs will also be determined. The impairment loss is immediately recognised in profit or loss. In the event of a recovery of the impairment loss, the book value of the asset or the cash-generating unit will be increased to the newly determined recoverable amount. However, the increased book value may not exceed the book value which would have been determined (less scheduled depreciation) if no impairment loss had been recognised in previous years. A recovery in value is immediately recognised in profit or loss.

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

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

14 FINANCIAL ASSETS

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

15 NON-CURRENT ASSETS HELD FOR SALE

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

16 INVENTORIES

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

17 PRIMARY FINANCIAL INSTRUMENTS

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

Financial assets

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

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

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

Financial liabilities

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

Financial liabilities are measured at amortised cost.

18 DERIVATIVE FINANCIAL INSTRUMENTS

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

19 DEFERRED TAXES

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

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

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

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

Average tax rates for calculation of deferred taxes in %

	2019	2020
Belgium	29.00	25.00
Czech Republic	19.00	19.00
Denmark	22.00	22.00
France	28.00	28.00
Germany	30.88	32.00
Hungary	9.00	9.00
Netherlands	25.00	22.55
Norway	22.00	22.00
Poland	19.00	19.00
Slovak Republic	21.00	21.00
Sweden	21.40	20.60
Switzerland	25.00	25.00
United Kingdom	17.00	19.00
USA	21.00	21.00

20 EQUITY

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

The subscribed capital and the capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company. Through the treasury shares item deducted from equity on the face of the balance sheet, treasury shares are reported as a deduction at the value of their full, original acquisition costs and incidental acquisition costs at the time of their buyback (see item D53, [page 141](#)). Retained earnings and unappropriated profits are determined by

law and in accordance with the articles of association of CEWE Stiftung & Co. KGaA, Oldenburg, and are reported at nominal value. As well as earnings calculated according to provisions of commercial law, these items include the discrepancies in relation to IFRS accounting standards. Effects resulting from fair value measurement of equity instruments, fair value measurement of hedging transactions and stock option plans (see item D51, [page 137](#)) are also shown, as are the currency translation differences recognised directly in equity and actuarial gains and losses. The change in hidden reserves recognised within the scope of successive share purchases is apportioned to retained earnings.

21 PENSION COMMITMENTS

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

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

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

22 ACCRUALS

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

23 SHARE-BASED PAYMENT

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

24 RESEARCH AND NON-CAPITALISABLE DEVELOPMENT COSTS

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

25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

26 GOVERNMENT GRANTS

Government grants which are paid by way of compensation for expenses or losses already incurred or by way of immediate financial support, without related future expense, are recognised in the consolidated profit and loss account in the period in which the relevant entitlement arises.

C. COMMENTS ON THE PROFIT AND LOSS ACCOUNT

27 REVENUES

Revenues by business unit in thousands of euros

	2019	Share	2020	Share
Revenues Photofinishing	567,991	78.8	618,767	85.1
<i>Change on previous year (as %)</i>	<i>13.8</i>		<i>8.9</i>	
Revenues Retail	43,673	6.1	34,135	4.7
<i>Change on previous year (as %)</i>	<i>-10.3</i>		<i>-21.8</i>	
Revenues Commercial Online Printing	103,230	14.3	67,791	9.3
<i>Change on previous year (as %)</i>	<i>1.6</i>		<i>-34.3</i>	
Other Activities	5,504	0.8	6,565	0.9
<i>Change on previous year (as %)</i>	<i>38.7</i>		<i>19.3</i>	
Total revenues	720,398	100.0	727,258	100.0

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

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

Turnover by geographical region in thousands of euros

	2019	2020
Germany	386,096	397,688
Other countries	334,302	329,570
Total	720,398	727,258

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

28 OTHER OPERATING INCOME

Other operating income in thousands of euros

	2019	2020
Income from the reversal of accruals	2,378	3,519
Income from currency translation	1,452	3,036
Income from pass-through expenses	3,477	2,776
Other revenues from sales to third parties	4,292	2,720
Rental income	2,393	2,525
Reimbursement of costs own personnel	1,156	1,075
Income from the receipt of impaired receivables	916	944
Income from default charges	594	510
Income from insurance indemnification	274	168
Additional other operating income	5,255	5,759
Total other operating income	22,187	23,032

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

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

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

Income from currency translation mainly comprises profits resulting from exchange rate changes between the time of accrual and the time of payment or from measurement of monetary items at the exchange rate as of the reporting date. Exchange rate losses resulting from such transactions are shown under other operating expenses (see item C31, [page 121](#)).

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

29 COST OF MATERIALS

Cost of materials in thousands of euros

	2019	2020
Expenses for raw materials and supplies and for purchased merchandise	- 159,180	- 147,321
Expenses for purchased services	- 28,274	- 22,792
Total cost of materials	- 187,454	- 170,113

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

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

30 PERSONNEL EXPENSES

Personnel expenses in thousands of euros

	2019	2020
Wages and salaries	- 162,450	- 161,882
Social security contributions	- 31,382	- 30,797
Expenses for pensions and support	- 3,207	- 3,422
Total personnel expenses	- 197,039	- 196,101

Employees number of

	2019	2020
Non-manual employees	2,440	2,418
Manual employees	1,497	1,434
Total employees	3,937	3,852

Employees by business unit number of

	2019	2020
Photofinishing	2,677	2,701
Retail	509	515
Commercial Online Printing	692	583
Other Activities	59	53
Total employees	3,937	3,852

The above figures are annual averages. As of December 31, 2020, the Group had a total of 4,182 employees (December 31, 2019: 4,198 employees).

Wages paid to manual workers amount to 56,470 thousand euros (previous year: 56,587 thousand euros), while salaries of non-manual employees amount to 105,412 thousand euros (previous year: 105,863 thousand euros).

The personnel expenses include restructuring costs in the amount of 1,905 thousand euros (previous year: 2,589 thousand euros).

Expenses for pensions and support mainly comprise allocations to pension accruals; pension accruals for members of the executive bodies of the general and managing partner Neumüller CEWE COLOR Stiftung, Oldenburg, have increased by 3,729 thousand euros (previous year: increase of 4,298 thousand euros). Please also see the comments regarding non-current accruals for pensions (see item D55, [pages 143 ff.](#)).

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

Parameters for stock option plans

		2016	2017	2019
Fair value	in thousands of euros	1,924	1,856	357
Other personnel expenses p. a.	in thousands of euros	481	464	89
End of lockup period		Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2023
Performance target	as % of underlying price	125	125	125
Exit rate	in %	3.00	3.00	3.00
Risk-free interest rate	in %	-0.52	-0.20	-0.70
Historical volatility	in %	27.99	28.17	27.90

The fair values resulting from the initial measurement of the stock option plans (IFRS 2.10 ff.) are accrued pro rata temporis up to the end of the relevant lockup period and recognised as “other personnel expenses”. Reserves are entered for them in equity. On the structure of the stock option plans, we refer to the comments regarding the Group’s equity (see item D51, [page 137](#)). A Monte Carlo simulation has been used for these measurements. A log-normal distribution-based process has been simulated for the price of the CEWE share so as to map the performance target in the form of an increase in the average closing price on the underlying price on ten consecutive trading days.

The simulations also included the possibility of early exercise – with due consideration of the respective exercise windows – and also the beneficiaries’ early exercise behaviour, in line with a modified version of the approach proposed by Hull and White. The simulation assumed that, upon expiry of the lockup period, every year through a percentage exit rate stock options are exercised immediately upon this becoming possible due to the beneficiary leaving the company. A risk-free interest rate was assumed for the period up to the key date of December 30 of the relevant year. The calculation used discrete dividends; publicly available estimates were used as the basis for calculation. Finally, the historical level of volatility was considered and recognised for December 30 of the current year. The Group did not make any direct support payments.

31 OTHER OPERATING EXPENSES

Other operating expenses in thousands of euros

	2019	2020
Selling expenses	-160,185	-165,603
Administrative expenses	-35,484	-33,902
Costs of premises	-12,345	-11,773
Operating costs	-10,584	-10,280
Currency translation expenses	-2,127	-3,605
Depreciation and valuation adjustments for current assets	-2,442	-3,592
Motor vehicle costs	-2,374	-2,111
Additional operating expenses	-19,845	-19,069
Total other operating expenses	-245,386	-249,935

Selling expenses comprise, in particular, transport service expenses, shipping costs for branch and mail-order business in the Photofinishing business unit and marketing expenses. Valuation adjustments on current assets mainly comprise individual valuation adjustments on receivables (2020: 2,581 thousand euros; 2019: 1,414 thousand euros), which have resulted from an assessment of the loss of future returns.

The indicated exchange rate losses mainly comprise currency losses resulting from exchange rate changes between the time of accrual and the time of payment and from measurement at the exchange rate as of the reporting date. Exchange rate gains resulting from such transactions are shown under other operating income (see item C28, [page 119](#)).

In the year under review, as well as the costs of external services and personnel in the amount of 3,345 thousand euros (previous year: 4,025 thousand euros), other operating expenses include losses from the disposal of fixed assets in the amount of 945 thousand euros (previous year: 634 thousand euros) and restructuring costs in the amount of 1,174 million euros (previous year: 240 thousand euros).

Auditor's fees in thousands of euros

	2019	2020
Audit services for financial statements	309	298
Other confirmation services	103	83
Total	412	381

The fees for auditing of financial statements mainly comprise payments for the audit of the consolidated financial statements and the separate financial statements of CEWE Stiftung & Co. KGaA, Oldenburg, and its German subsidiaries. The fees for other confirmation services relate to the auditor's review of the quarterly financial statements and of the summarised non-financial declaration.

32 AMORTISATION OF INTANGIBLE ASSETS, DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

The breakdown of depreciation and amortisation and non-scheduled depreciation and amortisation is shown in the analysis of fixed assets. No non-scheduled goodwill amortisation was recognised in the financial year 2020 or in the previous year.

33 FINANCIAL INCOME AND FINANCIAL EXPENSES

Financial income/financial expenses in thousands of euros

	2019	2020
Income from equity investments	5	5
Other interest and similar income	68	33
Financial income	73	38
Interest and similar expenses	-2,793	-2,246
Interest expenses resulting from lease liabilities	-863	-1,118
Financial expenses	-3,656	-3,364

Interest and similar expenses include expenses recognisable in profit or loss from the fair value measurement of put options in the amount of 1,881 thousand euros (previous year: 2,433 thousand euros).

34 INCOME TAXES

Current and deferred expenses for income taxes in thousands of euros

	2019	2020
Current German taxes ¹	-20,943	-27,440
Current foreign taxes ²	-2,096	-1,435
Current total taxes	-23,039	-28,875
Deferred German taxes	989	4,094
Deferred foreign taxes	497	352
Deferred total taxes	1,486	4,446
Total income taxes	-21,553	-24,429
¹ Of which not relating to the period - Germany	298	-20
² Of which not relating to the period - other countries	-236	95

In Germany, income taxes include corporate income tax plus the solidarity surcharge and trade tax. In other countries, this item comprises similar income taxes of the subsidiaries.

No significant effects have resulted from tax rate changes or from the introduction of new German or foreign taxes.

The volume of income tax expenses shown can be calculated on the basis of the expected income tax expenses as follows:

Reconciliation of income tax expenses in thousands of euros

	2019	2020
Earnings before taxes	53,254	76,365
Theoretical tax rate (as %)	30.0	30.0
Expected income tax expenses	15,976	22,910
Increase/reduction of income tax burden due to:		
Deviation resulting from application of local tax rate	72	1,149
Deviation resulting from different assessment bases		
– Tax-free income (–)	– 184	– 169
– Other tax additions and deductions	854	397
– Non-deductible expenses (+)	980	809
– Depreciation of items not deductible for tax purposes	216	0
Recognition and measurement of deferred taxes		
– Non-recognition of deferred tax assets on loss carry-forwards	4,676	1,478
– Revaluation/subsequent recognition of deferred taxes	– 729	– 1,849
Non-period effects		
– Use of loss carry-forwards not reported in the balance sheet (–)	– 534	– 285
– Other non-period effects	– 267	60
Other effects	493	– 71
Income tax expenses shown	21,553	24,429

For the overall income tax burden, a theoretical tax rate of 30.0% (previous year: 30.0%) is assumed. This comprises a tax rate of 15.0% for corporate income tax (previous year: 15.0%), 5.5% for the solidarity surcharge levied on the corporate income tax liability (previous year: 5.5%) and a lump-sum average of approx. 14% for trade tax (previous year: 14.0%) plus marginal rounding-off.

Deferred tax assets and liabilities shown in the balance sheet resulted for discrepancies in value for the following balance sheet positions and for loss carry-forwards:

Classification of deferred taxes items in thousands of euros

	Dec. 31, 2019		Dec. 31, 2020	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Loss carry-forwards and tax credits	6,889		7,199	
Property, plant and equipment	533	– 6,844	154	– 8,302
Intangible assets	685	– 4,950	2,594	– 5,112
Inventories	373	– 2	379	
Receivables and other assets	421	– 266	469	– 193
Special item for investment grants (investment subsidies)	88	– 120	91	– 85
Pension accruals	7,519		8,730	
Restatement of pension accruals in line with IAS 19				
Other accruals	594	– 315	616	
Financial liabilities				
Other liabilities	6,146		9,588	
Deferred income and accrued expenses		– 48		– 32
Deferred taxes on temporary differences	23,248	– 12,545	29,820	– 13,724
Netting	– 9,045	9,045	– 10,945	10,945
Balance sheet item	14,203	– 3,500	18,875	– 2,779

In the past financial year and the previous year, with the exception of a portion of the deferred tax assets any changes in deferred tax assets and liabilities were measured in profit and loss in the pension accruals item. In the past financial year, the change in deferred tax assets not affecting net income amounted to –893 thousand euros (previous year: –1,411 thousand euros) for the pension accruals.

The total amount carried forward for tax losses not yet used is 70,757 thousand euros (previous year: 67,649 thousand euros) and mainly relates to CEWE's subsidiary in France. Deferred tax assets have been reported in the balance sheet for tax loss carry-forwards in the total amount of 26,784 thousand euros (previous year: 27,338 thousand euros). For the capitalisation of deferred taxes on loss carry-forwards, future realisability is key. This mainly depends on future taxable profits in periods in which tax loss carry-forwards can be claimed. For the purpose of capitalisation, profit expectations are assumed which are considered to be probable. On the basis of the approved budgets and business plans, CEWE assumes that the deferred tax assets are realisable while applying the estimated future taxable income. Of these loss carryforwards, 70,412 thousand euros (previous year: 67,511 thousand euros) may be carried forward without any limit. The remaining loss carry-forwards may be carried forward until 2024 at the latest.

Total income tax expense recognised in equity in thousands of euros

	2019	2020
Income tax expense recognised in profit and loss account	-21,553	-24,429
Tax expense directly recognised in equity	1,411	893
Total income tax expense recognised in equity	-20,142	-23,536

35 EARNINGS PER SHARE

Group earnings per share

		Q4 2019	2019	Q4 2020	2020
Earnings after taxes	in thousands of euros	32,877	31,701	52,053	51,936
Weighted average number of shares, undiluted	in units	7,212,065	7,208,133	7,210,636	7,212,257
Undiluted earnings per share	in euros	4.56	4.40	7.22	7.20
Consolidated profits after minority interests	in thousands of euros	32,877	31,701	52,053	51,936
Weighted average number of shares, diluted	in units	7,212,065	7,208,133	7,210,636	7,212,257
Diluting effect of stock options issued	in thousands of euros	81,818	58,785	38,813	48,166
Diluted earnings per share	in euros	4.51	4.36	7.18	7.15

Undiluted earnings per share are calculated as the ratio of earnings after taxes and the weighted average number of shares outstanding during the financial year less treasury shares.

For purposes of comparison, diluted earnings per share as of December 31, 2020 have been indicated. Treasury shares are not included in the calculation of diluted earnings per share.

