

CeWe Color financial statement/analysts conference in Frankfurt: Record sales of CeWe photo books and photo gift articles permits attractive dividend of one euro (6.3 % yield)

While most companies have been shaken to their very foundations by the global financial and economic crisis, accompanied by fears of a recession and deflation, a credit crunch, slumps in sales and profits, cautious investment strategies and a loss of confidence, CeWe Color is defying market distortions and turbulence. The photo services company, domiciled in Oldenburg, Germany, is reinforcing its market leader position in Europe and with the takeover of DIRON, a company offering digital printing services for corporate customers, CeWe Color has established a promising second line of business. This makes the SDAX climber less dependent on the current considerable differences in quarterly developments. Photo products address consumers and digital prints are for professionals. CeWe Color does not need to respond to the serious economic crisis which has long since reached the real economy with stringent cost-reduction schemes such as short-time work, job cuts and dividend cancellations. Business is going well. CeWe Color is likely to emerge stronger from the financial disaster and the recession. At present, companies catering for domestic comforts, for more well-being in the privacy of one's own realms and companies whose customer base does not wish to do without life's little pleasures even when purse strings are drawn tight are the companies that are flourishing. These little pleasures include photo books, greeting cards, calendars, mugs and T-shirts printed with personal photos. This is evidenced by the considerable increase in the number of digital photos ordered online. Millions of people working short time have more time to spend on other activities, including personalising their own products as gifts, a popular trend which is meeting with a huge response.

A glance at statistics: At present, 50 % of all customers are ordering in retail stores and the other 50 % are ordering in the Internet webshop. 75 % of these customers collect their photo products in a store, while 25 % have them sent to their home by mail for an extra charge. As many as just more than 3 % of all digital photos are taken with a camera mobile phone. CeWe Color innovation has been rewarded with around half a dozen new prizes and international awards.

On the presentation: The financial statement conference, which was followed by a conference for analysts held for invited guests from the national financial scene at the Frankfurt Steigenberger Hotel "*Frankfurter Hof*" on 7 April 2009 was very well attended. Presentations made by CEO Dr. Rolf Hollander, Director Dr. Reiner Fageth and Manager Olaf Holzkämper were interesting, informative and

very graphic – borne of internalised enthusiasm and persuasiveness. Most of the financial experts who had been invited attended both functions in the Frankfurter Hof hotel. There was no chance for boredom to arise at the interesting presentations. By no means does it go without saying that a company will fully achieve its projected sales and earnings figures for 2008, with CeWe Color raising sales figures for CEWE PHOTO BOOKS by 75 %, online sales by 36 % and earnings after tax by almost 20 % in the fourth quarterly period alone. CEO Dr. Hollander explains: *"The excellent development in the fourth quarter confirms that we are successfully concluding the transformation to digital business and that our attractive product portfolio is generating growth despite the negative market environment."*

At an increase of more than 10 % in 2009, the development in the share price is after all a cautious reflection of the upward trend of the fourth quarter of 2008 and the completion of the restructuring programme – at least a small reward for the rise into the SDAX group of companies. On the stock market, driven by psychological factors, items of news are either reflected or ignored, depending on the overall mood. In this case, the good figures and the handsome dividend of one euro (anticipated for 2009: 1.20 euros) as a proposal for the AGM meeting on 28 May 2009 is to be seen as a positive signal.

There is therefore a lot to be said in favour of investing in this growth company. At a share price of around 16 euros, the dividend yield is attractive at 6.25 %. In this context, company head Dr. Rolf Hollander said on 1 April (no April fool's joke): *"A substantial amount of cash flow enables us to allow shareholders to participate in the positive development of business, in spite of high restructuring costs and capital expenditure... We expect to see income and dividends rising after this restructuring phase. As of 2010, the transformation from analogue to digital will no longer result in additional expenses."*

For a better understanding of the business model

CeWe Color was founded in Oldenburg half a century ago, in 1961, by Senator h. c. Heinz Neumüller, who, in honour of his father-in-law, included the initials CW in the name of the company. The PLC went public under Hubert Rothärmel in March 1993. Today the name CeWe Color stands for a success story based on innovation, continuity, growth and expansion. As a technological and cost leader, CeWe Color AG, listed on the SDAX since 23 March 2009, has significantly reinforced its position as the European market leader in the photo services sector, now holding a share of the market of more than 40 %. CeWe Color, with 13 highly-technical production operations, more than 50,000 retail partners and a

staff of more than 2,800 employees, operates in 24 European countries. The share of digital photos is rising steadily.

