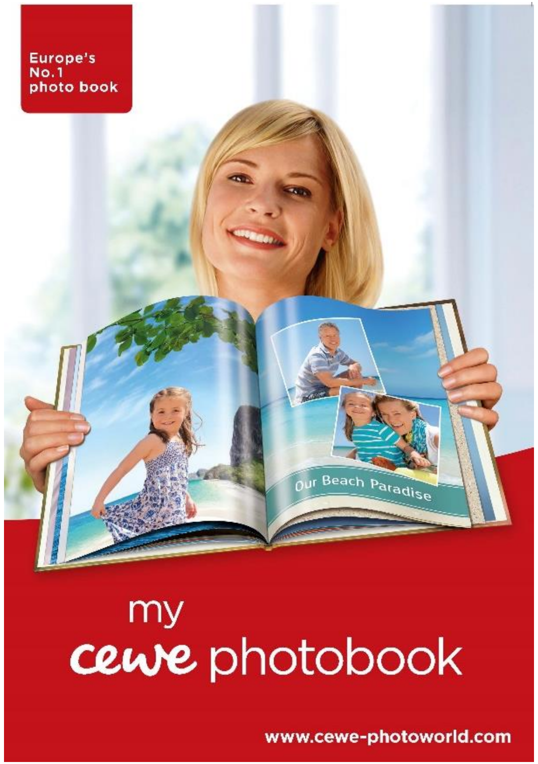
Results Q1 2019

Analyst Conference Call

CEWE Stiftung & Co. KGaA

Oldenburg

May 13, 2019



This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of CEWE. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.
All numbers are calculated as exactly as possible and rounded for the presentation. Figures may not sum to 100, because of rounding.

At a glance: Q1 2019

- **CEWE Group EBIT rose** in the first quarter, by 1.7 million euros **to 1.9 million euros** (Q1 2018: 0.2 million euros*)

- Turnover in the **Photofinishing business segment grew** by an outstanding 9.6% **to 103.5 million euros**, **raising the EBIT contribution by around 1.6 million euros, to 3.0 million euros**. The CEWE PHOTOBOOK sales volume increased by a strong 6.9% with 1.33 million copies. A good first quarter.

- **Commercial Online-Print grows by 3.3%, to turnover of 25.3 million euros**. More than anything else, weak LASERLINE sales as a result of price pressure saw the reported EBIT falling slightly short of that of the previous year (by 36,000 euros). Commercial Online-Print achieved EBIT in the amount of -0.4 million euros after rounding off (Q1 2018: -0.3 million euros*)

- **Q1 validates the targets for 2019**: EBIT is to rise to up to 58 million euros

* adjusted prior-year figures based on the finalisation of purchase price allocations for Cheerz and Laserline

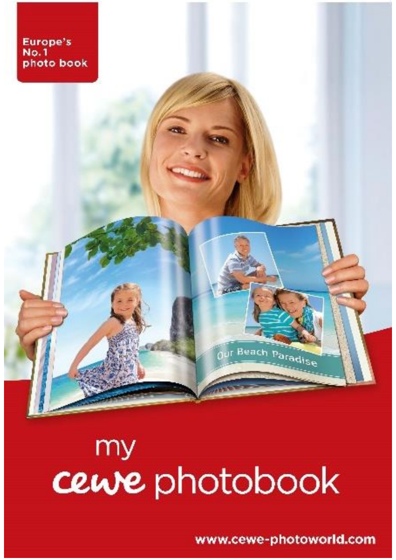
Highlights Q1 2019		Q1 2018	Q1 2019	Comment
Photofinishing				
Sales Volume **Turnover** **EBIT**	in photo m. in EUR m.	465.8 94.5 1.4	506.3 103.5 3.0	▪ First quarter increases again and confirms volume target for 2019 ▪ Turnover increase organically and through the Cheerz acquisition
Commercial Online-Print				
Turnover **EBIT**	in EUR m.	24.4 -0.3	25.2 -0.4	▪ COP grows by 3.3%, Laserline consolidated since January 2018 ▪ EBIT lower by EUR 36 thousand due to Laserline contribution
Retail				
Turnover **EBIT**	in EUR m.	10.8 -0.5	10.4 -0.4	▪ Focus on profitability and photofinishing reduces hardware sales ▪ EBIT slightly improved in seasonally traditionally negative first quarter
Other				
Turnover **EBIT**	in EUR m.	0.9 -0.4	1.3 -0.3	▪ Structure and company costs as well as the result from real estate holdings and investments are shown in the Other business segment
Group				
Turnover **EBIT**	in EUR m.	130.6 0.2	140.4 1.9	▪ Group turnover up by 7.5% ▪ EBIT increased especially due to the development in photofinishing ▪ Previous year's figure adjusted due to finalization of purchase price allocations
Free Cash Flow	in EUR m.	-58.7	-14.7	▪ Operating cash flow in the previous year reduced by outflows from acquisitions
ROCE	%	18.9	17.6	▪ ROCE remains strong, decline especially due to IFRS 16 first-time adoption
Equity ratio	%	57.1	54.9	▪ Solid equity ratio, decline due to IFRS 16 first-time adoption

Rounding differences might occur.

Q1 confirms the annual targets for 2019

Agenda

1. **Results**
   - **- Photofinishing**
   - - Commercial Online-Print
   - - Retail
   - - Other
   - - Group
2. Financial Report
3. Outlook



Success Factor „Innovation“

Success Factor „Innovation“

Official Opening with State Secretary Stefan Muhle and CEWE-MAIC-employees on January 22, 2019

Success Factor „Customer Focus“

CEWE Customer Charter: Responsible Digitisation

„As the leading photo service and online-printing partner in Europe, CEWE intends to retain its position as a technological pioneer, as well as to take advantage of the new opportunities offered by digitisation, such as artificial intelligence.

We stand for progress with reflection.

CEWE consistently uses digital technologies responsibly, with a focus on its customers.“

Excerpt from the CEWE customer charter.

Success Factor „Customer Focus“

CEWE Customer Charter: Responsible Digitisation

1. We protect your data.
2. Our technologies serve to help you.
3. You have control and creative freedom.
4. We are open and transparent.
5. We wish to actively shape our future on the basis of European values.