D. COMMENTS ON THE BALANCE SHEET**TOTAL FIXED ASSETS OF CEWE STIFTUNG & CO. KGAA**

Development in 2020 in thousands of euros

	Property, plant and equipment	Investment properties	Goodwill	Intangible assets	Non-current financial assets	Total
Acquisition and production costs						
As of Jan. 1	516,732	32,400	120,146	154,278	6,136	829,692
Currency translation adjustments	-3,807	—	—	-397	—	-4,204
Additions	46,916	1,087	—	3,913	1,966	53,882
Disposals	-22,980	—	—	-3,864	-406	-27,250
Transfers	450	-520	—	70	—	—
As of Dec. 31	537,311	32,967	120,146	154,000	7,696	852,120
Depreciation						
As of Jan. 1	294,189	15,160	42,388	115,195	557	467,489
Currency translation adjustments	-1,828	—	—	-340	—	-2,168
Scheduled additions	43,185	467	—	11,063	0	54,715
Non-scheduled additions	524	—	—	141	101	766
Disposals	-15,386	—	—	-3,589	—	-18,975
Transfers	30	-28	—	-2	—	—
Revaluations	-57	—	—	—	—	-57
As of Dec. 31	320,657	15,599	42,388	122,468	658	501,770
Book value on Dec. 31	216,654	17,368	77,758	31,532	7,038	350,350

Development in 2019 in thousands of euros

	Property, plant and equipment	Investment properties	Goodwill	Intangible assets	Non-current financial assets	Total
Acquisition and production costs						
As of Jan. 1	416,395	32,344	102,106	132,996	7,412	691,253
Correction of amount carried forward	70,093	–	–	–	–	70,093
Changes to the scope of consolidation	1,334	–	–	14,739	–	16,073
Currency translation adjustments	771	–	–	74	–	845
Additions	39,960	56	18,040	7,408	1,756	67,220
Disposals	-11,870	–	–	-893	-3,032	-15,795
Transfers	49	–	–	-46	–	3
As of Dec. 31	516,732	32,400	120,146	154,278	6,136	829,692
Depreciation						
As of Jan. 1	256,153	14,701	42,388	104,507	557	418,306
Correction of amount carried forward	453	–	–	–	–	453
Changes to the scope of consolidation	60	–	–	–	–	60
Currency translation adjustments	608	–	–	90	–	698
Scheduled additions	44,462	459	–	9,941	–	54,862
Non-scheduled additions	686	–	–	1,535	–	2,221
Disposals	-8,233	–	–	-880	–	-9,113
Transfers	–	–	–	2	–	2
As of Dec. 31	294,189	15,160	42,388	115,195	557	467,489
Book value on Dec. 31	222,543	17,240	77,758	39,083	5,579	362,203

36 PROPERTY, PLANT AND EQUIPMENT

On the development of the fixed assets, please see the attached analysis of fixed assets. The scheduled depreciations indicated here and the non-scheduled depreciations of fixed assets are shown in the profit and loss account under amortisation of intangible assets and depreciation of property, plant and equipment. On the basis of impairment tests, non-scheduled depreciation on equipment with limited usability for technical reasons has been recognised in the amount of 245 thousand euros (previous year: 520 thousand euros).

Non-scheduled depreciation has been recognised in the amount of 279 thousand euros in connection with restructuring in the Retail business unit (previous year: 686 thousand euros in connection with the restructuring of LASERLINE).

The book value of property, plant and equipment used only temporarily is of lesser importance. The same applies for property, plant and equipment which is definitively no longer used. It is assumed that the fair value of property, plant and equipment does not significantly deviate from its book value. The Group does not have any pledged property, plant and equipment. Obligations for the purchase of property, plant and equipment (commitments) amount to 1,434 thousand euros (previous year: 3,309 thousand euros).

Development of property, plant and equipment in 2020 in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Acquisition and production costs					
As of Jan. 1	157,346	261,571	95,113	2,702	516,732
Currency translation adjustments	1,960	-846	-986	-15	-3,807
Additions	13,961	20,018	10,917	2,020	46,916
Disposals	-7,433	-8,010	-7,537	—	-22,980
Transfers	694	2,302	146	-2,692	450
As of Dec. 31	162,608	275,035	97,653	2,015	537,311
Depreciation					
As of Jan. 1	40,453	180,417	73,319	—	294,189
Currency translation adjustments	-423	700	-705	—	-1,828
Scheduled additions	11,904	21,069	10,212	—	43,185
Non-scheduled additions	7	127	390	—	524
Disposals	-2,233	-6,121	-7,032	—	-15,386
Transfers	26	3	1	—	30
Revaluations	—	-57	—	—	-57
As of Dec. 31	49,734	194,738	76,185	—	320,657
Book value on Dec. 31	112,874	80,297	21,468	2,015	216,654

Development of property, plant and equipment in 2019 in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Acquisition and production costs					
As of Jan. 1	85,539	241,188	83,213	6,455	416,395
Correction of amount carried forward	65,919	1,643	2,531	—	70,093
Changes to the scope of consolidation	18	1,121	195	—	1,334
Currency translation adjustments	160	348	262	1	771
Additions	9,084	17,929	10,384	2,563	39,960
Disposals	-3,427	-6,731	-1,709	-3	-11,870
Transfers	53	6,073	237	-6,314	49
As of Dec. 31	157,346	261,571	95,113	2,702	516,732
Depreciation					
As of Jan. 1	28,803	163,232	64,118	—	256,153
Correction of amount carried forward	—	299	154	—	453
Changes to the scope of consolidation	—	45	15	—	60
Currency translation adjustments	84	304	220	—	608
Scheduled additions	11,682	22,438	10,342	—	44,462
Non-scheduled additions	105	520	61	—	686
Disposals	-221	-6,431	-1,581	—	-8,233
Transfers	—	10	-10	—	—
As of Dec. 31	40,453	180,417	73,319	—	294,189
Book value on Dec. 31	116,893	81,154	21,794	2,702	222,543

As of December 31, 2020, property, plant and equipment include the following amounts where the Group was a lessee according to IFRS 16:

Additions, depreciation and other changes to leased property, plant and equipment 2020
in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Acquisition costs					
As of Jan. 1	67,794	1,669	4,534	–	73,997
Currency translation adjustments	-1,251	-59	-41	–	-1,351
Additions	10,838	–	2,559	–	13,397
Disposals	-6,816	-96	-1,736	–	-8,648
As of Dec. 31	70,565	1,514	5,316	–	77,395
Depreciation					
As of Jan. 1	8,985	439	1,828	–	11,252
Currency translation adjustments	-163	-54	-20	–	-237
Scheduled additions	9,298	417	2,090	–	11,805
Disposals	-1,700	-60	-1,541	–	-3,301
As of Dec. 31	16,420	742	2,357	–	19,519
Book value on Dec. 31	54,145	772	2,959	–	57,876

Additions, depreciation and other changes to leased property, plant and equipment 2019
in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Acquisition costs					
As of Jan. 1	65,919	1,413	2,393	–	69,725
Currency translation adjustments	–	12	–	–	12
Additions	5,300	266	2,564	–	8,130
Disposals	-3,425	-22	-423	–	-3,870
As of Dec. 31	67,794	1,669	4,534	–	73,997
Depreciation					
As of Jan. 1	–	–	–	–	–
Currency translation adjustments	22	11	-1	–	32
Scheduled additions	9,183	450	2,204	–	11,837
Disposals	-220	-22	-375	–	-617
As of Dec. 31	8,985	439	1,828	–	11,252
Book value on Dec. 31	58,809	1,230	2,706	–	62,745

Breakdown of property, plant and equipment owned and leased in 2020
in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Owned property, plant and equipment	58,729	79,525	18,509	2,015	158,778
Leased property, plant and equipment	54,145	772	2,959	–	57,876
Book value on Dec. 31, 2020	112,874	80,297	21,468	2,015	216,654

Breakdown of property, plant and equipment owned and leased in 2019
in thousands of euros

	Land, leasehold rights and buildings, incl. buildings on third-party land	Technical equipment and machinery	Other equipment, furniture and fixtures	Advance payments and assets under construction	Total
Owned property, plant and equipment	58,084	79,924	19,088	2,702	159,798
Leased property, plant and equipment	58,809	1,230	2,706	–	62,745
Book value on Dec. 31, 2019	116,893	81,154	21,794	2,702	222,543

The following amounts have arisen for leasing activities during the reporting period:

in thousands of euros

	2019 Amount	2020 Amount
Expenses for current lease liabilities	1,006	0
Expenses for lease liabilities relating to low-value assets	151	200
Expenses for variable lease payments not included in the measurement of lease liabilities	150	262
Cash and cash equivalents outflows for leases as part of cash flow from operating activities	1,307	462
Cash and cash equivalents outflows for repayments of lease liabilities	9,537	10,668
Cash and cash equivalents outflows for interest in connection with lease liabilities	863	1,118

The amount recognised in profit or loss in the financial year 2020 as a result of the application of the Covid-19 amendment is 326 thousand euros.

Intragroup deliveries and services (e. g. digital printing machines, CEWE photostations, etc.) are calculated on the basis of market prices and also on the basis of transfer prices determined according to the arm's length principle. Fixed assets resulting from intragroup deliveries are adjusted for interim results. For consolidation measures recognised in profit or loss, the income tax effects are considered and deferred taxes are recognised accordingly.

37 INVESTMENT PROPERTIES

Investment properties comprise commercial properties in Bad Schwartau and Berlin as well as the parts of the Dresden production plant site which are leased to third parties and are no longer used by the Group. In accordance with IAS 40, these buildings no longer used by the Group are measured at amortised cost. The underlying expected useful lives for scheduled straight-line depreciation are between 25 and 50 years. Additions in the financial year consist of subsequent acquisition costs in the amount of 988 thousand euros (previous year: 55 thousand euros) and the leased part of the Dresden production plant site in the amount of 99 thousand euros (previous year: 1 thousand euros). In the financial year, rent income amounted to 1,909 thousand euros (previous year: 1,875 thousand euros). Including depreciation, maintenance and incidental costs, expenses for the leased properties amounted to 1,612 thousand euros (previous year: 1,680 thousand euros).

The fair value of these investment properties is 20,353 thousand euros (previous year: 20,021 thousand euros). In principle, the fair value is calculated at Level 3 (of the fair value hierarchy levels according to IFRS 13). The fair value as of the balance sheet date has been calculated on the basis of an opinion prepared by external, independent real estate experts in 2017. The expert who provided this assessment has relevant professional qualifications and current experience in relation to the location and type of the assessed real estate. For calculation of the fair value as of the balance sheet date, the calculation provided in this opinion has been internally restated in line with the current circumstances.

Development of investment properties in thousands of euros

	2019	2020
Acquisition and production costs		
As of Jan. 1	32,344	32,400
Additions	56	1,087
Transfers	–	–520
As of Dec. 31	32,400	32,967
Depreciation		
As of Jan. 1	14,701	15,160
Scheduled additions	459	467
Transfers	–	–28
As of Dec. 31	15,160	15,599
Book value on Dec. 31	17,240	17,368

38 GOODWILL

Goodwill results from the acquisition of businesses. The figures for each business unit have developed as follows:

Development of goodwill in 2020 in thousands of euros

	Photofinishing	Retail	Commercial Online Printing	Total
Acquisition and production costs				
As of Jan. 1	55,234	366	22,158	77,758
As of Dec. 31	55,234	366	22,158	77,758

Development of goodwill in 2019 in thousands of euros

	Photofinishing	Retail	Commercial Online Printing	Total
Acquisition and production costs				
As of Jan. 1	37,194	366	22,158	59,718
Additions	18,040	–	–	18,040
As of Dec. 31	55,234	366	22,158	77,758

For the CEWE Group, key items of goodwill have been assigned to the following business units as of the balance sheet date:

Business unit and cash-generating unit in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Commercial Online Printing SAXOPRINT	17,809	17,809
Commercial Online Printing LASERLINE	2,680	2,680
Commercial Online Printing viaprinto	1,668	1,668
Photofinishing Cheerz	31,198	31,198
Photofinishing WhiteWall	18,040	18,040
Photofinishing Diginet	2,874	2,874
Photofinishing DeinDesign	2,515	2,515

Within the scope of the impairment test, the recoverable amount is determined by calculating the value in use. Cash flow forecasts are used for this purpose which are based on the approved business planning figures. Cash flows are extrapolated beyond a period of five years on the basis of the growth rates indicated below.

In the following, the long-term growth rate and discount rate is indicated for the value-in-use calculation for each cash-generating unit with significant goodwill. The recoverable amount in case of valuation adjustments is also indicated.

2020 in %

	SAXOPRINT	LASERLINE	viaprinto	Cheerz	WhiteWall	Diginet	DeinDesign
Long-term growth rate	1.0	1.0	1.0	0.75	0.75	0.75	0.75
Pre-tax interest rate	8.0	8.0	8.0	7.88	7.3	7.3	7.3

2019 in %

	SAXOPRINT	LASERLINE	viaprinto	Cheerz	WhiteWall	Diginet	DeinDesign
Long-term growth rate	1.0	1.0	1.0	0.75	0.75	0.75	0.75
Pre-tax interest rate	8.4	8.4	8.4	10.2	8.9	8.9	8.9

The range of discount rates before taxes in the respective business units is as follows:

Business units 2020

	Goodwill in thousands of euros	Range of discount rate as %
Photofinishing	55,234	6.8 to 12.9
Retail	366	7.3 to 10.1
Commercial Online Printing	22,158	8.0
Total	77,758	6.8 to 12.9

Business units 2019

	Goodwill in thousands of euros	Range of discount rate as %
Photofinishing	55,234	7.5 to 13.3
Retail	366	8.2 to 10.4
Commercial Online Printing	22,158	5.6
Total	77,758	5.3 to 13.3

The estimates made are considered appropriate in relation to the expected useful life of specific assets, assumptions regarding the macroeconomic environment and developments in the industries in which CEWE is active and the estimated present values of future cash flows. Nonetheless, revised assumptions or changed circumstances may necessitate corrections which may lead to additional valuation adjustments or, in case of a reversal in the envisaged trends, reversals in value if this does not involve goodwill.

Within the scope of a sensitivity analysis for cash-generating units or groups of cash-generating units to which goodwill has been assigned, a 10% reduction in EBIT margins for the perpetual annuity and a 1 percentage point increase in the discount rate have been assumed. For the cash-generating unit SAXOPRINT, a reduction in the EBIT margins for the perpetual annuity

would not have resulted in any impairment requirements, while an increase in the discount rate would have resulted in a 2,975 thousand euros impairment of the book value for goodwill. On this basis, no impairment requirement applies for the other cash-generating units or for the group of cash-generating units.

In the condensed interim financial statements as of June 30, 2020, it was reported that impairment testing had been implemented due to the coronavirus pandemic. In our earnings planning for the next five years, we assumed a negative effect due to the coronavirus pandemic in 2020. A negative effect is currently likewise expected for 2021. In subsequent years, earnings are expected to return to their originally envisaged level. On that date, the discount interest rates ranged between 6.59% and 10.68% for Retail and amounted to 7.98% for Commercial Online Printing.

39 INTANGIBLE ASSETS

Software and similar industrial property rights comprise purchased ERP software, various office products for workstations and newly and subsequently capitalised items for proprietary intangible assets, for internal use and to support the market in the areas of production, distribution and Commercial Online Printing. Within the scope of the Group's proprietary software, own work has been capitalised at a value of 990 thousand euros (previous year: 607 thousand euros).

On the basis of impairment tests, non-scheduled amortisation in the amount of 141 thousand euros in the Photofinishing business unit has been recognised on intangible assets (previous year: 1,535 thousand euros in the Commercial Online Printing business unit).

In the previous year, non-scheduled amortisation included amortisation recognised on intangible assets (e.g. software programmes) which had become obsolete in connection with the restructuring of LASERLINE.

For intangible assets, the Group had commitments in the amount of 177 thousand euros (previous year: 143 thousand euros).

CEWE currently has customer bases, customer lists and trademark rights in its three business units Photofinishing, Retail and Commercial Online Printing. The other customer bases, customer lists and trademark rights derive from previous purchases of smaller competitors. In CEWE's opinion, while these items are important for the development of the company's business they are not decisive in any single instance.