The photo specialist recognised the changed needs of customers at an early stage and found the right answers. As a “first mover”, the company supplied the market with new, innovative products. The CEWE PHOTO BOOK, of high printing quality, offers a wide range of books and user-friendly software and is becoming increasingly popular. This is confirmed by the record sales figures of the fourth quarterly period of 2008. Around 2.6 billion photos and 2.6 million CEWE PHOTO BOOKS were sold last year – almost twice as many as in 2007. The considerable 43 % stock of available equity, strong gross cash flow and a good AAA rating are proof of a healthy balance sheet structure to secure sound financing. CeWe Color remains on a path of growth, even in difficult times. In 2009, capacities are to be adapted in France in order to set the course for a positive development in earnings in the neighbouring country.

For the CEWE PHOTO BOOK, a milestone with huge potential for growth and a software program unrivalled in its creativity, the maxim is: simplest design – ready in three minutes – huge choice – top quality – bindings that can also be designed – ready in only a few steps: download the software, design your CEWE PHOTO BOOK on your PC and hand in your order or place it online. PR manager Hella Hahm reports here: “We are investing more in product development and marketing. CeWe Color is becoming a successful internal enterprise, offering a wide basis for discussion.” As a full-service provider, the SDAX company covers the entire added-value chain.

The five Ps – the concept for a successful employee culture

Power: “We work harder than others and are distinguished by our commitment!”

Performance: “We consistently measure ourselves in a benchmark with all the other companies!”

Passion: “We endeavour to achieve our corporate targets!”

Professionalism: “We have a high level of expertise!”

Personality: “We radiate motivation, optimism and enthusiasm!”

And there is a sixth P too:

Personification: “We promote the megatrend of individualisation among our customers, making our jobs secure.”

A glance at the 2008 Annual Report

The 2008 Annual Report, prepared early for the Annual General Meeting in Bremen on 28 May, also evidences our innovative strength. However, the type size of the texts and notably of the schedules on key financial data appears to be

rather small. On the other hand, it is positive that employees, environmental protection, quality management and social commitment are so well-emphasised.

Ethical-social-ecological standards are becoming increasingly important in terms of investments in shares, in line with the motto: *“invest your money with a clear conscience!”*

The CeWe Color Group financial data for 2007 and 2008				
Item (IFRS)	31.12.2007	31.12.2008	Change	Change
Sales revenues	€ 413.5 m.	€ 419.9 m.	+ € 6.4 m.	+1.5 %
Gross profit	€ 285 m.	€ 285.6 m.	+ € 0.6 m.	+0.2 %
EBIT	€ 14.3 m.	€ 12.4 m.	- € 1.9 m.	-13.9 %
EBT	€ 12.8 m.	€ 10.7 m.	- € 2.1 m.	-16.8 %
Earnings after tax	€ 5.9 m.	€ 7.0 m.	+ € 1.1 m.	+19.4 %
Gross cash flow	€ 44.4 m.	€ 47.5 m.	+ € 3.1 m.	+7.0 %
Net cash flow	€ 8.9 m.	€ 14.1 m.	+ € 5.2 m.	+59.4 %
Capital expenditure	€ 35.5 m.	€ 33.3 m.	- € 2.2 m.	-6.1 %
Employees (full time)	3,124	2,961	-163	-6.5 %
Dividend per share	€ 1.20	€ 1.00	- € 0.20	-16.7 %
Long-term increase in assets	€ 148 m.	€ 141.2 m.	- € 6.8 m.	-4.6 %
Short-term increase in assets	€ 116.8 m.	€ 120.8 m.	+ € 4 m.	+3.4 %
Equity	€ 120.6 m.	€ 112.4 m.	- € 8.2 million	-6.8 %
Equity ratio	45.5 %	42.9 %		-2.6 %
Long-term liabilities	€ 29 m.	€ 29.3 m.	+ € 0.3 m.	+0.8 %
Short-term liabilities	€ 115.2 m.	€ 120.2 m.	+ € 5 m.	+4.4 %
Balance Sheet total	€ 264.8 m.	€ 262 m.	- € 2.8 m.	-1.1 %

A glance at the good business figures for the full year of 2008

- **Turnover** rose from 413.5 million euros in 2007 to 419.9 million euros. Sales of CEWE PHOTO BOOKS rose by 74.8 % to a new record high of 2.64 million books, against 1.51 million books for the previous year.