Success Factor „Customer Focus“

CEWE Customer Charter: Advisory Board

Prof. Dr.
Susanne Boll-Westermann
Professor of Multimedia and Internet at the Faculty of Computer Science at the University of Oldenburg
Member of the Board of OFFIS e.V. Institute of Computer Science

Prof. Dr. Dr. h.c. mult.
Wolfgang Wahlster
Professor of Computer Science and CEA of the German Research Center for Artificial Intelligence (DFKI)

Ranga Yogeshwar
Science journalist, physicist and moderator

Worldrecord: CEWE for the third time

» Best Photo Service Worldwide «

2008

2018

2019

Awarded by a jury of
30 international Photo-trade magazines

› **A work of art with six corners: favorite moments on high quality photo tiles**

CEWE brand products

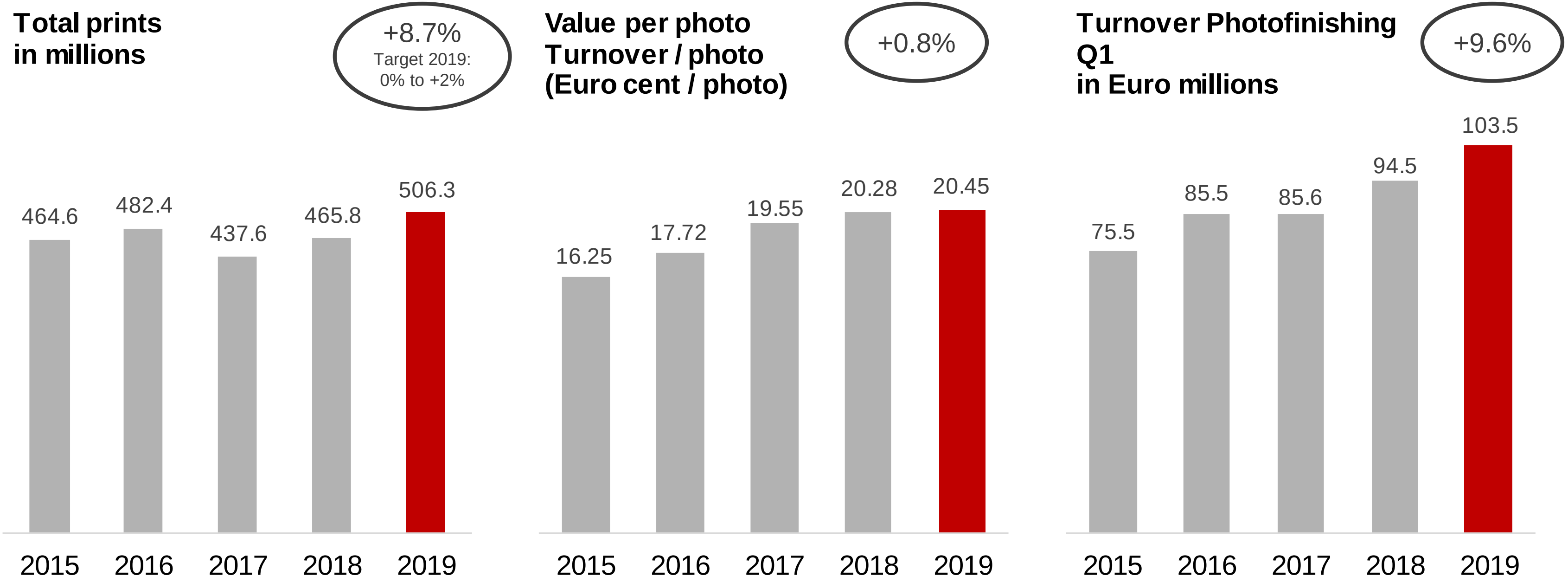
mein
cewe kalender

meine
cewe wandbilder

meine
cewe cards

meine
cewe sofortfotos

Number of prints and turnover Photofinishing Q1

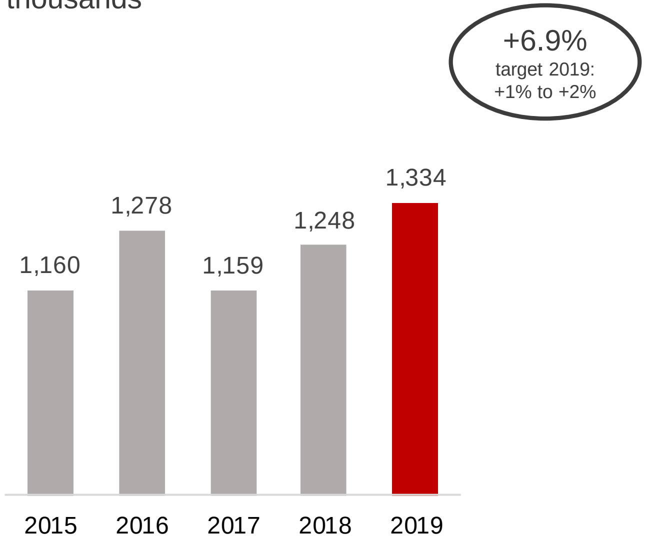


- **Rising photo volume - despite shift of Easter business into Q2**
- **Rising share of value added products increases turnover per photo**

Rounding differences may occur.

CEWE PHOTOBOOK

Number of CEWE PHOTOBOOKS Q1
in thousands

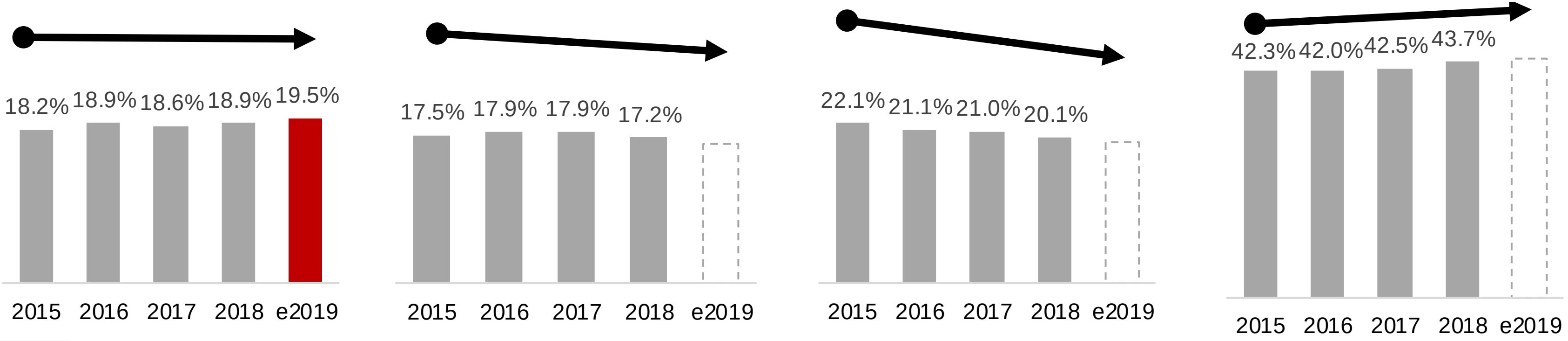


› **CEWE PHOTOBOOK – highest sales in a Q1**

Rounding differences may occur.