Development of intangible assets in 2020 in thousands of euros

	Purchased software	Proprietary intangible assets	Customer base, customer lists and trademark rights	Advance payments made	Total
Acquisition and production costs					
As of Jan. 1	72,824	25,126	55,195	1,133	154,278
Currency translation adjustments	-207	—	-190	—	-397
Additions	2,134	990	502	287	3,913
Disposals	-2,672	-1,037	-155	—	-3,864
Transfers	589	218	—	-737	70
As of Dec. 31	72,668	25,297	55,352	683	154,000
Depreciation					
As of Jan. 1	58,698	23,019	33,478	—	115,195
Currency translation adjustments	-190	—	-150	—	-340
Scheduled additions	5,550	839	4,674	—	11,063
Non-scheduled additions	141	—	—	—	141
Disposals	-2,525	-988	-76	—	-3,589
Transfers	-2	—	—	—	-2
As of Dec. 31	61,672	22,870	37,926	—	122,468
Book value on Dec. 31	10,996	2,427	17,426	683	31,532

Non-capitalised research & development expenses for intangible assets amount to 13,739 thousand euros (previous year: 15,408 thousand euros). They mainly comprise personnel expenses and other operating expenses.

Development of intangible assets in 2019 in thousands of euros

	Purchased software	Proprietary intangible assets	Customer base, customer lists and trademark rights	Advance payments made	Total
Acquisition and production costs					
As of Jan. 1	64,117	23,488	43,823	1,568	132,996
Changes to the scope of consolidation	3,414	—	11,325	—	14,739
Currency translation adjustments	34	—	40	—	74
Additions	5,844	607	7	950	7,408
Disposals	-851	-42	—	—	-893
Transfers	266	1,073	—	-1,385	-46
As of Dec. 31	72,824	25,126	55,195	1,133	154,278
Depreciation					
As of Jan. 1	53,662	21,519	29,326	—	104,507
Currency translation adjustments	32	—	58	—	90
Scheduled additions	5,138	759	4,044	—	9,941
Non-scheduled additions	1,188	297	50	—	1,535
Disposals	-845	-35	—	—	-880
Transfers	-477	479	—	—	2
As of Dec. 31	58,698	23,019	33,478	—	115,195
Book value on Dec. 31	14,126	2,107	21,717	1,133	39,083

40 FINANCIAL ASSETS

The Group's financial assets include interests in other equity investments in the amount of 6,708 thousand euros (previous year: 5,249 thousand euros). This includes the equity investments in the funds Capnamic United Venture Fund I GmbH & Co. KG and High-Tech Gründerfonds II

Development of non-current financial assets in 2020 in thousands of euros

	Non-current interests in affiliates	Non-current equity investments	Non-current other loans	Total
Acquisition and production costs				
As of Jan. 1	43	5,763	330	6,136
Additions	–	1,966	–	1,966
Disposals	–	–406	–	–406
As of Dec. 31	43	7,323	330	7,696
Depreciation				
As of Jan. 1.	18	539	–	557
Non-scheduled additions	–	101	–	101
As of Dec. 31	18	640	–	658
Book value on Dec. 31	25	6,683	330	7,038

GmbH & Co. KG. Other loans in the amount of 330 thousand euros (previous year: 330 thousand euros) mainly comprise the repurchase value of the company's reinsurance policy.

Development of non-current financial assets in 2019 in thousands of euros

	Non-current interests in affiliates	Non-current equity investments	Non-current other loans	Total
Acquisition and production costs				
As of Jan. 1	43	7,082	287	7,412
Additions	–	1,713	43	1,756
Disposals	–	–3,032	–	–3,032
As of Dec. 31	43	5,763	330	6,136
Depreciation				
As of Jan. 1.	18	539	–	557
As of Dec. 31	18	539	–	557
Book value on Dec. 31	25	5,224	330	5,579

41 NON-CURRENT RECEIVABLES AND ASSETS

Non-current financial assets comprise, in particular, deposits and collateral. Non-current other receivables and assets exclusively relate to prepaid expenses and accrued income.

42 DEFERRED TAX ASSETS

Deferred tax assets in 2020 – composition and development in thousands of euros

	From temporary differences	From tax loss carry-forwards	Total
As of Jan. 1	7,314	6,889	14,203
Currency translation adjustments	-6	0	-6
Amount added	4,456	1,878	6,334
Reversals	-88	-1,568	-1,656
As of Dec. 31	11,676	7,199	18,875

Deferred tax assets in 2019 – composition and development in thousands of euros

	From temporary differences	From tax loss carry-forwards	Total
As of Jan. 1	6,764	5,525	12,289
Amount added	720	1,743	2,463
Reversals	-170	-379	-549
As of Dec. 31	7,314	6,889	14,203

Capitalised tax assets mainly comprise valuation differences for pensions and other accruals as well as effects on earnings resulting from consolidation. Deferred taxes resulting from existing tax loss carry-forwards are only capitalised where the earnings expectations of the respective Group company enable the use of a loss with a sufficient degree of probability and within a sufficiently close period of time. In the year under review, deferred taxes in the amount of 7,199 thousand euros (previous year: 6,889 thousand euros) have been capitalised on loss carry-forwards. Please see the comments on income taxes for further details (see item C34, [page 122](#)).

43 INVENTORIES

Inventories in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Raw materials and supplies	24,122	35,174
Unfinished goods, work in progress	1,134	795
Finished goods and merchandise	23,472	14,906
Advance payments made	29	10
Total	48,757	50,885

The revaluation on inventories amounts to -284 thousand euros (previous year: revaluation of -82 thousand euros).

Depreciation of finished and unfinished goods and merchandise is included in the cost of materials item of the profit and loss account. In the past financial year, inventories of CEWE Norge AS, Oppegård, Norway, with a book value of 258 thousand euros (previous year: 274 thousand euros) were pledged as collateral for rent deposits.

44 CURRENT TRADE RECEIVABLES

Current trade receivables in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Trade receivables not impaired	75,974	58,949
Thereof amount covered by insurance	42,509	44,844
Gross amount of impaired receivables	18,132	30,187
Valuation adjustments	2,727	3,794
Total	91,379	85,342

Directly trade-related receivables are all current in nature and are due from external third parties. Trade receivables underwent the following valuation adjustments in the course of the year:

Valuation adjustment on trade receivables in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
As of Jan. 1	3,176	2,727
Currency translation adjustments	1	-9
Amount added	1,617	2,594
Reversals	-804	-910
Use	-1,263	-608
As of Dec. 31	2,727	3,794

Additions to valuation adjustments are shown in the profit and loss account under the other operating expenses item, while reversals are shown within the scope of other operating income. Direct losses on trade receivables are also shown in the other operating expenses item; in the past financial year, they amounted to 1,011 thousand euros (previous year: 1,027 thousand euros).

CEWE applies the simplified approach according to IFRS 9 in order to measure the expected credit losses; accordingly, the credit losses envisaged over the course of the period are taken into consideration for all trade receivables. In order to measure the expected credit losses, trade receivables are aggregated on the basis of common credit risk characteristics and the number of days overdue. The expected loss rates are based on the payment profiles for turnover over a period of 36 months prior to December 31, 2020 and the related historical losses in this period. The historical loss rates are restated in order to reflect current and prospective information which affects customers' capacity to settle claims. In the past financial year, customer receivables of CEWE Norge AS, Oppegård, Norway, with a book value of 96 thousand euros (previous year: 101 thousand euros) were pledged. They will be finally written off once the write-off rules under IFRS 9 are fulfilled.

45 CURRENT RECEIVABLES FROM INCOME TAX REFUNDS

This mainly comprises refund claims for tax prepayments made in the current year for the year under review.

46 CURRENT FINANCIAL ASSETS

Current financial assets include the following items:

Current financial assets in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Creditors with debit accounts	1,149	472
Receivables from employees	269	233
Other current financial receivables and assets	3,936	2,448
Total	5,354	3,153

47 OTHER CURRENT RECEIVABLES AND ASSETS

Other current receivables and assets in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Current prepaid expenses	4,503	5,043
Tax refund claims	4,140	5,247
Current receivables from insurance firms	1	10
Total	8,644	10,300

48 CASH AND CASH EQUIVALENTS

This item comprises bank balances – all of which are due in the short term – and cash on hand. Euro balances held by various credit institutes attracted interest at a rate of 0.25% (previous year: 0.0%). Foreign-currency balances (2020: 17,207 thousand euros, previous year: 12,902 thousand euros) attracted interest at the specifically agreed rates; they have been measured at the exchange rate as of the balance sheet date.

49 SUBSCRIBED CAPITAL

The CEWE Group's subscribed capital and capital reserve relate to CEWE Stiftung & Co. KGaA, Oldenburg, and are recognised as if held by this company.

Following the capital increase, the company's share capital amounts to 19,302,189.40 euros and has been divided up into 7,423,919 bearer shares.

Each bearer share of CEWE Stiftung & Co. KGaA confers one vote. The total number of voting rights is 7,423,919.

Current shares in units

	Development in the financial year 2019	Development in the financial year 2020
As of Jan. 1	7,183,324	7,214,140
Purchases of treasury shares	–	–27,953
Sales of treasury shares	15,897	14,031
Capital increase	14,919	8,980
As of Dec. 31	7,214,140	7,209,198

50 AUTHORISED CAPITAL

With the consent of the Supervisory Board, in the period to May 30, 2022 the general partner is authorised to increase the company's share capital one or more times by issuing new no-par value bearer shares in return for cash and/or non-cash contributions, by a total amount not exceeding 3,848,010.00 euros (Authorised Capital 2017). In principle, the shareholders must be granted a subscription right. The new shares may be purchased by one or more credit institutions, subject to an obligation to offer them to their shareholders for purchase. With the consent of the Supervisory Board, the general partner will decide on the rights embodied in the share certificates and the terms for issuance of shares. This includes an authorisation to issue ordinary shares and/or non-voting preferred shares, the details of which will be determined by the general partner with the consent of the Supervisory Board, particularly the amount of the advance dividend in case of preferred shares. Even if the capital increase is implemented in several steps, preferred shares may be issued in a later step which have priority over, or else equal status with, those issued during a previous step. The Supervisory Board is entitled to adjust the wording of the company's articles of association in accordance with the volume of the capital increase through authorised capital or upon expiry of the authorisation period.

In addition, the share capital has undergone a conditional increase of up to 650,000 euros, through the issue of up to 250,000 new no-par-value bearer shares (Contingent Capital 2020). A total of 8,980 new no-par-value bearer shares were issued out of this contingent capital in 2020.

51 STOCK OPTION PLANS

Stock option plans since 2014

The Board of Management has launched stock option plans since 2014 (SOP 2015, SOP 2016, SOP 2017, SOP 2019). These plans are based on the resolution passed by the general meeting on June 4, 2014 and have complied with the terms indicated in this resolution. The company's Supervisory Board has passed resolutions granting the necessary consent.

All of these plans have the same structure. Each of these stock option plans has a term of five years. Upon expiry of a four-term waiting period (lockup period), the options may be exercised in the fifth year of the term. Their exercise is contingent upon achievement of the performance target, i. e. if the closing auction prices of the CEWE share in Deutsche Börse AG's Xetra trading system have at least reached (if not exceeded) the underlying price plus the applicable performance premium on ten consecutive stock exchange trading days.

The options are only exercisable and shares resulting from the option deal are only subsequently saleable within six four-week exercise periods. These exercise periods will begin as of publication of the earnings for the past financial year, as of the balance sheet press conference, as of the

annual general meeting and as of the date of publication of the quarterly figures. The CEWE Group's Compliance Officer monitors compliance with these time limits.

These options were offered to a defined group of top-level managers and experts within CEWE Stiftung & Co. KGaA as well as other Group companies in Germany and other countries, at a premium of 0.50 euros per option. The number of options offered is limited. A maximum of 1,200 options are available for a member of the Board of Management, while for other executives and experts a lower number of options are available, depending on their management level and their proximity to the company's success.

The terms of the current stock option plans are as follows:

Structure of stock option plans

		Number of participants	Number of rights issued	Start of waiting period	End of waiting period	End of exercise period	Underlying price euros/option	Performance premium in %	Performance target euros/option
SOP 2019	Board of Management ¹	7	8,400	Jan. 1, 2020	Dec. 31, 2023	Dec. 31, 2024			
	Other executives	26	19,500						
	Total	33	27,900				81.00	125	101.25
SOP 2017	Board of Management ¹	7	8,400	Jan. 1, 2018	Dec. 31, 2021	Dec. 31, 2022			
	Other executives	178	83,600						
	Total	185	92,000				74.00	125	92.50
SOP 2016	Board of Management ¹	8	9,600	Jan. 1, 2017	Dec. 31, 2020	Dec. 31, 2021			
	Other executives	208	97,100						
	Total	216	106,700				74.00	125	92.50

1 Board of Management of Neumüller CEWE COLOR Stiftung

The stock option plans must be assessed in accordance with IFRS 2.10 ff. The fair value must be accrued during the waiting period (lockup period) pro rata temporis as other personnel expenses and reserves must be entered for this in equity. The values for the current plans are as follows:

Stock option plans - fair value and accrued expenses

		Fair value euros/option	Options awarded	Fair value in euros	Income premium (0.50 euros/option)	Accrued personnel expenses 2017 (in euros)	Accrued personnel expenses 2018 (in euros)	Accrued personnel expenses 2019 (in euros)	Accrued personnel expenses 2020 (in euros)
SOP 2019	Board of Management	12.82	8,400	107,688	4,200				
	Other executives	12.79	19,500	249,405	9,750				
	Total		27,900	357,093	13,950	0	0	0	89,273
SOP 2017	Board of Management	20.20	8,400	169,680	4,200				
	Other executives	20.17	83,600	1,686,212	41,800				
	Total		92,000	1,855,892	46,000	0	463,968	463,968	463,968
SOP 2016	Board of Management	18.06	9,600	173,376	4,800				
	Other executives	18.03	97,100	1,750,713	48,550				
	Total		106,700	1,924,089	53,350	481,020	481,020	481,020	481,029
Total				113,300	481,020	944,988	944,988	1,034,270	

Supervisory Board members or members of other executive bodies of CEWE Stiftung & Co. KGaA tasked with the company's supervision were awarded stock options as of the issue dates as follows:

Stock option plans

	Number of stock options in units
2019	0
2017	350
2016	750

The number of stock options issued within the scope of the current plans is as follows:

Stock options issued number

	2019	2020
Outstanding as of Jan. 1	386,650	313,650
Expired over the course of the year	5,350	14,100
Exercised over the course of the year	95,550	93,300
Confirmed over the course of the year	27,900	0
Outstanding as of Dec. 31	313,650	206,250

The weighted average share price for the options exercised was 103.26 euros (previous year: 83.26 euros).

52 CAPITAL RESERVE

This shows the premium which resulted from the issuance of the 600,002 bearer shares (following the 1:10 share split implemented in 1999 for 6,000,020 bearer shares) in excess of the nominal value of the shares (29,144 thousand euros), the amount allocated from the capital reduction (1,560 thousand euros), the allocation within the scope of the conversion of the atypical silent partner shares (27,868 thousand euros) which were reduced by 2,375 thousand euros through the final statement for this conversion during the financial year 2007, the premium which resulted from the exercise of the share purchase right of CEWE Stiftung & Co. KGaA (415 thousand euros) and the profit from the sale of treasury shares (12,689 thousand euros).

The capital reserve includes the fair value of the stock options issued for the stock plans which have been added to the capital reserve pro rata between the issue date and the maturity of the stock option plans, plus the withheld premiums. It also includes the effects of the issuance of staff shares.

53 TREASURY SHARES AT ACQUISITION COST**Treasury shares**

		2017		2018		2019		2020		
		Total	Sale	Total	Sale	Total	Sale	Buyback	Sale	Total
Buyback period		Reporting date Dec. 31, 2017	Jan. 1, 2018 to Dec. 31, 2018	Reporting date Dec. 31, 2018	Jan. 1, 2019 to Dec. 31, 2019	Reporting date Dec. 31, 2019	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2020	Jan. 1, 2020 to Dec. 31, 2020	Reporting date Dec. 31, 2020
Treasury shares held	number	240,040	-23,344	216,696	-15,897	200,799		27,953	-14,031	214,721
Interest in share capital on reporting date	in thousands of euros	624	-61	563	-42	521	71	-37	555	
Interest in share capital on reporting date	in %	3.2	-0.32	2.93	-0.22	2.71	0.37	-0.19	2.89	
Average purchase price per share	in euros	33.08	32.74	33.11	32.74	33.14	86.97	42.42	39.54	
Total value of shares bought back	in thousands of euros	7,940	-764	7,176	-520	6,655	2,431	-595	8,491	

Treasury shares are shown in a separate line within equity as a “contra equity position”. They are measured at their original acquisition costs and incidental acquisition costs and thus reduce the company’s equity (cost method).

