

## **Handelsblatt**

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### **INSIDE: CEWE COLOR**

## **On the wish list**

Even in fast-moving editorial offices, time sometimes stands still. Recently two colleagues were discussing whether one of them could give the other one a few films for his good old analogue reflex camera. For CeWe Color on the other hand, time has not stood still: the photo service company in Oldenburg has successfully accomplished the transition from analogue to digital photography. CeWe Color sees the future in digital photographic products and services such as photo books and GPS location determination to match the photos.

After closing down a number of locations, the European market leader declared in March that company reorganisation had been completed and that the new business structure would also be reflected in future earnings. Restructuring costs to the amount of around ten million euros a year would no longer be incurred as of 2010 and capital expenditure was to be reduced. In the first six-month period of 2009, restructuring expenses to the amount of 9.4 million euros reduced pre-tax earnings to 13.6 million euros in negative earnings.

CeWe Color is also feeling the impact of the crisis, with turnover dropping by 6.2 per cent to 170.3 million euros in the period from January to June. Currency losses and a slump in consumer spending on cameras have led to a 10.9 per cent decline in retail income. Sales in the core area of business, final photo processing, were only 4.6 per cent below those of the previous year, despite a 30 per cent slump in sales figures for analogue photos. It was mainly digital photo sales that increased, since the printing of photos in an industrial lab is cheaper than producing prints on customers' home PCs or with instant printers installed in stores. Revenues were also increased by a considerable rises in the number of photo books sold, at 1.3 million. Last year CeWe Color sold 2.6 million photos books, of which one million were sold in the fourth quarter.

This year CeWe Color is once again focusing on a boost in sales in the period after mid-year. Besides photo books, products such as calendars and mugs are ideal Christmas gifts and in 2009 sales of photo books are to be increased to 3.5 million books. Customers used to have most of their photos developed after their summer holiday. The bottom has now virtually fallen out of this line of business: nowadays customers are transferring their photos onto their computer and are only printing a small number of these photos.

CeWe Color has already adjusted its net current assets to match its new business structure. Supplies and trade receivables and payables had been reduced by 6.6 per cent to 36.6 million euros by the end of June. At the same time the Group has financial scope at its disposal thanks to liquid funds and a credit line to the amount of around 100 million euros. The photo service company has a sound financial basis, with its capital ratio at 35.3 per cent.

Should photo books for private customers turn out to be a temporary hype, CeWe Color intends to expand the range for professional users such as architects and construction engineers,

since, in order to achieve sales of up to 425 million euros in the full year of 2009 as scheduled, customers still need to add quite a number of photo books to their wish list.