Shares in Turnover by Quarter – Photofinishing

Seasonal distribution: CEWE 2015 to 2019 – Share in turnover by quarter as a percentage



Turnover target 2018
Approx.
498 – 533 m€*

Q1 Target
97.1 – 104.0 Euro mill.

Q1 Actual
103.5 Euro mill. ✓

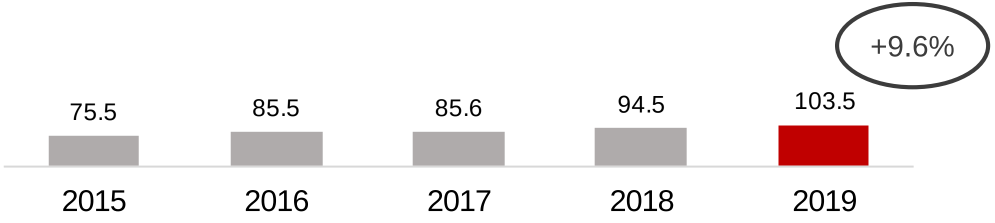
› **Value-added products keep photofinishing at the upper end of the expected sales range**

** Photofinishing turnover approx. on previous year´s level (2018: 499.0 Euro mill.). Planned group turnover w/o target turnover of segments retail, commercial online-print and other. Rounding differences may occur.*

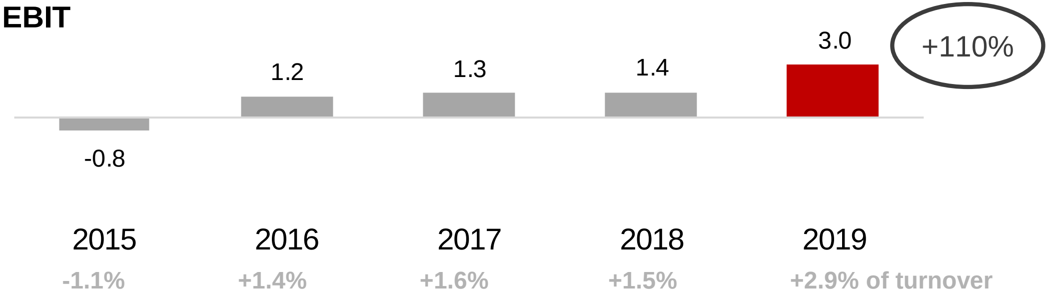
Business segment Photofinishing Q1

in euro millions

Turnover



EBIT



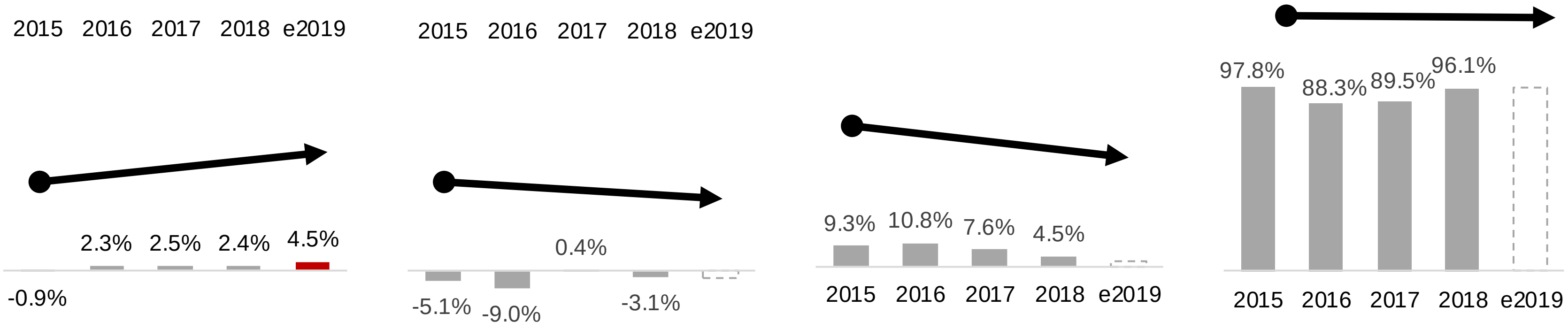
- Photofinishing grows organically in Q1 in the core business and through Cheerz acquisition (Cheerz has been consolidated since February 2018)
- A decent first quarter: Following the trend of the previous years, Q1 is growing once again
- Strong development of CEWE value-added products raises Q1 EBIT contribution by Euro 1.6 million to Euro 3.0 million
- Q1 2019 one-off effects: -0.6 million euros
  - PPA effects from DeinDesign purchase price allocation: -0.1 million euros
  - PPA effects from Cheerz purchase price allocation: -0.5 million euros
- Previous year Q1 2018 one-off effects**:** -0.4 million euros
  - PPA effects from DeinDesign purchase price allocation: -0.1 m.euros
  - PPA effects from DeinDesign purchase price allocation: -0.3 m.euros

Rounding differences may occur.

- **Photofinishing grows organically and through Cheerz acquisition**
- **Q1 EBIT contribution increases by EUR 1.6 million**

EBIT before Restructuring by Quarter – Photofinishing

Seasonal distribution: CEWE 2015 to 2019 – EBIT share by quarter as a percentage



EBIT target 2019 Photofinishing
51.5 – 57.5 Euro mill.*

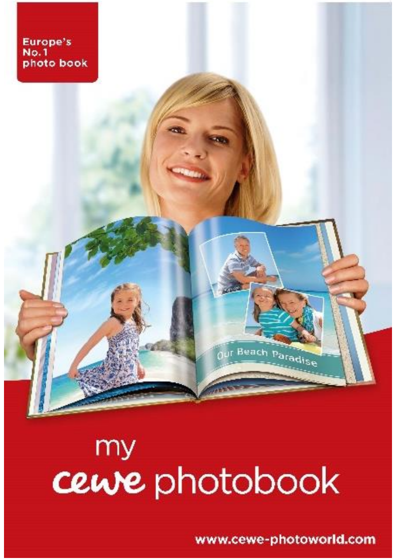
Q1 Target
+2.3 – +2.6 Euro mill.