On the basis of the authorisation resolution passed by the general meeting on May 28, 2008, CEWE KGaA launched a share buyback programme on June 16, 2008.

The authorisation to purchase treasury shares was renewed by the resolution passed by the general meeting on May 31, 2017 and is now valid until May 30, 2022. The authorisation to purchase treasury shares which was resolved by the general meeting on June 4, 2014 expired once this new authorisation became effective.

In the financial year 2011, within the scope of the company’s employee share programme a total of 10,890 no-par value shares were sold to employees and a further 248,787 no-par value shares were bought back in the period to October 28, 2011, pursuant to the general meeting’s authorisation resolution of June 2, 2010. This means that the company gained a total of 237,897 new treasury shares in 2011.

In the financial year 2012, a total of 15,489 no-par value shares were sold to employees as part of the company’s employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2013, a total of 16,796 no-par value shares were sold to employees as part of the company’s employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2014, a total of 10,654 no-par value shares were sold to employees as part of the company’s employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 26,065 treasury shares were required in 2014 to exercise the stock option plan.

In the financial year 2015, a total of 11,087 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 3,800 treasury shares were required in 2014 for the exercise of the stock option plan.

Moreover, in 2016 the Board of Management resolved to offer the employees of the German subsidiaries of CEWE KGaA shares in the company at a reduced price, as staff shares. A total of 8,410 shares were required for this purpose. The necessary shares were provided out of the portfolio of CEWE KGaA. A total of 21,500 treasury shares were repurchased in 2016 within the scope of the share buyback programme.

In the financial year 2017, a total of 16,548 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In the financial year 2018, 5,586 no-par value shares were used for the acquisition of Cheerz, and a total of 17,758 no-par value shares were sold to employees as part of the company's employee share programme. The necessary shares were provided out of the portfolio of CEWE KGaA.

In 2019, a total of 17,100 no-par value shares were issued free-of-charge to employees as part of the company's employee share programme. These shares were provided by means of a capital increase in return for a cash contribution as well as the issue of treasury shares out of the portfolio of CEWE KGaA.

In 2020, a total of 8,980 new no-par value shares were issued free-of-charge to employees as part of the company's employee share programme. These shares were provided by means of a capital increase in return for a cash contribution.

CEWE KGaA's key portfolio of treasury shares under German company law as of December 31, 2020 amounted to 101,969 shares (previous year: 88,047 shares). The 112,752 shares held by CEWE COLOR Versorgungskasse e.V., Wiesbaden, are not considered treasury shares under German company law. In accordance with IAS 19, they must be included in the consolidated financial statements. The deduction for treasury shares under IAS 32 thus comprises 214,721 no-par value shares – at a total value of 8,491 thousand euros (previous year: 6,655 thousand euros).

CEWE's treasury shares developed as follows:

Development of treasury shares in units

	CEWE Stiftung & Co. KGaA		CEWE COLOR Versorgungskasse e.V.		CEWE Group	
	2019	2020	2019	2020	2019	2020
As of Jan. 1	103,944	88,047	112,752	112,752	216,696	200,799
Purchases of treasury shares	–	27,953	–	–	–	27,953
Sales of treasury shares	-15,897	-14,031	–	–	-15,897	-14,031
As of Dec. 31	88,047	101,969	112,752	112,752	200,799	214,721

54 RETAINED EARNINGS AND UNAPPROPRIATED PROFITS

Unappropriated profits correspond to the item "Generated Group equity" and comprise the respective earnings after taxes net of the dividend paid for 2019. The unappropriated profits of CEWE KGaA under commercial law are key for determination of the distribution. As of December 31, 2020, following the allocation to the retained earnings under § 58 (2) of the German Stock Corporation Act the unappropriated profits of CEWE KGaA amount to 48,383 thousand euros (previous year: 40,758 thousand euros). Payout freezes apply for the company's treasury shares (2020: 101,969 no-par value shares; previous year: 88,047 no-par value shares). In 2020, dividends were paid for a total amount of 14,465 thousand euros (previous year: 14,090 thousand euros). This corresponds to a distribution of 2.00 euros (previous year: 1.95 euros) per no-par value share conferring a dividend entitlement.

For the components of other retained earnings, please see the consolidated statement of changes in equity. The compensating item from currency translation relates to all of the foreign-currency differences resulting from translation of the financial statements of the Group's foreign enterprises. In the past financial year and in the previous year, income taxes not affecting net income exclusively related to the currency differences recognised without affecting net income that resulted from non-current loans between Group companies – which are included in the compensating item from currency translation – and also deferred taxes in relation to the actuarial result.

55 NON-CURRENT ACCRUALS FOR PENSIONS

Non-current pension accruals in thousands of euros

	Development in the financial year 2019	Development in the financial year 2020
As of Jan. 1	29,150	35,546
Use	-1,138	-546
Amount added	7,534	5,051
As of Dec. 31	35,546	40,051

CEWE has various types of company pension scheme commitments to its current and former employees and to their surviving dependants in Germany and France. The company's pension scheme is based on a defined-benefit system and also, to a marginal extent, on a defined-contribution system. Employees are also able to participate in schemes for the conversion of salary entitlements into pension entitlements. Accruals are measured on the basis of the projected unit credit method.

In the case of the defined-benefit scheme, the company or an external pension provider grants the beneficiaries a defined-benefit commitment; unlike in the case of defined contributions, the expenses incurred by the company are not determined in advance. In Germany, the company's commitments to the Board of Management are structured as final salary plans; in addition, several executives have been granted fixed-benefit commitments. In France, capital commitments in accordance with the employee's period of service are granted which are covered by reinsurance policies. Expenses for these commitments are apportioned across the service period of the employees, on the basis of actuarial calculations, and must be broken down into the current service cost and interest expense (the balance of interest on the obligation and income from the cover funds) in accordance with IAS 19 rev. 2011. On the respective balance sheet date (December 31 of each year), the interest rate is determined on the basis of current capital market data as well as assumptions regarding long-term trends, in accordance with the

principle of the best possible estimate. CEWE has several defined-benefit plans. As a rule, it has provided aggregated details for these plans, since there are no significant deviations in terms of their respective risk exposure. Through its plans in Germany and France, the Group is generally exposed to the following actuarial risks: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk: The present value of the defined-benefit obligation under the plan is calculated by means of a discount rate which is determined on the basis of the yields provided by high-quality, fixed-interest corporate bonds. If the income from the plan assets is less than this interest rate, this will result in shortage of cover for the plan.

Interest rate risk: A decrease in the discount rate will result in an increase in the Group's liability under the plan.

Longevity risk: The present value of the defined-benefit obligation under the plan is determined on the basis of the best possible estimate of the probability of death of the beneficiary employees, both during the employment relationship and thereafter. An increase in the life expectancy of beneficiary employees will result in an increase in the liability under the plan.

Salary risk: The present value of the defined-benefit obligation under the plan is determined on the basis of the future salaries of beneficiary employees. An increase in the salaries of beneficiary employees will thus result in an increase in the liability under the plan.

No other benefits for these employees are envisaged upon termination of their employment relationships.

In Germany, the company does not have any plan assets within the meaning of IAS 19 rev. 2011 to cover these benefits. In France, the realisable pension benefit is partly covered through reinsurance policies (the risks in terms of assets and liabilities are thus directly linked).

On the other hand, in case of defined contributions firmly defined contributions (e.g. in relation to the applicable level of income) are confirmed and paid. The employer does not have any other constructive obligation beyond payment of the contributions. In case of defined contributions, it is not necessary to establish accruals in the balance sheet. Only the contribution payable by the company is shown in the profit and loss account as expense.

The key parameters for defined-benefit pensions are presented below:

Development of obligations in thousands of euros

	2019	2020
Present value of vested pension entitlements at start of financial year	29,284	35,641
Current service cost	1,804	2,379
Interest expense	514	342
Actuarial losses (+)	4,994	2,947
Payment of benefits	-1,181	-1,190
Past service cost	226	0
Present value of vested pension entitlements at end of financial year	35,641	40,119
Of which directly confirmed (excl. plan assets)	33,730	38,094
Of which funded with plan assets	1,911	2,025

In summary, these assets developed as follows:

Development of plan assets in thousands of euros

	2019	2020
Fair value of plan assets at start of financial year	134	95
Expected income from plan assets	2	0
Actuarial profits (+)	1	2
Payment of benefits	-42	-29
Fair value of plan assets at end of financial year	95	68

Overall, the Group's financing status is as follows:

Financing status in thousands of euros

	2019	2020
Present value of vested pension entitlements at end of financial year	35,641	40,119
Fair value of plan assets at end of financial year	-95	-68
Balance sheet value at end of financial year	35,546	40,051
Restatement of present value of vested pension entitlements (DBO) on basis of past experience	445	1,006
Restatement of fair value of plan assets on basis of past experience	-1	-2

The total expenses recognised in the profit and loss account for defined-benefit pension plans (expenses less income) are as follows:

Net pension expense in thousands of euros

	2019	2020
Current service cost	1,804	2,369
Interest expense	514	342
Expected income from plan assets	-2	0
Past service cost	226	0
Total	2,542	2,711

In the financial year 2020, actuarial losses in the amount of 2,945 thousand euros resulted (previous year: actuarial losses in the amount of 4,994 thousand euros), which have been apportioned to other comprehensive income. The actuarial losses in 2020 are largely (with a share of 2,011 thousand euros) attributable to the reduction in the IAS 19 interest rate. The assumptions for actuarial measurement of the present value of the vested pension entitlements and the net pension expenses reflect circumstances in the country in which the pension plan has been established.

The calculations are based on current, actuarially determined biometric probabilities. Assumptions regarding future fluctuations on the basis of age and years of service are also included, as are probabilities within the Group of employees reaching retirement and salary and pension trends.

The following weighted measurement assumptions have resulted in relation to the present value of the vested pension entitlements:

Weighted assumptions for calculation of the present value of vested pension entitlements in %

	Dec. 31, 2019	Dec. 31, 2020
Interest rate	1.00	0.70
Salary trend/development of vested rights	2.50	2.50
Pension trend	2.00	2.00
Fluctuation	1.50	1.50

The valid probabilities within the respective countries have been assumed as the level of biometric probability. The date of the earliest possible receipt of benefits has been assumed as the date of retirement.

The plan assets for the Group's French obligations consist of reinsurance contracts. The Group's investment strategy and the probable level of income thus reflect the stipulations in these contracts as well as statutory provisions. In 2021, contributions to the French plan are expected to amount to 0 thousand euros. The actual income from the plan assets totalled 2 thousand euros (previous year: 3 thousand euros).

Present value of obligations and fair value of plan assets in thousands of euros

	2017	2018	2019	2020
Present value of obligations	27,311	29,284	35,641	40,119
Fair value of plan assets ¹	148	134	95	68
Shortfall	27,163	29,150	35,546	40,051

1. Excl. the financial instruments of CEWE COLOR Versorgungskasse e.V., Wiesbaden

Restatements made on basis of past experience in thousands of euros

	2017	2018	2019	2020
Plan liabilities	918	113	445	1,006
Plan assets	-3	-2	-1	-2

Sensitivity analysis

Assuming that the other assumptions remain constant, changes in one of the key actuarial assumptions of which there was a reasonable possibility as of the reporting date would have influenced the defined-benefit obligation in terms of the following amounts.

The following tables provide information on the levels of sensitivity regarding the key measurement parameters (effects on the scope of the commitment) and the expected pension benefits over the next ten financial years.

Sensitivity analysis in %

	Changes	Increase	Decrease
Discount rate	1.0	-15.8	20.7
Future salary increases	0.5	2.2	-2.1
Future pension increases	0.5	6.4	-6.2

Over the next ten financial years, the following payments of pension benefits are expected:

Payment of pension benefits in %

	Amount
2021	1,257
2022	1,259
2023	1,204
2024	1,154
2025	1,263
2026 to 2030	6,771

In the financial year 2020, the company incurred expenses for defined contributions in the amount of 3,086 thousand euros (previous year: 3,041 thousand euros). Contributions were paid to statutory or government defined-contribution plans in the amount of 14,000 thousand euros (previous year: 13,169 thousand euros). CEWE does not have any legal or constructive obligation for payment of these future benefits.

A similar volume of expenses is expected in 2021.

56 NON-CURRENT DEFERRED TAX LIABILITIES

Non-current deferred tax liabilities in thousands of euros

	Development in the financial year 2019	Development in the financial year 2020
As of Jan. 1	2,945	3,500
Changes to the scope of consolidation	1,162	0
Currency translation adjustments	0	-5
Use	-285	-1,123
Amount added	202	458
Reversals	-524	-51
As of Dec. 31	3,500	2,779

The changes in deferred taxes mainly relate to the change in temporary differences. Deferred taxes have largely been deferred for periods of between one and five years.

57 NON-CURRENT OTHER ACCRUALS

This position comprises the asset retirement obligations relating to renovation measures in case of tenant installations. This item developed as follows:

Non-current other accrual 2020 in thousands of euros

	2019	2020
As of Jan. 1	0	501
Currency translation adjustments	0	-20
Use	0	-15
Amount added	501	3
Reversals	0	-5
As of Dec. 31.	501	464

58 NON-CURRENT INTEREST-BEARING FINANCIAL LIABILITIES

The credit facilities negotiated in the financial year 2018 were agreed with a total of ten private banks and publicly owned banks. As of the reporting date, the loans taken up have a term of between one and five years (previous year: between one and six years). At the end of the year, the total credit line of the CEWE Group amounted to 180 million euros (previous year: 180.0 million euros). After deducting the total loan volume drawn down (1.2 million euros, previous year: 1.9 million euros) – this does not involve a drawdown which is relevant for liquidity purposes and instead comprises the amount deducted by the credit institutions for the guarantees provided – and allowing for the company's existing liquidity (102.8 million euros, previous year: 33.0 million euros), its liquidity potential totalled 280.7 million euros (previous year: 211.1 million euros). As well as drawn-down fixed-rate loans (0 million euros, previous year: 0 million euros), the company has long-term revolving credit lines which have been granted for up to five years as well as continuously renewed one-year lines whose overall purpose is financing

of the company's liquidity requirements, which fluctuate strongly over the course of a given year due to seasonal factors. In principle, no restrictions apply in relation to the use of credit lines. This ensures that CEWE will be able to fulfil its payment obligations.

All long-term credit commitments are subject to normal bank agreements. No financial covenants have been agreed. No significant collateral was provided. The interest terms for current account loans are based on EONIA as the base interest rate plus a normal margin in Germany; the interest terms for almost all of the other financing arrangements are based on the one- to three-month Euribor as the base interest rate plus a normal margin in Germany. For further details, please see the comments on current interest-bearing financial liabilities (item D64, [page 149](#)) and the comments in the combined management report ([page 53](#)).

59 NON-CURRENT LIABILITIES FROM LEASING

As of the balance sheet date December 31, 2020, the rights of use in the amount of 57,876 thousand euros (previous year: 62,745 thousand euros) contrast with lease liabilities with a present value of 59,211 thousand euros (previous year: 63,121 thousand euros). The non-current portion of the lease liabilities amounts to 48,769 thousand euros (previous year: 52,453 thousand euros). The current portion of the lease liability amounts to 10,442 thousand euros (previous year: 10,668 thousand euros). The payment obligations have the following maturity structure:

Discounted lease liabilities in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Total future lease payments IFRS 16		
Due within a period of one year	10,668	10,442
Due within a period of between two and five years	30,455	28,725
Due after more than five years	21,998	20,044

60 NON-CURRENT FINANCIAL LIABILITIES

Non-current financial liabilities comprise liabilities to affiliates' residual old shareholders.

61 NON-CURRENT OTHER LIABILITIES

Non-current other liabilities mainly comprise accruals and deferrals resulting from investments.

62 CURRENT TAX LIABILITIES

This position includes provision for income tax obligations. This item developed as follows:

Current tax liabilities in 2020 in thousands of euros

	Income taxes
As of Jan. 1	7,456
Currency translation adjustments	- 15
Use	- 1,182
Amount added	17,686
As of Dec. 31	23,945

Current tax liabilities in 2019 in thousands of euros

	Income taxes
As of Jan. 1	8,221
Changes to the scope of consolidation	178
Currency translation adjustments	15
Use	- 5,555
Amount added	4,907
Reversals	- 310
As of Dec. 31	7,456

63 CURRENT OTHER ACCRUALS

Provision for additional other liabilities relates to current legal disputes and other obligations.