- **Earnings before tax** and restructuring were at 22.1 million euros, against 25 million euros at the end of **2008**.
- Reduced expenses for restructuring and a non-recurring tax effect also enabled CeWe Color as the European market leader to raise **earnings after tax** by 19.4 %, from 5.9 million euros to 7 million euros.

A strong fourth quarter in 2008, driven by Christmas business, resulted in record sales figures.

- **Turnover** was raised by 9.3 % or 10.2 million euros in the final three months of 2008 against the same period of the previous year, to amount to 120.7 million euros. CEWE PHOTO BOOKS made the greatest contribution towards this boost in turnover. While a total of 2.64 million books were sold in the full year of 2008 (against 1.51 million books in 2007), 1.04 million CEWE PHOTO BOOKS were sold in the fourth quarter alone. Backed up by Christmas business, the number of digital photos sold in the Internet also rose positively – by 36 % - in the final three months of 2008. CeWe is aiming for an increase in turnover to more than 500 million euros for the Group in 2012.
- **Operative earnings** (EBT before restructuring) increased by an impressive 54.7 % to 8.3 million euros.
- **Earnings on sales** rose from 4.9 % to 6.9 %, a positive change of around 40 %.
- **After tax earnings** for the fourth quarter of 2008 – reinforced by a non-recurring tax effect – rose by 0.1 million euros over those of the previous year to reach 6.6 million euros.

Restructuring activities successfully completed in 2009

CeWe Color AG will be completing essential restructuring activities in Europe sooner than initially expected.

- **Closure of the production operation and lab in Paris in May 2009.**
- **Closure of the small operation in Teplice in the Czech Republic in April 2009.**
- **Target structure already achieved in the 2009 business year with the final plant closures.** Restructuring expenses in the current business year will not exceed a volume of around 10 million euros.

While a production plant produced an average of 108 million prints a year in 2000, this figure was now at around 200 million prints a year. CEO Dr. Rolf Hollander explains: *“We commenced with the task of restructuring the company in the process of transformation at an early stage and prepared CeWe Color for the world of digital photography in good time – not only technologically, but also in terms of plant structure. The restructuring phase has now been concluded.”*

- **No longer any extra costs.** As of 2010, CeWe Color will be operating an efficient system of production throughout Europe and will no longer be reporting any extra costs relating to restructuring. The conversion to digital photography has reduced profits by more than 10 million euros a year since 2005.

Company head Dr. Rolf Hollander comments briefly here: *“We are proud to have concluded the process of transformation with positive results and to have maintained an extremely sound capital ratio of 42.9 %. As of 2010 we will no longer be burdened by transformation-related restructuring costs.”*

- **Investments of 250 million euros in digital transformation.** Since the late 1990s, CeWe Color has invested more than 250 million euros in the process of transformation to become a digital provider. The European market leader now operates almost 50 digital printers in its 13 production plants. The service for the 50,000 retail stores supplied is proving to be an important competitive edge.
- **Increases through CEWE PHOTO BOOKS and commercial digital prints.** The newly-acquired digital expertise and the sales know-how of Diron, a company acquired by CeWe Color in 2008, is also enabling CeWe Color to benefit from the high-growth market for commercial digital prints. Chairman of the Board of Management Dr. Rolf Hollander says: *“CeWe Color is emerging stronger from the analogue/digital transformation. We are now in a position to once again focus the strength of the entire company on increasing sales and earnings.”*

Key points of the outlook and targets for 2009 against those of 2008

Business segments, items, key financial data	Figures expected for 2009	Change from 2008
Digital colour photos	1.9 billion photos	+6 %
Analogue colour photos	0.5 billion photos	-38 %
Total colour photos	2.4 billion photos	-8 %
CEWE PHOTO BOOKS	3.5 million photo books	+35 %
Sales	EUR 420 – 425 m.	0% to 1%
EBT before restructuring	EUR 20 – 25 m.	-9 % to +14 %
Final restructuring expenditure	EUR 10 m.	-9 %
Earnings before tax (EBT)	EUR 10 – 15 m.	-9 % to +36 %
Capital expenditure	EUR 22 m.	-33 %
Net cash flow	EUR 20 – 25 m.	+42 % to +77 %

CeWe Color (SIN: 540 390, ISIN: DE000 540 390 1) financial data based on analyses of Börse Online financial data (31.03.2009)