Q1 Actual
+3.0 Euro mill. ✓

› **Photofinishing EBIT exceeds expected range**

** 52.0-58.0 Euro mill. group EBIT-target less planned retail, online printing and from segment Others. Rounding differences may occur.*

Agenda



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The CEWE online print brands

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SAXOPRINT
Where print meets passion.

viaprinto

LASERLINE

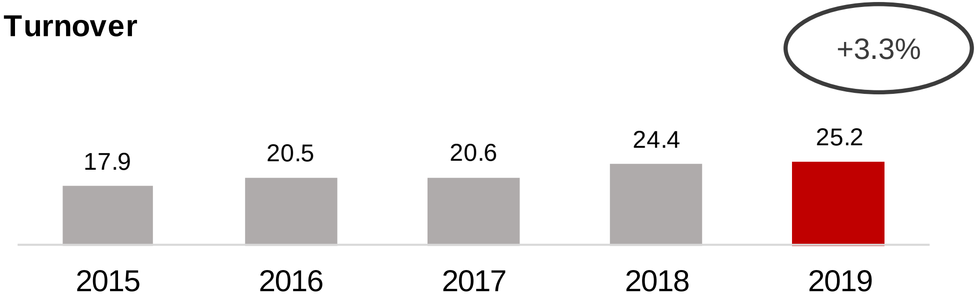
Flyer	Brochures	Folder	Business Cards	Easy-Box
				

› **CEWE-Portals focus on different customer groups**

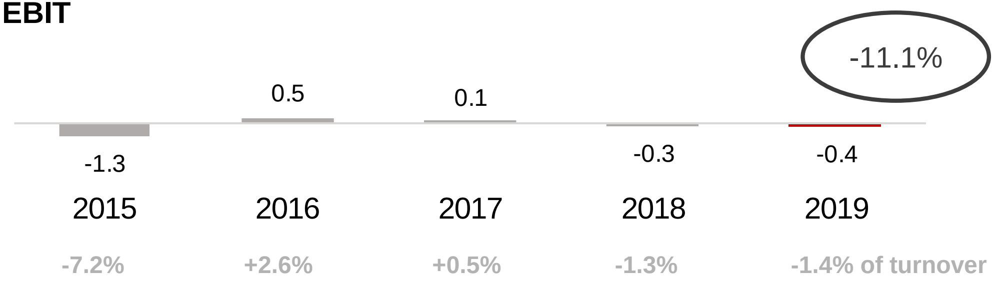
Business segment Commercial Online-Print Q1

in euro millions

Turnover



EBIT



- **COD turnover grows by 3.3% in Q1**
- **Negative LASERLINE contribution pushes EBIT almost exactly to last year's level**

- Commercial Online-Print grows organically by 3.3% in the first quarter (LASERLINE consolidated since January 2018)
- Furthermore, price pressure inhibits stronger growth in Germany
- UK business continues to be weakened by Brexit effects

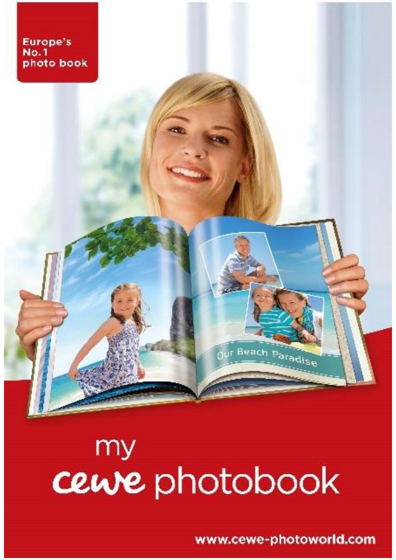
- Above all, the sales weakness of LASERLINE driven by the price pressure causes reported EBIT to fall slightly (by EUR 36 thousand) below the previous year's result

- Q1 2019 one-off effects: -0.2 million euros
  - PPA effects from Saxoprint purchase price allocation: -0.1 million euros
  - PPA effects from Laserline purchase price allocation: -0.1 million euros

- Previous year Q1 2018 one-off effects: -0.4 million euros
  - PPA effects from Saxoprint purchase price allocation: -0.1 m.euros
  - PPA effects from Laserline purchase price allocation: -0.1 m.euros
  - Integration costs of Laserline: -0.2 m.euros

Rounding differences may occur.

Agenda



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CEWE´s retail business

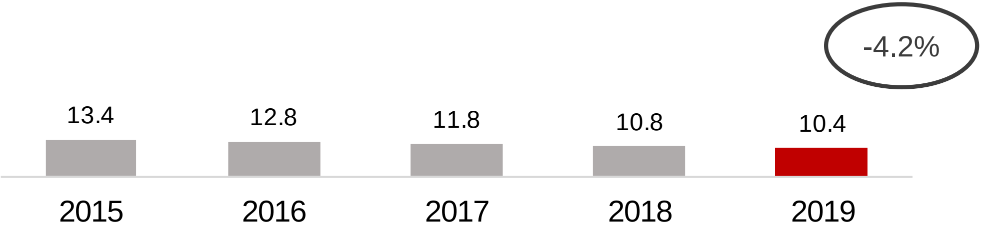
- 147 retail stores
- EUR 48.7 million revenue (2018) with photo-hardware (cameras, lenses, tripods, etc.)
- Sales of photofinishing products in photofinishing segment

- Retail segment contains hardware revenue only, photofinishing revenue is shown in photofinishing segment
- Own retail business provides an excellent window to the market

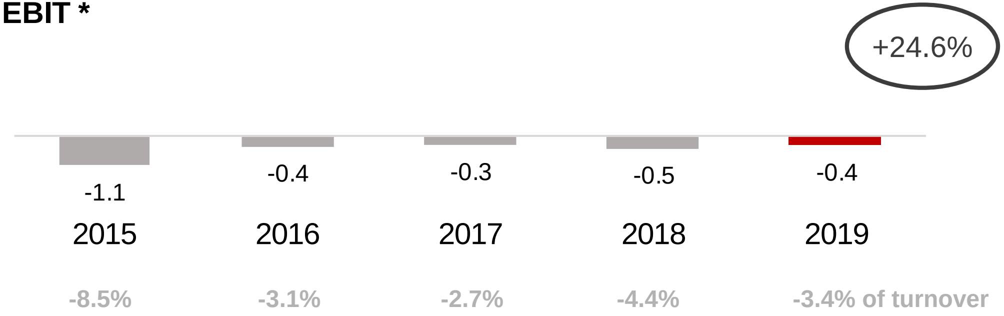
Business segment Retail* Q1

in euro millions

Turnover *



EBIT *



- Hardware retail sales (due to the focus on the photofinishing business and the abandonment of low-margin hardware business) were further reduced according to the strategy