Current other accruals in 2020 in thousands of euros

	Supervisory Board remuneration	Auditing of annual financial statements incl. internal expenses for annual financial statements	Guarantee and ex gratia payments	Archiving costs	Liabilities in relation to employees	Expenses for members of the Board of Trustees	Provisions for contingent losses	Tax returns	Legal expenses	Additional other liabilities	Total
Balance as of Jan. 1, after restatements	638	858	49	219	448	355	2,829	63	29	859	6,347
Currency translation adjustments	—	-5	—	—	—	—	—	—	—	-11	-16
Use	-516	-700	-40	—	-105	-287	-2,079	-22	-23	-385	-4,157
Amount added	665	586	129	4	272	369	2,191	25	420	195	4,855
Reversals	-122	-101	—	-6	-15	-68	-556	-3	-1	-143	-1,015
As of Dec. 31	665	638	138	217	600	369	2,385	63	425	515	6,015

Current other accruals in 2019 in thousands of euros

	Supervisory Board remuneration	Auditing of annual financial statements incl. internal expenses for annual financial statements	Guarantee and ex gratia payments	Archiving costs	Liabilities in relation to employees	Expenses for members of the Board of Trustees	Provisions for contingent losses	Tax returns	Legal expenses	Additional other liabilities	Total
Balance as of Jan. 1	583	550	39	212	361	322	—	83	11	1,312	3,473
Changes to the scope of consolidation	—	147	4	—	—	—	—	—	—	—	151
Currency translation adjustments	—	3	—	—	—	—	—	—	—	2	5
Use	-553	-426	-27	—	-97	-307	—	-37	—	-645	-2,092
Amount added	638	652	37	8	206	355	2,829	36	29	687	5,477
Reversals	-30	-68	-4	-1	-22	-15	—	-19	-11	-497	-667
As of Dec. 31, after restatements	638	858	49	219	448	355	2,829	63	29	859	6,347

64 CURRENT INTEREST-BEARING FINANCIAL LIABILITIES**Current interest-bearing financial liabilities** in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Loans from banks	0	0
Bank current accounts	832	407
Total	832	407

Reconciliation acc. to IAS 7 in 2020 in thousands of euros

	As of Jan. 1	Cash flow	Non-cash Acquisition	As of Dec. 31
Non-current liabilities	1,115	- 344	0	771
Current liabilities	11,822	- 425	0	11,397
Lease liabilities	63,029	- 13,310	9,400	59,119
Total liabilities from financing activities	75,966	- 14,079	9,400	71,287

Reconciliation acc. to IAS 7 in 2019 in thousands of euros

	As of Jan. 1	Cash flow	Non-cash Acquisition	As of Dec. 31
Non-current liabilities	1,148	- 465	432	1,115
Current liabilities	12,823	- 1,833	832	11,822
Lease liabilities	64,986	- 9,537	7,580	63,029
Total liabilities from financing activities	78,957	- 11,835	8,844	75,966

65 CURRENT TRADE PAYABLES

Trade payables amount to 122,099 thousand euros (previous year: 113,850 thousand euros).

66 CURRENT FINANCIAL LIABILITIES

Current financial liabilities include, in particular, the key date valuation of put options.

Current financial liabilities in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Put option	9,899	9,806
Earn-out component	342	0
Other financial liabilities	960	1,127
Total	11,201	10,933

67 CURRENT OTHER LIABILITIES**Current other liabilities** in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Liabilities for wages and salaries	19,090	21,090
Tax liabilities	27,974	30,486
Social security liabilities	2,651	3,118
Deferred liabilities	625	698
Other liabilities	1,372	1,474
Total	51,712	56,866

68 FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks within the scope of its operating activities. In particular, these risks comprise liquidity, currency, interest rate and credit risks. The Group's management manages and limits these risks. They are monitored by means of the Group-wide risk management system.

Liquidity risk is the risk of the Group being unable to fulfil its financial obligations. This risk is dealt with by means of liquidity planning and cash management, through continuous monitoring and management of cash inflows and outflows. The main sources of liquidity are operating business and external financing. Cash outflows are mainly used for financing of working capital and investments.

As of December 31, 2020, the CEWE Group had the following lines of credit:

Lines of credit in 2020 in millions of euros

	Germany	Other countries	Total as of Dec. 31
Remaining term of up to 1 year	95.00	0.00	95.00
Remaining term of more than 1 year	85.00	0.00	85.00
Total	180.00	0.00	180.00

Lines of credit in 2019 in millions of euros

	Germany	Other countries	Total as of Dec. 31
Remaining term of up to 1 year	90.00	0.00	90.00
Remaining term of more than 1 year	90.00	0.00	90.00
Total	180.00	0.00	180.00

Of these credit lines, as of the reporting date 177.9 million euros (previous year: 178.1 million euros) have not been drawn down. As well as cash and cash equivalents in the amount of 102.8 million euros (previous year: 33.0 million euros), this amount is available for coverage of future liquidity requirements. This does not involve a drawdown which is relevant for liquidity purposes and instead comprises the amount deducted by the credit institutions for the guarantees provided.

An overview of the maturities of the undiscounted cash flows for the Group's financial liabilities and its liabilities resulting from derivative financial instruments – including the related interest payments – shows the expected cash outflows as of the balance sheet date December 31, 2020:

Cash flows from financial liabilities in 2020 in thousands of euros

	Dec. 31, 2020 Book value	Up to 1 year	More than 1 year, up to 5 years	Total
Amounts owed to credit institutions	1,178	407	771	1,178
Trade payables	122,099	122,099	0	122,099
Other financial instruments	54,703	54,703	0	54,703
Total	177,980	177,209	771	177,980

Cash flows from financial liabilities in 2019 in thousands of euros

	Dec. 31, 2019 Book value	Up to 1 year	More than 1 year, up to 5 years	Total
Amounts owed to credit institutions	1,947	832	1,115	1,947
Trade payables	113,850	113,850	0	113,850
Other financial instruments	49,719	49,719	0	49,719
Total	165,516	164,401	1,115	165,516

Due to the international orientation of the CEWE Group, cash flows arise in various currencies. Currency risks result from turnover billed in a currency other than that of the related costs, the foreign-currency assets and liabilities shown in the balance sheet whose fair value may be negatively influenced by a change in exchange rates and from pending foreign-currency transactions whose future cash flows may have a negative effect due to exchange rate changes.

The risk management system continuously monitors the risk positions resulting from currency risks. To limit these risks, outside the scope of deliveries and services where possible the Group reduces the volume of euro-denominated transactions for companies in non-Eurozone countries. Following a detailed review process, the company enters into non-euro hedging transactions with its house banks on a case-by-case basis.

The key market risk in the foreign-currency segment relates to currency positions which were open as of the reporting date. The Group's Swiss, Czech and British companies have significant foreign-currency items. For the purpose of the sensitivity analysis, the corresponding foreign-currency items are measured at hypothetical exchange rates. If these three foreign currencies were to depreciate against the euro by 20%, the following opportunities (positive values) or risks (negative values) would result:

Currency sensitivity in thousands of euros

	2019	2020
Financial assets	-7,767	-27,248
Financial liabilities	3,288	14,270

If these three foreign currencies were to appreciate against the euro by 20%, the following opportunities (positive values) or risks (negative values) would result:

Currency sensitivity in thousands of euros

	2019	2020
Financial assets	5,178	-12,589
Financial liabilities	-2,192	21,241

The CEWE Group does not have any particularly significant exposure to interest rate risks in relation to third parties. Interest-rate-sensitive assets comprise loans to customers and employees as well as current balances held by credit institutions. CEWE does not have any interest-rate-sensitive financial liabilities as of the balance sheet date. No significant risk positions have resulted on account of the current interest rate trend. The goal of CEWE's interest rate hedging strategy is the regular conclusion of new medium- to long-term credit agreements with fixed interest rates. If the interest rates for variable interest-rate financial assets and financial liabilities were in each case to fall by 10%, the following opportunities (positive values) or risks (negative values) would result:

Interest rate sensitivity in thousands of euros

	2019	2020
Interest income	-6.6	-3.2
Interest expense	0.0	0.0

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

Interest rate sensitivity in thousands of euros

	2019	2020
Interest income	6.6	3.2
Interest expense	0.0	0.0

No hedging transactions have been entered into.

In the financial year 2020, financial assets measured at amortised cost resulted in net income/losses of -2,649 thousand euros (previous year: 1,526 thousand euros). Net income/losses resulting from the financial instruments held comprise, in particular, valuation adjustments, income from written-down receivables and the results of the fair value measurement. Dividend income and interest are not included. Net income/losses resulting from financial liabilities measured at amortised cost amount to -3,263 thousand euros in the financial year 2020 (previous year: -3,656 thousand euros).

Interest income associated with financial instruments not measured in profit and loss at fair value amounts to 33 thousand euros (previous year: 61 thousand euros), while corresponding interest expenses amount to 1,890 thousand euros (previous year: 2,455 thousand euros). Impairment of financial instruments measured at amortised cost amounted to 1,011 thousand euros in the past financial year (previous year: 1,027 thousand euros); this was recognised due to depreciation of receivables.

Interest expense from lease liabilities is also included in the financial year, in the amount of 1,118 thousand euros (previous year: 863 thousand euros) (see item B9, [page 112](#)).

The reconciliation of the balance sheet items with these types of financial instruments as of December 31, 2020 is as follows:

Breakdown of financial instruments – Dec. 31, 2020 in thousands of euros

	Measured at amortised cost	Measured at fair value			Non-financial assets/liabilities	Book value in the balance sheet
		On basis of publicly quoted market prices (Level 1)	On basis of observable market data (Level 2)	On basis of individual non-observable input parameters (Level 3)		
	Book value	Book value	Book value	Book value	Book value	
Non-current assets						
Financial assets				7,038		7,038
FVTOCI				6,780		6,780
FVTPL				330		330
Non-current financial assets	1,540					1,540
AC	1,540					1,540
Current assets						
Trade receivables	85,342					85,342
AC	85,342					85,342
Current financial assets	3,153					3,153
AC	3,153					3,153
Cash and cash equivalents	102,809					102,809
Non-current liabilities						
Non-current interest-bearing financial liabilities	771					771
AC	771					771
Non-current liabilities from leasing	48,769					48,769
AC	48,769					48,769
Non-current other financial liabilities	293					293
AC	293					293
Current liabilities						
Current interest-bearing financial liabilities	407					407
AC	407					407
Current liabilities from leasing	10,442					10,442
AC	10,442					10,442
Current trade payables	122,099					122,099
AC	122,099					122,099
Current financial liabilities	10,933					10,933
AC	10,933					10,933
Current other liabilities						56,866
Non-financial liabilities					56,866	56,866
Derivatives excl. hedge accounting				0		0

AC: Measured at amortised cost; FVTOCI: At fair value through other comprehensive income; FVTPL: At fair value through profit or loss

Breakdown of financial instruments – Dec. 31, 2019 in thousands of euros

	Measured at	Measured at fair value			Non-financial	
	amortised cost	On basis of publicly quoted market prices (Level 1)	On basis of observable market data (Level 2)	On basis of individual non-observable input parameters (Level 3)	assets/liabilities	Book value in the balance sheet
	Book value	Book value	Book value	Book value	Book value	
Non-current assets						
Financial assets				5,579		5,579
FVTOCI				5,249		5,249
FVTPL				330		330
Non-current financial assets	1,468					1,468
AC	1,468					1,468
Current assets						
Trade receivables	91,379					91,379
AC	91,379					91,379
Current financial assets	5,354					5,354
AC	5,354					5,354
Cash and cash equivalents	32,958					32,958
Non-current liabilities						
Non-current interest-bearing financial liabilities	1,115					1,115
AC	1,115					1,115
Non-current liabilities from leasing	52,453					52,453
AC	52,453					52,453
Non-current other financial liabilities	1,865					1,865
AC	1,865					1,865
Current liabilities						
Current interest-bearing financial liabilities	832					832
AC	832					832
Current liabilities from leasing	10,668					10,668
AC	10,668					10,668
Current trade payables	113,850					113,850
AC	113,850					113,850
Current financial liabilities	11,201					11,201
AC	11,201					11,201
Current other liabilities						51,712
Non-financial liabilities					51,712	51,712
Derivatives excl. hedge accounting				0		0

AC: Measured at amortised cost; FVTOCI: At fair value through other comprehensive income; FVTPL: At fair value through profit or loss

Financial assets not measured in accordance with IFRS 9 comprise reinsurance policies. They are recognised at their actuarial present value. The book values of the other financial assets, trade receivables and cash and cash equivalents and the book values of current account liabilities, trade payables and other current financial liabilities each serve as a reasonable approximation of the respective fair values. This is mainly due to the short terms of these instruments. Risk-related valuation adjustments are considered for the calculation of book values. The Group does not have any financial receivables or liabilities held for trading purposes.

CEWE measures fixed-interest and variable-interest receivables with a remaining term of more than one year on the basis of various parameters, e. g. the interest rate and the borrower's credit rating. On the basis of this measurement, any necessary valuation adjustments are included in the calculation of the book value. A fixed-interest agreement applies for current and non-current interest-bearing financial liabilities (with the exception of current account liabilities), so that here, too, the book value corresponds to the fair value.

Book values are determined by means of normal bank methods.

Credit risk is the risk of a counterparty failing to fulfil its obligations, resulting in a bad debt loss. Within the scope of the Group's receivables management system, as a component of its risk management system, receivables at the level of the individual companies are subject to comprehensive monthly analysis and are notified to the Group's central management, at the level of its headquarters, as part of its del credere reporting. Loan security agreements are concluded for medium-size and major customers. If the Group does not have any insurance cover or if a deductible is applicable, individual valuation adjustments are recognised on receivables in case of objective indications that it is overwhelmingly probable that this receivable is uncollectable, either in whole or in part. The general default risk is dealt with by means of individual valuation adjustments on the basis of past experience. On December 31, 2020, the maximum credit risk resulting from debtors' potential insolvency in relation to loans and receivables amounted to 90,035 thousand euros (previous year: 98,201 thousand euros) and has the following makeup:

Credit risk in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Non-current financial assets	1,468	1,540
Trade receivables and other current receivables	96,733	88,495
Total	98,201	90,035

Impaired loans and receivables developed as follows:

Impaired loans and receivables developed in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Gross value	18,132	30,187
Valuation adjustment	-2,728	-3,794
Total	15,404	26,393

A further amount of 13,682 thousand euros (previous year: 16,791 thousand euros) was already overdue but had not undergone a valuation adjustment. The age structure for the Group's overdue receivables is as follows:

Age structure of the overdue receivables in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Up to 30 days	13,867	12,342
Between 30 and 90 days	1,472	687
More than 90 days	1,452	653
Total	16,791	13,682

These items are very closely monitored within the scope of the Group's receivables management system. On the basis of an assessment of the individual risks, partial valuation adjustments in the amounts indicated above are sufficient. Non-impaired financial assets are considered to be recoverable. Default risks are reduced by means of continuous monitoring of customers' credit ratings and payment behaviour, in close coordination with the company's market-oriented departments, and are covered by means of insurance, where possible. Moreover, in case of irregularities in customer relationships the volume of business is managed on the basis of individual decisions. Impairment of consumer receivables is minimised by means of a professional debt collection management system as well as risk avoidance and information-gathering parameters. These automatic system settings and the additional qualitative information serves as information which is used for calculation of individual valuation allowances.

The key equity items are presented below. Net interest-bearing financial liabilities have resulted from netting of gross interest-bearing financial liabilities against the Group's cash and cash equivalents as of the balance sheet date.

Key equity items in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Total assets	567,141	625,463
Equity	269,644	301,003
Equity ratio (as %)	47,5	48,1
Non-current interest-bearing financial liabilities	1,115	771
Non-current liabilities from leasing	52,453	48,769
Current interest-bearing financial liabilities	832	407
Current liabilities from leasing	10,668	10,442
Cash and cash equivalents	32,958	102,809
Net interest-bearing financial liabilities	32,110	-42,420

The primary goal of the CEWE Group's capital management system is to ensure that the Group remains capable of repaying its debts and maintains its financial resources. As well as safeguarding the long-term liquidity supply, the interest rate risk has been limited and a flexible credit structure has once again been maintained, to cover the seasonal nature of the Group's business performance over the course of the year. No collateral was provided. For further information, please see the comments in the risk report on [pages 62 ff.](#)

No capital requirements are prescribed in the articles of association of CEWE KGaA. In regard to authorised capital and the obligation to sell or issue shares in connection with stock option plans, please see the relevant passages in these notes (see item D49, D50, D51, D52, [pages 137 - 140](#)).