Branch: Photo services company, stores and online, focus: digital photo market

Stock exchange listing: Prime Standard on the Frankfurt Stock Exchange, rise to SDAX in March 2009

Current indicators: Strong drop in share price in accordance with benchmark in autumn 2008 as a result of the financial crisis; stabilising lateral trend since this time

Market value: > € 100 million

Diversified holdings: 52 % (acc. to Deutsche Börse)

52-week high/low: € 26.60/€ 10.35

Share price dev. in 2008: -46 %

Share price dev. in 2009: +12 %

Closing price (7 April 2009): € 16.00

Equity ratio: 43 %

Profit per share: 2006: € 2.61, 2007: € 0.83, 2008: € 1.01

P/E ratio for 2009 (expected): 23

Dividend: € 1.20 for 2005 to 2007, 2008: € 1.00, 2009(e): € 1.20

Dividend yield: 6.25 % on 7 April 2009

Rating: ***

Permissible insider transactions in 2007: Massive purchases by the Board of Management and the Supervisory Board throughout 2007/2008, distributed in a volume of more than € 3 million

Analysts' assessments in February 2009: According to boerse.express.com, analysts with tradersreport consider CeWe Color to be fundamentally undervalued and recommend establishing an initial speculative long position.

Analysts' assessments in March 2009: Study covering several pages in the "BÖRSE AM SONNTAG" online market letter with an investment recommendation of "buy long-term".

Recent analysts' rating in general: All six analysts recommend "buy" for CeWe Color

Interview with the CeWe Color CEO

Beate Sander: *“How would things look if you were attacked by so-called locusts again in future, wanting to strip your company of its assets, hence putting your balance sheet structure and your capital at risk? Are you able to ward off this kind of attacks, as you did in a united stance in 2007?”*

CeWe Color Holding AG, CEO Dr. Rolf Hollander: “For CeWe Color it was vital not to have given in to the demands of a few hedge funds in 2007. At that time, these hedge fund managers demanded the payment of a debt-financed special dividend which would have considerably weakened CeWe Color right in the middle of the process of transformation from analogue to digital photography. In the past five years of reconstruction, CeWe Color was always able to report positive results and to pay its shareholders a decent dividend. Given the current financial crisis, in retrospect it was even more important to have avoided paying this debt-financed special dividend. We are now soundly financed with an equity ratio of almost 43 %, our credit rating is excellent and we have sufficient financial scope to be able to take the opportunities being presented to us, even given the current negative financial environment, and to ensure growth for the company in future. So we did the right thing in 2007 and we are already being given credit for this today.”

Beate Sander: *“What about intensively marketing your CEWE PHOTO BOOK at schools, a large attractive photographic market? Here, most of the occasions for taking photos are in the slack months for your company: school trips, school celebrations, sports events, school-leaving ceremonies, numerous competitive activities, etc. Until now regional photographers have benefited from this reliable source of brisk income. What about background information such as “A class trip to Berlin, Rome or Paris”? How can you support special photo workshops at schools that are very popular with pupils and teachers as voluntary activities?”*

CEO Dr. Rolf Hollander: “CeWe has put a lot of work into its marketing skills in the past few years. The CEWE PHOTO BOOK is the first brand that we have established with retailers. In 2008 alone we were able to sell more than 2.6 million CEWE PHOTO BOOKS. This makes us the leading producer of photo books worldwide. In our research and development division alone, more than 100 employees are permanently busy with improving our CEWE PHOTO BOOK software. Numerous awards show us that we have developed an excellent product. The CEWE PHOTO BOOK also offers fantastic opportunities for school

workshops on photography. The many photos taken on a class trip can be presented in an individually designed book and they can also include contents that we make available on Berlin, Rome, Paris, etc. We make these contents available for downloading in the Internet. We are always pleased to support these kind of activities.”

Beate Sander: *„The Supervisory Board and the Board of Management bought back shares throughout 2007 and in 2008 too – altogether for more than three million euros.*

Do you wish to send encouraging signals to your shareholders with these activities? After all, a management will only invest on a large scale if it is convinced of the positive development of its company.

CEO Dr. Rolf Hollander: „We have positioned the CeWe Group for the future at an early stage with the successful transformation from the analogue to the digital age of photography, hence achieving a milestone and a turning point in the history of the company. CeWe Color is currently in a second phase of growth with the CEWE PHOTO BOOK, with photo gift articles and with digital printing for commercial customers after the rapid development of digital photos over the past few years. The personal involvement of the management in the company backs up this conviction.”

Beate Sander

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