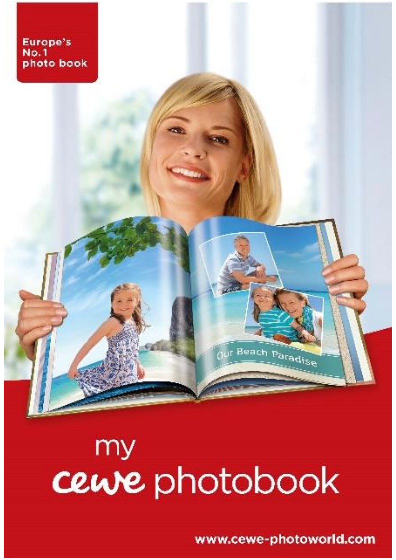
- Due to margin focus, earnings even slightly better than in the previous year, despite a decline in sales
- Seasonally traditionally negative EBIT in the first quarter

› **Hardware turnover further reduced according to the strategy**

› **Q1 EBIT slightly improved due to margin focus**

** only hardware, no photofinishing.*
Rounding differences may occur.

Agenda



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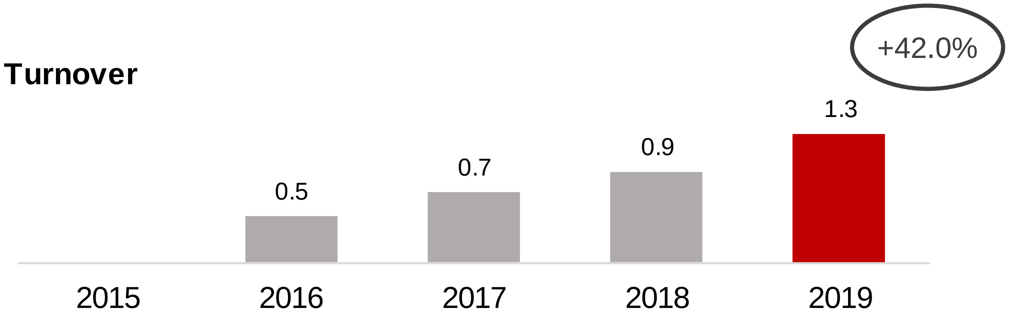
Business segment Other Q1

in euro millions

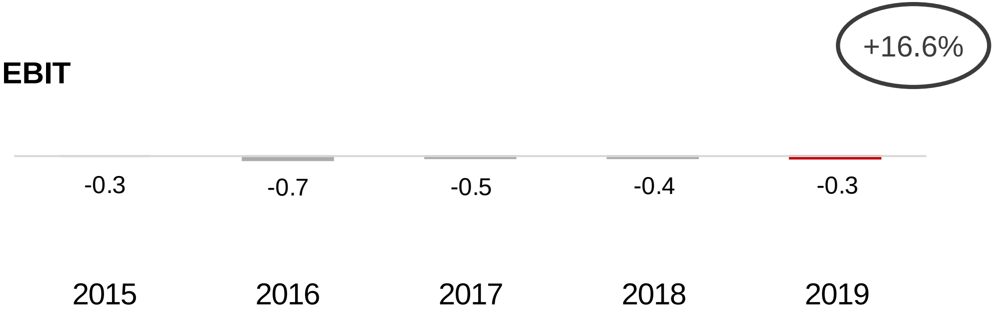
Structural and corporate costs and profits arising from real estate property and the acquisition of stocks are shown in the business segment Other.
Since August 2015 (date of initial consolidation), futalis has been reported in this business segment since the business activities cannot be allocated to the other business segments.

Turnover



- The 1.3 million euros reported in turnover is to be exclusively allocated to futalis (Q1 2018: 0.9 million euros)

EBIT

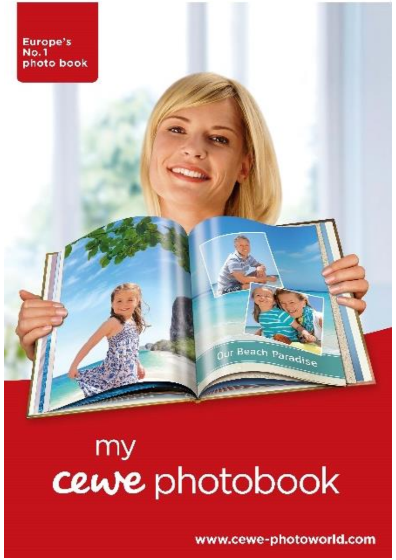


- EBIT slightly improved

› **Segment for other business raises turnover and improves earnings**

Rounding differences may occur.

Agenda



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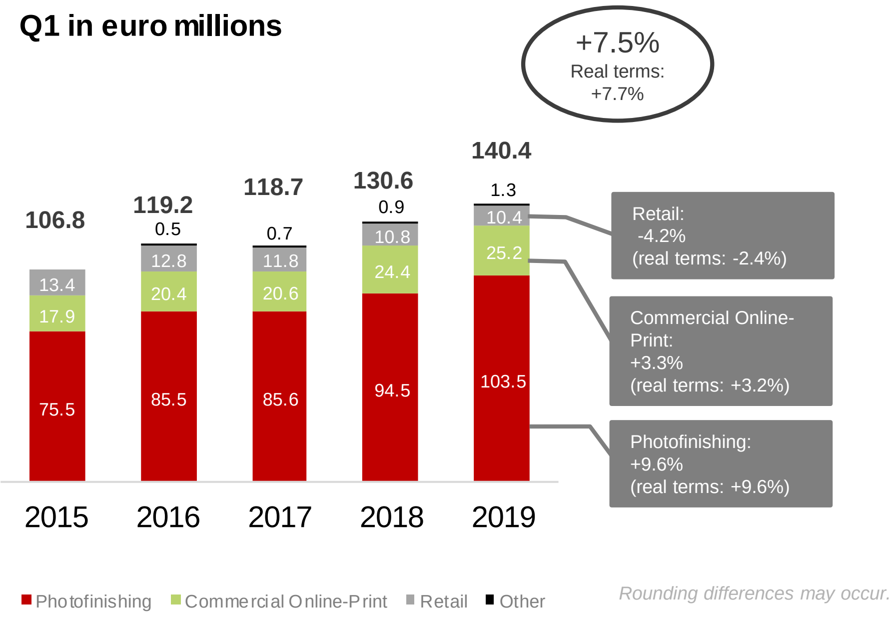
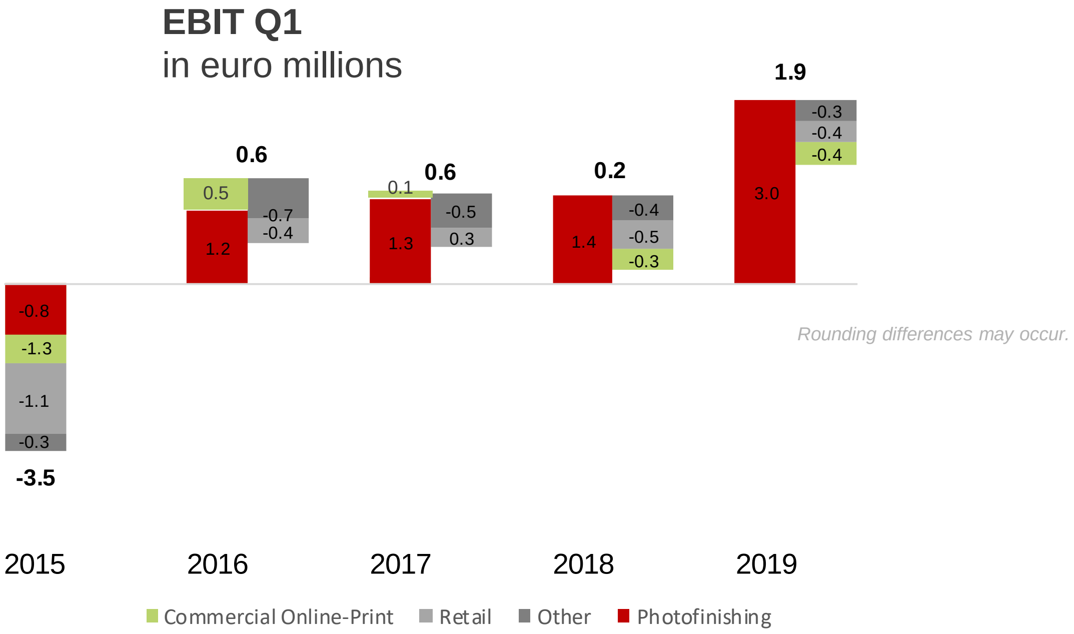
Turnover