E. OTHER DISCLOSURES

69 SHAREHOLDINGS

CEWE's proportionate interests in all of its subsidiaries included in the consolidated financial statements are shown in the following table:

Shareholdings in %

	Dec. 31, 2019 Capital	Dec. 31, 2020 Capital
1. CEWE Beteiligungs GmbH, Oldenburg	100.00	100.00
2. CEWE S. A. S., Paris, France ¹	100.00	100.00
3. CEWE Belgium NV, Mechelen, Belgium ¹	100.00	100.00
4. CEWE Nederland B. V., Nunspeet, Netherlands ¹	100.00	100.00
5. CEWE Magyarország Kft., Budapest, Hungary ¹	100.00	100.00
6. CeWe Color a. s., Prague, Czech Republic ¹	100.00	100.00
7. CEWE a. s., Bratislava, Slovak Republic ¹	100.00	100.00
8. CEWE AG, Dübendorf, Switzerland ¹	100.00	100.00
9. CEWE Danmark ApS, Åbyhøj, Denmark ¹	100.00	100.00
10. CEWE Sp. z o. o., Koźle, Poland ¹	100.00	100.00
11. CEWE NORGE AS, Oslo, Norway ¹	100.00	100.00
12. CEWE-PRINT NORDIC A/S, Åbyhøj, Denmark ²	100.00	100.00
13. CEWE Sverige AB, Gothenburg, Sweden ³	100.00	100.00
14. CEWE Limited, Warwick, United Kingdom ¹	100.00	100.00
15. Dignet GmbH & Co. KG, Cologne	100.00	100.00
16. Bilder-planet.de GmbH, Cologne ^{4,7}	100.00	100.00
17. Dignet Management GmbH, Cologne	100.00	100.00
18. Wöltje GmbH & Co. KG, Oldenburg ⁵	100.00	100.00
19. Wöltje Verwaltungs-GmbH, Oldenburg ⁵	100.00	100.00
20. DIRON Wirtschaftsinformatik Beteiligungs-GmbH, Münster	100.00	100.00
21. CeWe Color Inc., Delaware, USA ¹	100.00	100.00
22. cewe-print GmbH, Oldenburg ¹⁰	100.00	0.00

Shareholdings in %

	Dec. 31, 2019 Capital	Dec. 31, 2020 Capital
23. Saxoprint GmbH, Dresden	100.00	100.00
24. Saxoprint Ltd., London, United Kingdom ⁶	100.00	100.00
25. Saxoprint AG, Zurich, Switzerland ⁶	100.00	100.00
26. Saxoprint EURL, Paris, France ⁶	100.00	100.00
27. LASERLINE GmbH, Berlin ⁶	100.00	100.00
28. CEWE Baski Servis ve Ticaret Limited Sirketi, Istanbul, Turkey ⁸	100.00	0.00
29. DeinDesign GmbH, Bad Kreuznach	100.00	100.00
30. futalis GmbH, Leipzig	81.64	81.64
31. Stardust Media and Communications, SAS, Paris, France ¹	83.90	87.90
32. CEWE Fotovertriebsgesellschaft mbH, Vienna, Austria ¹	100.00	100.00
33. WhiteWall Media GmbH, Frechen	100.00	100.00
34. Whitewall USA Inc., Delaware, USA ⁹	100.00	100.00

1 Interest held through CEWE Beteiligungsgesellschaft mbH, Oldenburg

2 Interest held through CEWE Danmark ApS, Åbyhøj, Denmark

3 Interest held through CEWE Norge AS, Oslo, Norway

4 Interest held through Dignet GmbH & Co. KG, Cologne

5 Interest held through CEWE AG, Dübendorf, Switzerland

6 Interest held through Saxoprint GmbH, Dresden

7 Not included in the consolidated financial statements

8 Liquidated with effect as of September 28, 2020

9 Interest held through WhiteWall Media GmbH, Frechen

10 Merged with CEWE Stiftung & Co. KGaA, Oldenburg, with effect as of January 1, 2020

70 EVENTS OF PARTICULAR SIGNIFICANCE AFTER THE BALANCE SHEET DATE

Other than the coronavirus pandemic which continues as of the start of 2021, no other events of particular significance have occurred since the end of the financial year. The potential effects of the coronavirus pandemic on CEWE's course of business have been factored into the forecast, opportunities and risk report on the basis of the information currently available.

71 COMMENTS ON THE CASH FLOW STATEMENT

The cash flow statement shows how the Group's cash and cash equivalents have developed during the financial years 2020 and 2019. In accordance with IAS 7, this statement distinguishes between cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash and cash equivalents shown comprise the balance sheet items bank balances with a remaining term of up to three months and cash in hand including fixed deposit balances. This corresponds to the cash and cash equivalents item presented in the balance sheet.

The inflows and outflows resulting from the change in financial liabilities are attributable to repayments, reclassifications due to maturity periods and loans taken up as follows:

Change in financial liabilities in 2020 in thousands of euros

	Current interest-bearing financial liabilities	Non-current interest-bearing financial liabilities	Gross financial liabilities
As of Jan. 1	832	1,115	1,947
Repayment	-425	-344	-769
As of Dec. 31	407	771	1,178

Change in financial liabilities in 2019 in thousands of euros

	Current interest-bearing financial liabilities	Non-current interest-bearing financial liabilities	Gross financial liabilities
As of Jan. 1	2,665	1,148	3,813
Repayment	-1,833	-33	-1,866
As of Dec. 31	832	1,115	1,947

72 OTHER FINANCIAL OBLIGATIONS UNDER LEASE AGREEMENTS

Leases and tenancies exist which constitute operating lease arrangements in terms of their economic content, so that the leasing assets are attributable to the lessor rather than CEWE Stiftung & Co. KGaA, Oldenburg. This mainly comprises contracts for the use of production and office space, motor vehicles and also a few agreements for office equipment and IT hardware. The rents paid in the financial year amount to 526 thousand euros (previous year: 686 thousand euros). These contracts have terms of between one and six years.

Lease payments in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Total future minimum lease payments	1,261	1,349
Due within a period of one year	487	448
Due within a period of between two and five years	682	812
Due after more than five years	92	89

Assets leased within the scope of operating leases have a total book value of 17,368 thousand euros (previous year: 17,240 thousand euros). The lease agreements do not include any clauses (e.g. extension, purchase or price adjustment options) which would give rise to an assumption of financial leasing for the lessee. Total future minimum lease income as the lessor under non-terminable operating lease agreements is as follows:

Lease income in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Total future minimum lease payments	16,507	15,144
Due within a period of one year	5,522	2,109
Due within a period of between two and five years	9,130	7,800
Due after more than five years	1,855	5,235

This involves the leasing of commercial space as well as equipment leased to customers. The rent instalments collected in the financial year amount to 1,926 thousand euros (previous year: 2,092 thousand euros). They are shown under the item "Additional other operating income", [page 119](#). Any leasing components in existing contracts are registered and reported within the scope of a systematic contract management system.

73 SEGMENT REPORTING BY BUSINESS UNIT

As of these financial statements, the Group has four business units subject to mandatory reporting. Three of them are the Group's strategic business units. They are the Photofinishing, Commercial Online Printing and Retail business units. The Group's strategic business units offer various products and services and require different technologies as well as different investment and marketing strategies. For each strategic business unit, the Group's Board of Management reviews internal management reports at least once every quarter. The accounting and measurement methods used for the business units subject to mandatory reporting are those outlined in section B. In accordance with the internal reporting, revenues are reported according to consolidation effects.

Turnover corresponds to the breakdown by geographical region shown in section C27, [page 119](#).

These turnover categories are Photofinishing revenue, Retail revenue and revenue from Commercial Online Printing. A breakdown of these categories is provided in the segment reporting by business unit. Of the segment turnover, 397,688 thousand euros (previous year: 386,096 thousand euros) relates to German turnover and 329,570 thousand euros (previous year: 334,302 thousand euros) to foreign turnover.

In the past financial year and in the previous year, turnover with one key customer was in excess of 10%. Revenues generated with this customer are largely attributable to the Photofinishing business unit.

The breakdown of intangible assets and property, plant and equipment is as follows for the following geographical regions:

Breakdown of intangible assets and property, plant and equipment for geographical regions
in thousands of euros

	2019	2020
Germany	206,412	206,390
Other countries	55,214	41,796
Total	261,626	248,186

74 OTHER COMMENTS

Contingent liabilities resulted from the grant of suretyships and guarantees for third parties, possible litigation risks and other issues and amounted to 1,098 thousand euros (previous year: 1,100 thousand euros). The risk of a claim under these contingent liabilities is seen as either slight or not very probable. The assessment of the respective amounts and the probability of realisation are continuously monitored. The Group does not have any contingent assets. The CEWE Group received government grants in the amount of 1,247 thousand euros in the current financial year. All of these grants were provided due to the coronavirus pandemic. Of the above total amount, 746 thousand euros comprises grants for personnel expenses due to employees who were unable to work on account of coronavirus-related plant closures (Poland, Czech Republic, Slovak Republic). Government grants for closed retail branches were provided in the amount of 297 thousand euros (Czech Republic, Slovakia). General cost contributions were also granted in the amount of 203 thousand euros (Netherlands, Norway, Czech Republic).

The following total remuneration has been paid to the active members of the Board of Management which handles management duties and to the Supervisory Board for the performance of their duties:

Remuneration received in thousands of euros

	Dec. 31, 2019	Dec. 31, 2020
Fixed gross remuneration		
Fixed remuneration	1,716	1,866
Fringe benefits	114	105
Total fixed gross remuneration	1,830	1,971
Variable remuneration		
One-year variable remuneration	637	675
Multi-year variable remuneration		
Bonus II	115	266
Stock Option Plan 2014 – 2015	208	380
Other items	0	0
Total variable remuneration	960	1,321
Benefits upon termination of the employment relationship (pension expenses)	2,036	2,293
Total remuneration paid to Board of Management	4,826	5,584
Remuneration paid to Supervisory Board	702	668
Total remuneration paid to Board of Management and Supervisory Board	5,527	6,253

The table shows the inflow of cash in the past financial year and in the previous year as a result of fixed remuneration, fringe benefits and one-year and multi-year variable remuneration as well as pension expenses. Remuneration resulting from the bonus bank relates to claims which have fallen due, plus the contractually stipulated amount of interest. The current service cost has been calculated in accordance with IAS 19; it does not represent an inflow in the narrow sense of the term but has been included to clarify the total remuneration provided.

The remuneration paid to the members of the Supervisory Board for their service on this body is stipulated in the articles of association and comprises fixed and variable components. This remuneration is exclusively granted on a short-term basis.

Other than the remuneration outlined above, no further remuneration or claims have been granted in the past financial year or the previous year but not yet reported in consolidated financial statements.

Disclosures regarding the remuneration of the individual members of the Board of Management and the Supervisory Board are provided in the remuneration report, as a component of the combined management report (📄 pages 74 ff.).

None of the active or retired members of the Board of Management has received third-party payments in relation to their service; the same applies for the members of the Supervisory Board. Loans or advance payments have not been granted in any case. Nor has the company entered into any contingent liabilities for the benefit of the members of the Board of Management or the Supervisory Board.

Members of the Supervisory Board have not provided advisory and mediation services or other personal services either in the year under review or in the previous year.

Remuneration was paid to retired members of the Board of Management in the amount of 190 thousand euros (previous year: 100 thousand euros). Pensions paid to former members of the Board of Management of Neumüller CEWE COLOR Stiftung, as the general partner of CEWE Stiftung & Co. KGaA, and the old CEWE COLOR Holding AG amount to 1,037 thousand euros (previous year: 1,019 thousand euros). Pension accruals established for these persons amount to 19,175 thousand euros (previous year: 18,894 thousand euros). CEWE does not have any obligations in relation to this group of persons for which it has failed to establish accruals.

The members of the Board of Management and the Board of Trustees of Neumüller CEWE COLOR Stiftung and the Supervisory Board are defined as related parties of the CEWE Group. Close family members and related parties of this group of persons are also related parties of the CEWE Group.

Transactions with related parties have been entered into on normal market terms, in line with the arm's length principle.

75 SUBSIDIARIES' USE OF EXEMPTIONS

The following subsidiaries fully included in these consolidated financial statements make use of the exemption from the disclosure requirements under § 325 HGB and the exemption from the obligation to prepare a management report and notes in accordance with § 264b HGB:

- » Dignet GmbH & Co. KG, Cologne
- » Wöltje GmbH & Co. KG, Oldenburg

76 EXECUTIVE BODIES OF THE COMPANY**SUPERVISORY BOARD**

Including seats on supervisory boards and similar or foreign executive bodies of CEWE Stiftung & Co. KGaA

Otto Korte, Oldenburg (Chairman)

February 2007¹

Lawyer/tax adviser/tax law specialist and partner of the law firm

Hühne Klotz & Partner mbH, Oldenburg

- » Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- » Member of the Board of Trustees of Neumüller CEWE COLOR Stiftung, Oldenburg
- » Chairman of the board of the foundation Stiftung Wirtschaftsakademie Ost-Friesland, Leer

Paolo Dell'Antonio, Düsseldorf

January 2017¹

Spokesman of the board of management of Wilh. Werhahn KG, Neuss

- » Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- » Member of the shareholders' committee of Th. Simon GmbH & Co. KG (previously: Bitburger Holding GmbH) and Bitburger Braugruppe GmbH, Bitburg²
- » Spokesman of the board of management of Wilh. Werhahn KG, Neuss
- » Spokesman of the board of management of Werhahn Industrieholding SE, Neuss
- » Member of the supervisory board of Bankhaus Werhahn GmbH, Neuss^{2,3}
- » Member of the supervisory board of Bank11 für Privatkunden und Handel GmbH, Neuss^{2,3}
- » Member of the board of directors of abcfinance GmbH, Cologne^{2,3}
- » Member of the supervisory board of abcbank GmbH, Cologne^{2,3}
- » Chairman of the supervisory board of Zwilling J. A. Henckels AG, Solingen^{2,3}
- » Member of the supervisory board of Basalt-Actien-Gesellschaft, Linz^{2,3}
- » Member of the supervisory board of Yareto GmbH, Neuss^{2,3}
- » Member of the advisory board of Rathscheck Schiefer und Dachsysteme, Mayen^{2,4}
- » Chairman of the advisory board of ZWILLING Beauty Group GmbH, Düsseldorf^{2,4}
- » Member of the advisory board of United Salon Technologies GmbH, Solingen^{2,4}

¹ Start of service on the Supervisory Board

² Member of similar German and foreign executive bodies of business enterprises

³ Group mandate

⁴ Voluntary bodies

Patricia Geibel-Conrad, Leonberg

June 2018¹

Accountant/tax consultant, own practice, management consultant

- » Member of the Supervisory Board and Chairwoman of the Audit Committee of CEWE Stiftung & Co. KGaA, Oldenburg
- » Member of the supervisory board and the audit committee of HOCHTIEF Aktiengesellschaft, Essen²
- » Member of the supervisory board and chairwoman of the audit committee of DEUTZ AG, Cologne²

Prof Dr Christiane Hipp, Cottbus

June 2012¹

Since February 1, 2020, Professor of Organisation and Corporate Governance

- » Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- » Member of the board of trustees of the German Federal Environmental Foundation (Deutsche Bundesstiftung Umwelt – DBU)

Dr Birgit Vemmer, Bielefeld

June 2018¹

Management consultant and coach

- » Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Dr Hans-Henning Wiegmann, Schlagenbad

June 2012¹

Business graduate

- » Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Petra Adolph, Hannover

Juni 2015¹

Trade union secretary, IG BCE

- » Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg
- » Member of the supervisory board of K+S Aktiengesellschaft, Kassel

Marion Gerdes, Berne

June 2015¹

Industrial Manager/Head of Personnel, CEWE Stiftung & Co. KGaA, Oldenburg

- » Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Insa Lukaßen, OldenburgJune 2015¹

Head of Mail-Order Shipping

» Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Alexander Oyen, BremenJune 2015¹

Head of the Oldenburg branch of the Mining, Chemicals and Energy trade union (IG BCE)

» Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Markus Schwarz, Oldenburg (Deputy Chairman)June 2015¹

Member of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg

» Deputy Chairman of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

Elwira Wall, HattenJune 2015¹

Project manager, document management system (DMS), data protection

» Member of the Supervisory Board of CEWE Stiftung & Co. KGaA, Oldenburg

General partner of CEWE Stiftung & Co. KGaA:

» Neumüller CEWE COLOR Stiftung

BOARD OF MANAGEMENT**Dr Christian Friege, Oldenburg**

Chairman of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for National and International Distribution

» Member of the advisory board of enportal GmbH, Hamburg

» Member of the supervisory board of Vierol AG, Oldenburg

Patrick Berkhouwer, Bremen

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for Foreign Markets and Expansion

Dr Reiner Fageth, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for Technology, IT and Research & Development

» Member of the Supervisory Board of CEWE COLOR Inc., Delaware, USA ^{2, 3}

» Member of the advisory board of ELA Container GmbH, Haren (Ems)

Carsten Heitkamp, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for the German Plants, SAXOPRINT, Personnel, Logistics,

Purchasing and Materials Management

Dr Olaf Holzkämper, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for Finance & Controlling, Business Development, Investor Relations,

Corporate Information Management, Legal and On-Site Finishing

» Member of the supervisory board of Remmers Group AG, Lönningen

Thomas Mehls, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for Marketing, Online Photo Service, CEWE-Print, viaprinto,

New Business Acquisition and Sustainability

» Member of the supervisory board of Baskets Oldenburg GmbH & Co. KG, Oldenburg

Frank Zweigle, Oldenburg

Member of the Board of Management of Neumüller CEWE COLOR Stiftung, Oldenburg

Responsible for the Administrative Activities of Neumüller CEWE COLOR Stiftung

» Chairman of the advisory board of Carl Willh. Meyer GmbH & Co. KG, Oldenburg

Please also see the comments in the remuneration report on  **pages 74 ff.**¹ Start of service on the Supervisory Board² Group mandate³ Voluntary bodies

77 RELEASE AND PUBLICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

The consolidated financial statements as of December 31, 2020 prepared by the Board of Management of the general partner, Neumüller CEWE COLOR Stiftung, and the combined management report of the CEWE Group are released for publication upon their signing by the Board of Management.