Business segments of photofinishing and commercial online printing account for growth in Group turnover in Q1

EBIT



Group EBIT Q1 exceeds previous year mostly by further improvement in photofinishing

CEWE Concludes Agreement to Purchase Wall Art Specialist “WhiteWall”

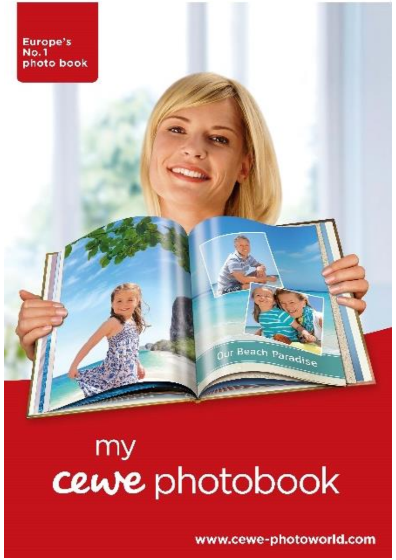
WHITE WALL

BEST IN CLASS

- The core business of WhiteWall lies in sophisticated **gallery-quality wall art**
- WhiteWall will remain an **independent brand** with its **own production**
- CEWE expects the acquisition to have a sustained positive effect on the value of the company as a whole
- CEWE will probably take over WhiteWall for a purchase price based on an enterprise value of 30 million euros as at 1 June 2019
- The transaction values the enterprise at around 0.9 times the turnover achieved on 2018 by the part of the enterprise to be taken over
- In 2019 CEWE Board of Management expects the takeover – including the purchase price allocation and the transaction costs – to initially still have a negative impact on the EBIT in the amount of around one million euros
- Completion of the transaction still also depends on approval by the relevant Monopoly and Merger commissions

› **CEWE expands in the prime segment for wall art**

Agenda



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First time adoption of IFRS 16

Balance sheet was adjusted as of January 01, 2019

The new standard for accounting of leasing agreements (IFRS 16) has been applied in the CEWE Group since January 1, 2019. Under IFRS 16, for lease agreements with a term of more than twelve months lessees are obliged to report assets for the respective right of use and also leasing liabilities. CEWE has exercised the option to exclude low-value assets, intangible assets and short-term leases beginning after December 31, 2018 from the scope of IFRS 16. CEWE applies IFRS 16 for the first time using the simplification available for lessees ("modified retrospective method"), an adjustment of the previous year's figures does not take place.

Restated opening balance at 01 January 2019

Figures in thousand of euros	Dec. 31, 2018	Adjustment IFRS 16	Jan. 01, 2019
Assets			
Property, plant and equipment	160,242	65,307	225,549
Liabilities			
Non-current other accruals	0	407	407
Non-current interest-bearing financial liabilities	1,148	-65	1,083
Non-current leasing liabilities	0	55,449	55,449
Current interest-bearing financial liabilities	2,665	-21	2,644
Current leasing liabilities	0	9,537	9,537

Consolidated profit and loss account Q1

Figures in millions of euros	Q1 2018	Q1 2019	Δ as %	Δ as m€
Revenues	130.6	140.4	7.5%	9.8
Increase / decrease in finished and unfinished goods	-0.1	-0.2	201%	-0.1
Other own work capitalised	0.2	0.2	-20.0%	0.0
Other operating income	3.9	4.7	18.7%	0.7
Cost of materials	-37.4	-38.8	3.9%	-1.5
Gross profit	**97.3**	**106.2**	**9.1%**	**8.9**
Personnel expenses	-41.9	-44.7	6.7%	-2.8
Other operating expenses	-45.4	-46.8	3.1%	-1.4
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**10.0**	**14.7**	**46.9%**	**4.7**
Amortisation of intangible assets, depreciation of property, plant and equipment	-9.8	-12.7	30.6%	-3.0
Earnings before interest, taxes (EBIT)	**0.2**	**1.9**	**756%**	**1.7**
Financial income	0.1	0.0	-82.2%	-0.1
Financial expenses	-0.5	-0.3	-49.1%	0.2
Financial result	**-0.4**	**-0.2**	**-40.7%**	**0.2**
Earnings before taxes (EBT)	**-0.2**	**1.7**	**-**	**1.9**

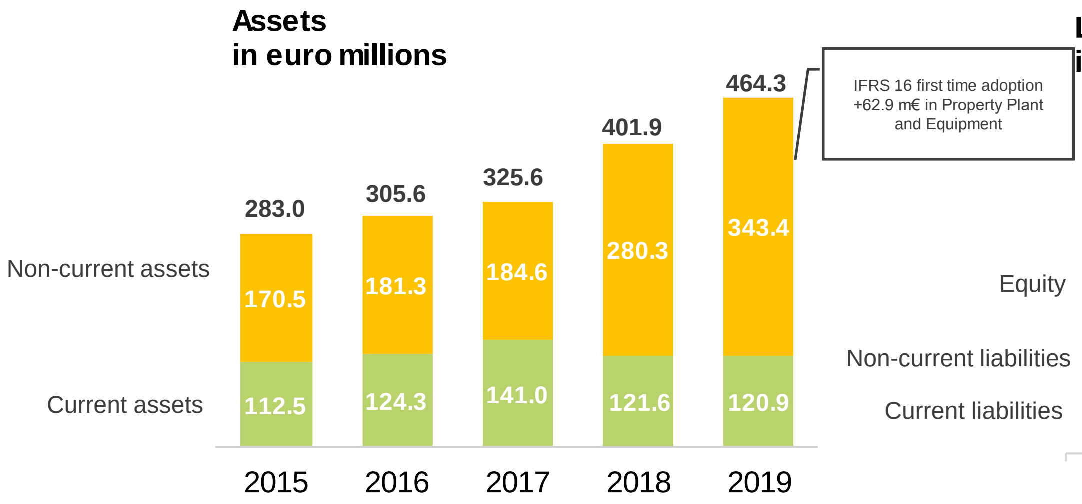
Sales growth in photofinishing and commercial online printing exceeds decline in retail

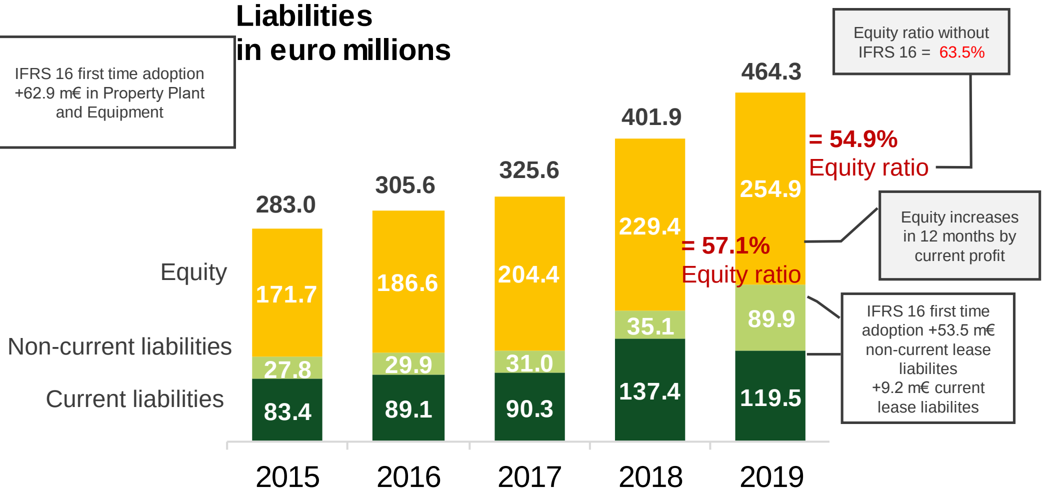
Increase in expenses driven by business increase

IFRS 16 first-time adoption: Reduction of rental expenses, capitalisation of right-of-use assets increases depreciation by € 2.7 million

Rounding differences may occur.

Balance Sheet at 31 March



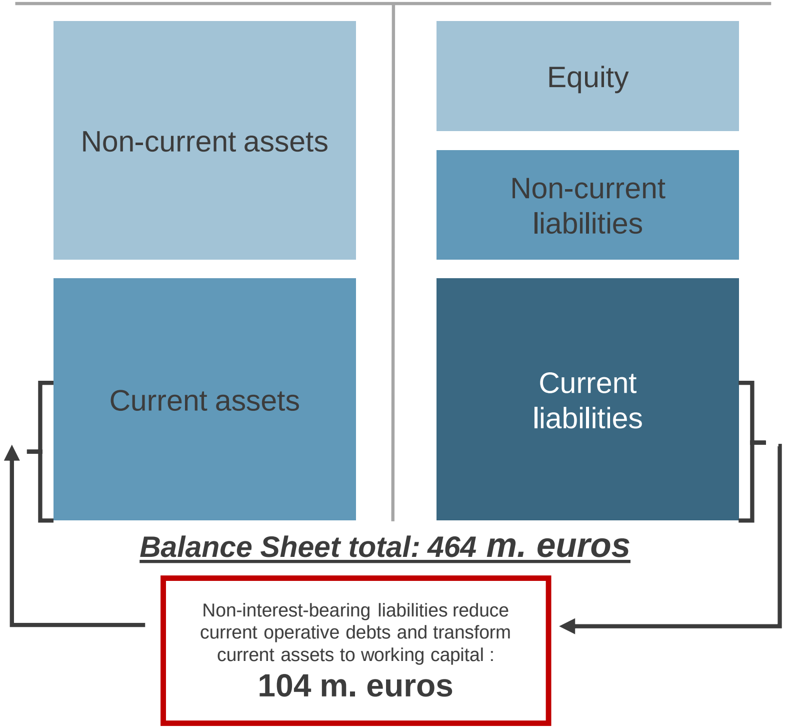


Rounding differences may occur.

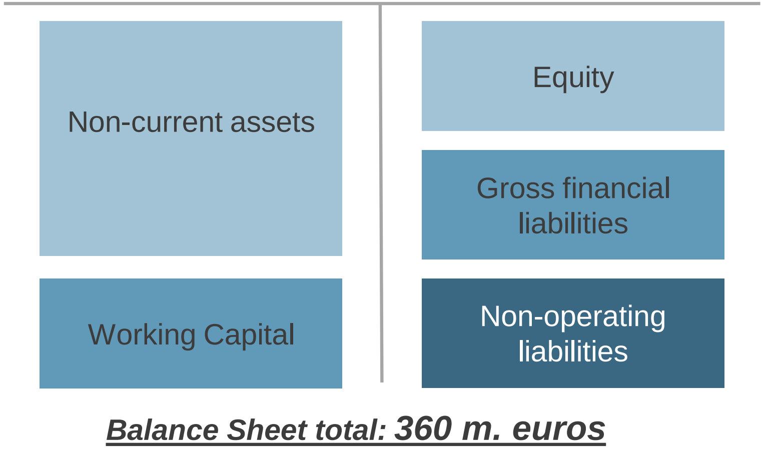
- **Non-current assets and liabilities increase due to IFRS 16 first time adoption**
- **Equity ratio at solid 54.9% despite new leasing standard (even up to strong 63.5% before IFRS 16)**