78 DECLARATION REGARDING THE GERMAN CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board have submitted the declaration of conformity with the German Corporate Governance Code required under §161 AktG and have made this declaration available to the shareholders on the company's website, www.cewe.de.

Oldenburg, March 17, 2021

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

RESPONSIBILITY STATEMENT

Declaration in accordance with §§ 297 (2) clause 4 and 315 (1) clause 6 HGB (responsibility statement)

We hereby declare that, to the best of our knowledge, the consolidated financial statements provide a true and fair view of the Group's net assets, financial position and results of operations in accordance with the applied principles of orderly reporting in consolidated financial statements and that the notes to the consolidated financial statements provide the necessary disclosures and specific information accurately describing the Group's position.

We also confirm that, to the best of our knowledge, the combined management report includes a fair review of the development and performance of the business and the position of the Group and thus describes the key risks and opportunities associated with the Group's expected development in the new financial year.

Oldenburg, March 17, 2021

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



Dr Christian Friege
(Chairman of the Board of Management)



Patrick Berkhouwer



Dr Reiner Fageth



Carsten Heitkamp



Dr Olaf Holzkämper



Thomas Mehls



Frank Zweigle

REPLICATION OF THE INDEPENDENT AUDITOR'S REPORT

We have included the consolidated financial statements and the group management report of CEWE Stiftung & Co. KGaA, Oldenburg, for the financial year from 1. January 2020 to 31. December 2020 in this report as Appendix I (consolidated financial statements) and Appendix II (group management report) in the versions for which the unqualified audit opinion was signed and issued in Hamburg, on 22. March 2021. The translation of the original German auditor's report states as follows:

Note: This is a convenience translation of the German original. Solely the original text in German is authoritative.

INDEPENDENT AUDITOR'S REPORT TO THE CEWE STIFTUNG & CO. KGAA, OLDENBURG

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of CEWE Stiftung & Co. KGaA, Oldenburg, and its subsidiaries (the group), which comprise the consolidated profit and loss account and the consolidated statement of comprehensive income for the financial year from January 1, 2020 to December 31, 2020, the consolidated balance sheet as at December 31, 2020, the consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2020 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and the group) of CEWE Stiftung & Co. KGaA for the financial year from January 1, 2020 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in section "other information".

In our opinion, on the basis of the knowledge obtained in the audit,

- » the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law

pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the group as at December 31, 2020, and of its financial performance for the financial year from January 1, 2020 to December 31, 2020 and

- » the accompanying combined management report as a whole provides an appropriate view of the group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those parts of the Combined management report listed in section "other information".

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW).

Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2020 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We identified the following matters as key audit matters:

1. Realisation of turnover in the Photofinishing segment
2. Fair value of goodwill in the Commercial Online Printing business unit

1. Realisation of turnover in the Photofinishing segment

Specific issue

In its consolidated financial statements as of December 31, 2020, the company has reported revenues in its Photofinishing segment in the amount of 619 million euros (85.1% of total revenues). Due to the highly automated procedure through which these revenues are realised, the very large volume of data processed and the variety of IT systems due to the diverse product range, in our view particularly stringent requirements apply for the IT systems in terms of correct recognition of and accrual accounting for revenues. In view of this situation, the IT systems were particularly significant for us within the scope of our audit, in relation to the realisation of turnover in the Photofinishing segment.

The disclosures made by CEWE Stiftung & Co. KGaA concerning revenues in the Photofinishing segment may be found in section "C27" of the notes to the consolidated financial statements.

Audit response

To address the risk associated with the realisation of turnover in the Photofinishing segment, we have performed uniform audit procedures for all of the segments. We have assessed implementation of the Group rules on the realisation of turnover in the IT systems in terms of whether the

software in question is suitable to appropriately map the business transactions. As well as a basic audit, our audit approach includes function-based testing of relevant check mechanisms as well as ad hoc and analytical audit procedures. In particular, we have evaluated whether the IT control system has been appropriately designed for the IT systems used throughout the Group for invoicing and their interfaces in relation to the relevant general ledger. To review the effectiveness of this IT control system, we have implemented control tests for the control activities implemented within the scope of these processes. We have consulted internal specialists in relation to these audit activities. We have also established on a sample basis that the accrual accounting for revenues has been correctly implemented.

2. Fair value of goodwill in the Commercial Online Printing business unit

Specific issue

In its consolidated financial statements as of December 31, 2020, the company has reported goodwill in the amount of 22.2 million euros in its Commercial Online Printing business unit.

The company tests goodwill for impairment once a year or on an ad hoc basis in order to determine a possible write-down requirement. In the financial year 2020, as well as the annual impairment tests the company already performed additional ad hoc impairment tests on June 30, 2020.

This impairment test is carried out at the level of cash-generating units to which the respective goodwill is allocated. Within the scope of this impairment test, the book value of the respective cash-generating unit is compared with the corresponding recoverable amount. In principle, the recoverable amount is determined on the basis of the value in use. As a rule, the valuation is implemented on the basis of the present value of future cash flows for the respective cash-generating unit. The values in use are determined by means of the discounted cash flow method, in line with the Group's approved planning. Future cash flows beyond the detailed planning period are carried forward on the basis of long-term growth rates. Expectations regarding the future market trend and assumptions relating to the development of macroeconomic factors are taken into consideration here. Discounting is implemented by means of the weighted average cost of capital for the respective cash-generating unit.

The calculation of the respective value in use is highly dependent on the company's legal representatives' assessment of the future cash inflows for the respective cash-generating unit, the discount rates applied, the growth rates as well as further assumptions and is thus subject to considerable uncertainty. In this context and, in particular, in view of the uncertainty relating to course of business and the earnings trend in the light of the coronavirus pandemic, the fair value of goodwill in the Commercial Online Printing business unit was a particularly significant issue for our audit.

Disclosures from CEWE Stiftung & Co. KGaA on goodwill in the Commercial Online Printing business unit may be found in the following notes to the consolidated financial statements: A4 Consolidation principles, B6 General disclosures, B11 Goodwill, B13 Impairment, D. Comments on the balance sheet (development of the fixed assets) and D38 Goodwill.

Audit response

Within the scope of our audit, we have obtained an understanding of the planning process and have assessed its appropriateness. We have carried out an analysis of past planning and compared the planning of the past few years with the actual results and analysed any discrepancies. Moreover, with the assistance of our valuation specialists we have developed an understanding of the impairment testing method applied as well as the calculation and have checked the mathematical accuracy of the calculation and the model used.

We have discussed with the Board of Management the Group's approved planning and the current forecast as of June 30, 2020 as well as the assumed long-term growth rates. In particular, we have evaluated whether the effects of the coronavirus pandemic had been appropriately factored into the planning. We have developed an understanding of the underlying planning assumptions and the related growth rate assumptions by comparing them with past trends and current industry-specific market expectations. We have also critically examined the discount rates applied on the basis of the average cost of capital of a peer group. Our audit included the company's sensitivity analyses.

Other Information

The executive directors or the supervisory board are responsible for the other information. The other information comprises:

- » the non-financial statement provided in section "sustainability" of the combined management report,
- » the declaration on corporate governance contained in the combined management report,
- » the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,
- » the corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- » the confirmation pursuant to § 297 (2) sentence 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 315 (1) sentence 5 HGB regarding the combined management report

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and thereby acknowledge whether the other information

- » is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- » otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- » Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- » Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- » Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- » Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to be able to continue as a going concern.
- » Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- » Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- » Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the group's position it provides.
- » Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE IN ACCORDANCE WITH § 317 (3B) HGB ON THE ELECTRONIC REPRODUCTION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES

Reasonable Assurance Opinion

We have performed assurance work in accordance with § 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [CEWE_KA20_ESEF.zip: 1a12e4c5e6b0fb850370d654bbbc6c941e09f6492e8c-457484308cf8694edcba] and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1, 2020 to December 31, 2020 contained in the "Auditor's report on the consolidated financial statements and on the group management report" above.

Basis for the Reasonable Assurance Opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 (3b) HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised)]. Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the preparation of ESEF documents as part of the financial reporting process

Auditor's Responsibilities for the Assurance Work on the ESEF documents

Our objective is to obtain reasonable assurance that the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- » Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinions.
- » Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- » Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documentation meets the requirements of the Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file applicable at the reporting date.
- » Evaluate whether the ESEF documents enable a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- » Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML formatted information.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the consolidated general meeting on October 6, 2020. We were engaged by the supervisory board on October 6, 2020. We have been the group auditor of the CEWE Stiftung & Co. KGaA without interruption since the financial year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Tobias Härle.

Hamburg, March 22, 2021

BDO AG
 Wirtschaftsprüfungsgesellschaft

Sabath	Härle
German Public Auditor	German Public Auditor

THE CEWE GROUP – STRUCTURE AND EXECUTIVE BODIES

NEUMÜLLER CEWE COLOR STIFTUNG

Board of Trustees

- » Dr Rolf Hollander, Oldenburg (Chairman)
- » Otto Korte, Oldenburg (Deputy Chairman)
- » Helmut Hartig, Oldenburg
- » Dr Kay Hafner, Essen (since January 1, 2019)
- » Matthias Peters, Hamburg
- » Katharina Le Thierry (since January 1, 2019)

Board of Management

- » Dr Christian Friege, Oldenburg (Chairman)
- » Patrick Berkhouwer, Bremen
- » Dr Reiner Fageth, Oldenburg
- » Carsten Heitkamp, Oldenburg
- » Dr Olaf Holzkämper, Oldenburg
- » Thomas Mehls, Oldenburg
- » Frank Zweigle, Oldenburg

CEWE STIFTUNG & CO. KGAA

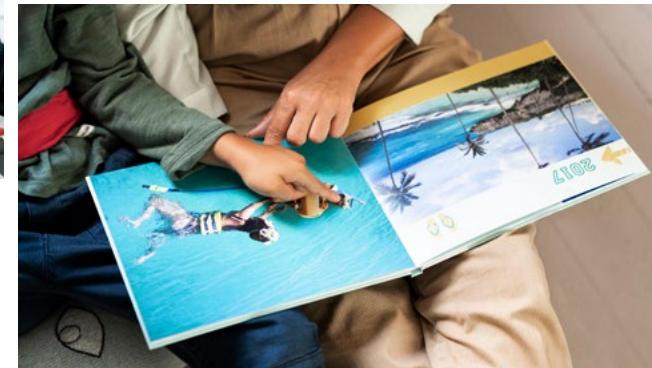
Supervisory Board

- » Otto Korte, Oldenburg (Chairman)
Lawyer/tax adviser/tax law specialist and partner of the law firm Hühne Klotz & Partner mbH, Oldenburg
- » Paolo Dell'Antonio, Braunschweig
Spokesman of the board of management of Wilh. Werhahn KG, Neuss
- » Patricia Geibel-Conrad, Leonberg
Accountant/tax consultant, management consultant
- » Prof Dr Christiane Hipp, Berlin
Since February 1, 2020, Professor of Organisation and Corporate Governance
- » Dr Hans-Henning Wiegmann, Schlangenbad
Business graduate
- » Petra Adolph, Hanover
Secretary of the Mining, Chemicals and Energy trade union (IG BCE), Oldenburg
- » Marion Gerdes, Berne
Industrial Manager/Head of Personnel, CEWE Stiftung & Co. KGaA, Oldenburg

- » Insa Lukaßen, Oldenburg
Head of Mail-Order Shipping, CEWE Stiftung & Co. KGaA, Oldenburg
- » Alexander Oyen, Bremen
Branch head of the Mining, Chemicals and Energy trade union (IG BCE), Oldenburg
- » Markus Schwarz, Oldenburg
(Deputy Chairman)
Member of the works council (released from duties) of CEWE Stiftung & Co. KGaA, Oldenburg
- » Elwira Wall, Hatten
Project manager, document management system (DMS), data protection, CEWE Stiftung & Co. KGaA, Oldenburg

General partner of CEWE Stiftung & Co. KGaA

- » Neumüller CEWE COLOR Stiftung, Oldenburg



“CEWE PHOTO-BOOK is a great help in bridging the distance.”

Sophie and Benjamin Willoughby



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FINANCIAL STATEMENTS OF CEWE STIFTUNG & CO. KGAA

PROFIT AND LOSS ACCOUNT OF CEWE STIFTUNG & CO. KGAA

for the financial year 2020 (in accordance with the German Commercial Code)

in thousands of euros

	2019	2020
Revenues	358,459	383,342
Increase/decrease in finished and unfinished goods	94	- 122
Other own work capitalised	169	195
Other operating income	6,559	7,836
Cost of materials		
Expenses for raw materials and supplies and for purchased merchandise	- 71,089	- 76,810
Expenses for purchased services	- 19,776	- 24,916
	- 90,865	- 101,726
Personnel expenses		
Wages and salaries	- 81,300	- 84,885
Social security contributions and expenses for pensions and support	- 17,843	- 18,638
	- 99,143	- 103,523
Amortisation of intangible assets, depreciation of property, plant and equipment	- 19,960	- 21,625
Other operating expenses	- 105,018	- 105,949
Income from equity investments	8,754	12,121
Income from loans of financial assets	694	733
Other interest and similar income	1,194	1,206
Amortisation of financial assets	0	- 101
Interest and similar expenses	- 1,849	- 2,006
Income from profit transfer	425	0
Earnings before income taxes	59,513	70,381
Income taxes	- 18,700	- 22,034
Earnings after taxes	40,813	48,347
Other taxes	- 157	- 91
Net income for the year	40,656	48,256
Remaining profit carried forward from previous year	102	127
Unappropriated profits	40,758	48,383

BALANCE SHEET OF CEWE STIFTUNG & CO. KGAA

as of December 31, 2019 (in accordance with the German Commercial Code)

in thousands of euros

	2019	2020
ASSETS		
Fixed assets		
Intangible assets		
Concessions, industrial property rights acquired for a consideration and similar rights and assets and related licences	9,434	7,686
Goodwill	8	5
Advance payments	120	60
	9,562	7,751
Property, plant and equipment		
Land, leasehold rights and buildings, incl. buildings on third-party land	34,952	36,592
Technical equipment and machinery	42,226	39,781
Other equipment, furniture and fixtures	7,764	9,121
Advance payments and assets under construction	1,177	1,018
	86,119	86,512
Financial assets		
Interests in affiliates	100,239	100,189
Loans to affiliates	73,808	72,121
Equity investments	5,384	5,316
Other loans	246	253
	179,677	177,879
Current assets		
Inventories		
Raw materials and supplies	12,777	19,416
Unfinished goods, work in progress	231	281
Finished goods and merchandise	436	526
	13,444	20,223
Receivables and other assets		
Trade receivables	50,899	49,070
Receivables from affiliates	161,583	197,960
Receivables from companies in which a participating interest is held	0	75
Other assets	8,057	6,911
	220,539	254,016
Cash on hand and cash in banks	14,018	73,738
Deferred expenses and accrued income	2,839	3,983
	526,198	624,102

in thousands of euros

EQUITY AND LIABILITIES	2019	2020
Equity		
Subscribed capital	19,279	19,302
Nominal value of treasury shares	- 229	- 265
Issued capital	19,050	19,037
Capital reserve	77,836	76,410
Retained earnings		
Statutory reserve	1,534	1,534
Other retained earnings	172,678	196,878
	174,212	198,412
Unappropriated profits	40,758	48,383
	311,856	342,242
Special item for investment subsidies	215	196
Accruals		
Accruals for pensions and similar obligations	19,392	22,706
Tax accruals	4,620	15,893
Other accruals	28,751	31,012
	52,763	69,611
Liabilities		
Amounts owed to credit institutions	385	0
Payments received on account of orders	589	627
Trade payables	30,203	39,982
Amounts owed to affiliates	113,754	155,084
Other liabilities	16,263	16,256
	161,194	211,949
Deferred income and accrued expenses	170	104
	526,198	624,102

MULTI-YEAR OVERVIEW

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR

in millions of euros

	2013	2014	2015	2016	2017	2018 ¹	2019 ¹	2020
Revenues	536.2	523.8	554.2	593.1	599.4	653.3	720.4	727.3
Increase/decrease in finished and unfinished goods	0.3	0.2	0.4	-0.5	0.1	-0.1	0.2	-0.4
Other own work capitalised	1.0	0.9	0.9	0.8	0.9	1.1	1.0	1.3
Other operating income	24.6	21.4	19.6	20.8	23.2	25.1	22.2	23.0
Cost of materials	-190.0	-162.7	-162.2	-168.6	-168.4	-178.7	-187.5	-170.1
Gross profit	372.2	383.6	412.8	445.6	455.1	500.7	556.4	581.1
Personnel expenses	-129.9	-135.9	-143.7	-153.4	-160.3	-178.1	-197.0	-196.1
Other operating expenses	-175.4	-181.7	-194.0	-201.9	-205.5	-228.6	-245.4	-249.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	66.8	66.0	75.1	90.3	89.3	93.9	113.9	135.1
Amortisation of intangible assets, depreciation of property, plant and equipment	-37.9	-33.5	-38.7	-43.3	-40.1	-40.2	-57.1	-55.4
Earnings before interest and taxes (EBIT)¹	28.9	32.6	36.4	47.0	49.2	53.7	56.8	79.7
Financial income	0.3	0.4	0.4	0.9	0.5	0.7	0.1	0.0
Financial expenses	-2.2	-1.4	-0.9	-1.7	-0.8	-1.1	-3.7	-3.4
Financial result	-1.9	-1.0	-0.5	-0.9	-0.4	-0.4	-3.6	-3.3
Earnings before taxes (EBT)	27.1	31.5	35.9	46.2	48.9	53.3	53.3	76.4
Income taxes	-4.8	-10.1	-14.1	-16.6	-16.0	-17.0	-21.6	-24.4
Earnings after taxes	22.3	21.4	21.8	29.6	32.8	36.3	31.7	51.9

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

CASH FLOW FOR THE YEAR

in millions of euros

	2013	2014	2015	2016	2017	2018 ¹	2019 ¹	2020
Cash flow from operating activities	48.3	71.2	59.6	93.0	72.4	78.7	102.7	142.3
Cash flow from investing activities	-35.1	-43.1	-55.2	-46.6	-70.2	-76.2	-67.2	-39.0
Free cash flow	13.1	28.1	4.4	46.4	2.2	2.5	35.5	103.3
Cash flow from financing activities	-12.3	-14.5	-10.3	-19.8	-11.7	-13.4	-30.7	-33.2
Change in cash and cash equivalents	0.8	13.6	-5.9	26.7	-9.5	-10.9	4.9	70.1

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FOURTH QUARTER

in millions of euros

	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q4 2018 ¹	Q4 2019 ¹	Q4 2020
Revenues	191.2	194.8	215.8	228.5	234.5	261.6	293.2	314.0
Increase/decrease in finished and unfinished goods	0.2	0.0	0.2	0.0	0.3	0.0	0.5	0.3
Other own work capitalised	0.4	0.3	0.2	0.3	0.2	0.6	0.5	0.4
Other operating income	7.8	9.0	6.1	7.0	9.2	7.2	7.2	8.4
Cost of materials	-56.0	-52.4	-55.2	-55.7	-57.1	-60.8	-63.8	-61.9
Gross profit	143.6	151.7	167.1	180.2	187.2	208.5	237.5	261.0
Personnel expenses	-36.6	-40.3	-42.6	-45.5	-47.7	-53.0	-61.2	-61.1
Other operating expenses	-61.5	-65.1	-70.7	-75.8	-79.5	-87.6	-100.4	-105.1
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	45.4	46.3	53.8	58.8	60.0	67.9	75.9	94.8
Amortisation of intangible assets, depreciation of property, plant and equipment	-11.8	-9.0	-13.0	-15.9	-13.9	-10.4	-17.1	-14.5
Earnings before interest and taxes (EBIT)¹	33.6	37.3	40.8	42.9	46.1	57.5	58.8	80.3
Financial income	0.1	0.1	0.4	0.1	0.0	0.0	0.0	0.0
Financial expenses	-0.9	-0.3	-0.4	-1.3	-0.6	-0.2	-2.8	-2.5
Financial result	-0.7	-0.2	0.0	-1.3	-0.6	-0.1	-2.8	-2.4
Earnings before taxes (EBT)	32.9	37.2	40.8	41.7	45.5	57.3	56.0	77.9
Income taxes	-5.1	-11.3	-15.4	-16.9	-14.8	-18.1	-23.2	-25.8
Earnings after taxes	27.7	25.9	25.3	24.8	30.7	39.2	32.9	52.1

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

CASH FLOW IN THE FOURTH QUARTER

in millions of euros

	Q4 2013	Q4 2014	Q4 2015	Q4 2016	Q4 2017	Q4 2018 ¹	Q4 2019 ¹	Q4 2020
Cash flow from operating activities	41.1	48.3	49.1	59.6	67.6	77.3	92.2	130.1
Cash flow from investing activities	-10.7	-16.2	-11.2	-15.7	-13.3	-10.1	-11.0	-8.4
Free cash flow	30.4	32.1	37.9	44.0	54.3	67.2	81.2	121.7
Cash flow from financing activities	-24.1	-16.3	-26.4	-10.8	-29.2	-52.1	-61.5	-35.9
Change in cash and cash equivalents	6.3	15.8	11.5	33.2	25.1	15.0	19.7	85.8

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

MULTI-YEAR OVERVIEW

GROUP BALANCE SHEET

in millions of euros

ASSETS	2013	2014	2015	2016	2017	2018	2019	2020
Property, plant and equipment	98.6	102.5	108.6	124.5	148.1	160.2	222.5	216.7
Investment properties	4.3	5.0	5.1	4.9	17.9	17.6	17.2	17.4
Goodwill	25.4	25.4	32.7	25.8	25.8	59.7	77.8	77.8
Intangible assets	20.0	19.3	23.6	19.2	14.1	28.5	39.1	31.5
Financial assets	1.2	3.3	4.3	6.2	6.8	6.9	5.6	7.0
Non-current receivables from income tax refunds	1.6	1.1	0.5	0.0	0.0	0.0	0.0	0.0
Non-current financial assets	1.5	2.9	1.6	0.5	0.4	1.3	1.5	1.5
Non-current other receivables and assets	0.2	0.2	0.4	0.6	0.6	0.3	0.7	1.2
Deferred tax assets	9.4	8.1	7.3	6.8	7.8	12.3	14.2	18.9
Non-current assets	162.0	167.8	184.1	188.6	221.5	286.7	378.5	371.9
Inventories	59.1	48.9	50.7	49.4	50.3	49.0	48.8	50.9
Current trade receivables	88.8	84.3	90.4	84.2	84.5	92.9	91.4	85.3
Current receivables from income tax refunds	2.1	1.8	1.1	1.3	1.5	2.7	1.5	1.0
Current financial assets	3.0	3.0	2.5	3.0	2.4	3.4	5.4	3.2
Additional other current receivables and assets	3.8	4.9	5.7	5.5	5.6	9.5	8.6	10.3
Cash and cash equivalents	14.0	27.7	21.7	48.6	38.8	28.1	33.0	102.8
	170.8	170.5	172.1	191.9	183.1	185.5	188.6	253.5
Assets held for sale	1.0	1.3	1.2	0.5	1.4	0.0	0.0	0.0
Current assets	171.8	171.9	173.3	192.4	184.5	185.5	188.6	253.5
	333.9	339.7	357.3	381.0	406.1	472.2	567.1	625.5

in millions of euros

	2013	2014	2015	2016	2017	2018	2019	2020
EQUITY AND LIABILITIES								
Subscribed capital	19.2	19.3	19.2	19.2	19.2	19.2	19.3	19.3
Capital reserve	56.6	69.3	70.2	71.2	73.1	75.3	76.5	75.1
Treasury shares at acquisition cost	-23.4	-8.5	-7.5	-8.5	-7.9	-7.2	-6.7	-8.5
Retained earnings and unappropriated profits	90.3	93.6	104.3	121.5	140.6	166.8	180.5	215.1
Equity	142.8	173.7	186.3	203.4	225.0	254.2	269.6	301.0
Non-current special items for investment grants	17.9	21.9	22.9	25.5	27.2	29.2	35.5	40.1
Non-current accruals for pensions	3.3	2.8	4.1	2.9	1.5	2.9	3.5	2.8
Non-current deferred tax liabilities	0.4	0.2	0.2	0.0	0.0	0.0	0.5	0.5
Non-current other accruals	4.2	2.7	1.8	0.0	0.0	1.1	1.1	0.8
Non-current interest-bearing financial liabilities	–	–	–	–	–	–	52.5	48.8
Non-current financial liabilities	3.0	0.0	0.0	0.2	0.1	1.6	1.9	0.3
Non-current other liabilities	0.2	0.2	0.5	0.5	0.5	0.6	0.5	0.6
Non-current liabilities	29.0	27.8	29.5	29.1	29.4	35.4	95.4	93.8
Current special items for investment grants	4.2	4.5	7.7	12.6	5.9	8.2	7.5	23.9
Current tax liabilities	4.2	3.3	2.9	3.5	3.5	3.5	6.3	6.0
Current other accruals	26.1	1.6	4.9	0.2	1.6	2.7	0.8	0.4
Current interest-bearing financial liabilities	–	–	–	–	–	–	10.7	10.4
Current trade payables	101.1	96.1	90.9	96.1	95.9	112.7	113.9	122.1
Current financial liabilities	3.9	3.6	0.3	1.5	1.3	10.2	11.2	10.9
Current other liabilities	22.7	29.2	34.8	34.6	43.5	45.4	51.7	56.9
Current liabilities	162.1	138.2	141.6	148.4	151.7	182.6	202.1	230.7
	333.9	339.7	357.3	381.0	406.1	472.2	567.1	625.5

MULTI-YEAR OVERVIEW

KEY INDICATORS

Volumes and employees

		2013	2014	2015	2016	2017	2018 ¹	2019 ¹	2020
Digital photos	in millions of units	2,252.9	2,203.9	2,164.1	2,176.2	2,128.1	2,185.0	2,363.7	2,311.4
Photos from film	in millions of units	114.4	88.6	70.7	56.0	47.0	41.1	37.5	27.4
Total volume of photos	in millions of units	2,367	2,293	2,235	2,232	2,175	2,226	2,401	2,339
CEWE PHOTOBOOKS	in millions of units	5.8	5.9	6.0	6.2	6.0	6.2	6.6	6.5
Employees (average)	converted to full-time equivalent	3,228	3,219	3,420	3,496	3,589	3,900	4,105	4,016
Employees (as of the reporting date)	converted to full-time equivalent	3,781	3,675	3,698	3,967	4,103	4,199	4,371	4,349

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

Income

		2013	2014	2015	2016	2017	2018 ¹	2019 ¹	2020
Turnover	in millions of euros	536.2	523.8	554.2	593.1	599.4	653.3	720.4	727.3
EBITDA	in millions of euros	66.8	66.0	75.1	90.3	89.3	93.9	113.9	135.1
EBITDA margin	as % of turnover	12.5	12.6	13.6	15.2	14.9	14.4	15.8	18.6
EBIT	in millions of euros	28.9	32.6	36.4	47.0	49.2	53.7	56.8	79.7
EBIT margin	as % of turnover	5.4	6.2	6.6	7.9	8.2	8.2	7.9	11.0
Restructuring expenses	in millions of euros	3.3	0.0	1.0	0.2	0.0	0.0	5.0	3.6
EBIT prior to restructuring	in millions of euros	32.2	32.6	37.4	47.2	49.2	53.7	61.8	83.3
EBT	in millions of euros	27.1	31.5	35.9	46.2	48.9	53.3	53.3	76.4
Earnings after taxes	in millions of euros	22.3	21.4	21.8	29.6	32.8	36.3	31.7	51.9

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

Capital

		2013	2014	2015	2016	2017	2018 ¹	2019 ¹	2020
Total assets	in millions of euros	333.9	339.7	357.3	381.0	406.1	472.2	567.1	625.5
Capital employed (CE)	in millions of euros	197.9	203.0	220.7	232.8	256.0	292.3	376.6	405.6
Equity	in millions of euros	142.8	173.7	186.3	203.4	225.0	254.2	269.6	301.0
Equity ratio	as % of the balance sheet total	42.8	51.1	52.1	53.4	55.4	53.8	47.5	48.1
Net financial liabilities	in millions of euros	16.3	-23.5	-15.0	-48.5	-37.2	-24.2	32.1	-42.4
ROCE (previous 12 months)	as % of average capital employed	15.0	16.8	17.2	21.4	20.3	17.9	14.8	20.6

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

Share

		2013	2014	2015	2016	2017	2018 ¹	2019 ¹	2020
Number of shares (nominal value: 2.60 euros)	in units	7,380,020	7,380,020	7,400,020	7,400,020	7,400,020	7,400,020	7,400,020	7,423,919
Earnings per share (diluted)	in euros	3.36	3.07	3.05	4.12	4.54	5.01	4.36	7.15
Year-end price	in euros	42.75	51.51	54.61	84.57	88.05	62.10	105.80	92.50
Dividend per share	in euros	1.50	1.55	1.60	1.80	1.85	1.95	2.00	2.30 ²
Dividend yield on year-end price	as %	3.51	3.01	2.93	2.13	2.10	3.14	1.89	2.49

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

2 Dividend proposal to be presented by the Board of Management and the Supervisory Board to the general meeting on June 9, 2021

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 [see overview of all of CEWE's locations, page 4](#)

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 <https://company.cewe.de/en/about-us/corporate-group.html>

Click on "Sales and Production Sites"

FINANCIAL CALENDAR

(DATES CURRENTLY SCHEDULED)

May 12, 2021

Publication of the Interim Report
Q1 - 2021

May 12, 2021

Press release on the Interim Report
Q1 - 2021

June 9, 2021

2021 online general meeting

June 10, 2021

Warburg Highlights Conference 2021

August 10, 2021

Publication of the Interim Report
Q2 - 2021

August 10, 2021

Press release on the Interim Report
Q2 - 2021

September 21, 2021

Berenberg & Goldman Sachs
German Corporate Conference 2021

September 23, 2021

Baader Investment Conference 2021

November 12, 2021

Publication of the Interim Report
Q3 - 2021

November 12, 2021

Press release on the Interim Report
Q3 - 2021

November 22, 2021

German Equity Forum 2021

You will also find upcoming dates and events on the Internet at

 company.cewe.de

IMPRINT

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This annual report is also available in German.

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