From Accounting Balance Sheet to Management Balance Sheet

Balance Sheet



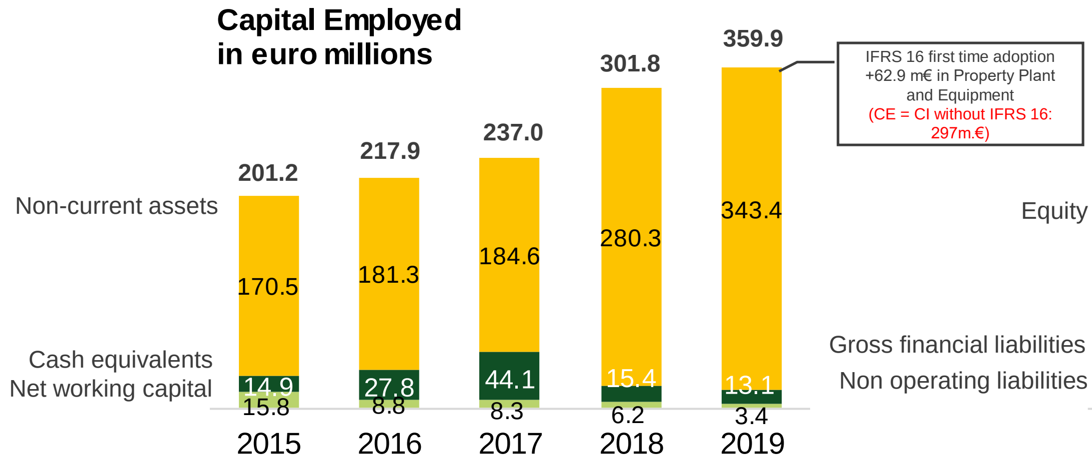
Management Balance Sheet

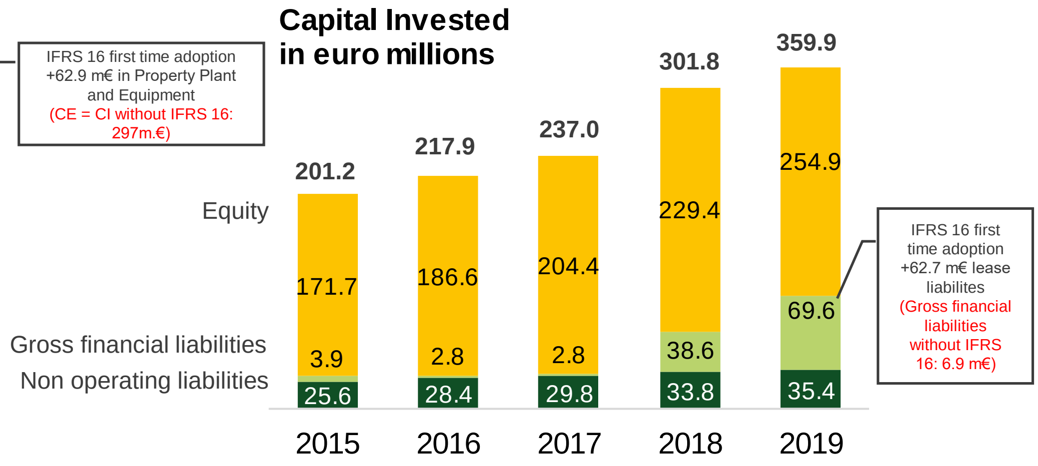


- **The Balance Sheet total is reduced to capital elements „to be paid for“ (by way of dividends or interest) in the management balance sheet**

Rounding differences might occur.

Management Balance Sheet at 31 March





- **Long-term assets and gross financial debt increased due to IFRS 16 first time adoption**
- **Without IFRS 16: Reduction of gross financial debt by -31.7 million Euros**

Rounding differences may occur.

Capital employed I: T-3

Figures in millions of euros		Dec. 31, 2018	Mar. 31, 2019	∆ as %	∆ as m€
	Property, plant and equipment	160.2	218.2	36.2%	58.0
	Investment properties	17.6	17.5	-0.6%	-0.1
	Goodwill	59.7	59.7	0.0%	0.0
	Intangible assets	28.5	27.4	-3.9%	-1.1
	Financial assets	6.9	7.0	2.2%	0.2
	Non-current financial assets	1.3	1.3	3.2%	0.0
	Non-current other receivables and assets	0.3	0.2	-8.6%	0.0
	Deferred tax assets	12.3	12.1	-1.8%	-0.2
	Non-current assets	**286.7**	**343.4**	**19.8%**	**56.7**
	Inventories	49.0	45.4	-7.4%	-3.6
+	Current trade receivables	92.9	42.0	-54.8%	-50.9
=	**Operating gross working capital**	**141.9**	**87.4**	**-38.4%**	**-54.5**
-	Current trade payables	112.7	53.4	-52.6%	-59.3
=	**Operating net working capital**	**29.2**	**34.0**	**16.3%**	**4.8**

First-time adoption of IFRS 16: Capitalisation of real estate, technical equipment, factory and office equipment

Mainly scheduled depreciation of PPA assets and software

Decline in stocks after Christmas business

Collecting of receivables from Christmas business

Seasonal decline due to settlement of liabilities from Christmas business

Rounding differences may occur.

Capital employed II: T-3

Figures in millions of euros	Dec. 31, 2018	Mar. 31, 2019	Δ as %	Δ as m€
+ Current receivables from income tax refunds	2.7	7.2	168%	4.5
+ Current financial assets	3.4	2.8	-17.4%	-0.6
+ Other Current receivables and assets	9.5	10.4	10.0%	0.9
= Other gross working capital	**15.5**	**20.4**	**31.5%**	**4.9**
- Current tax liabilities	8.2	8.1	-1.1%	-0.1
- Current other accruals	3.5	4.3	23.9%	0.8
- Current financial liabilities	10.2	10.2	0.0%	0.0
- Current other liabilities	45.4	28.4	-37.4%	-17.0
= Other net working capital	**-51.8**	**-30.6**	**-40.8%**	**21.1**
Operating net working capital	29.2	34.0	16.3%	4.8
- Other net working capital	-51.8	-30.6	-40.8%	21.1
= Net working capital	**-22.5**	**3.4**	**-**	**25.9**
Non-current assets	286.7	343.4	19.8%	56.7
+ Net working capital	-22.5	3.4	-	25.9
+ Cash and cash equivalents	28.1	13.1	-53.3%	-15.0
= Capital employed	**292.3**	**359.9**	**23.1%**	**67.6**

Capitalization of tax prepayments on balance sheet date

Capitalization of prepaid expenses and deferred charges

After strong Christmas business: Settlement of tax payments and payroll liabilities

Reduction of liabilities from Christmas business causes decline in liquid funds

Rounding differences may occur.

Capital invested: T-3

Figures in millions of euros	Dec. 31, 2018	Mar. 31, 2019	∆ as %	∆ as m€
Equity	**254.2**	**254.9**	**0.3%**	**0.7**
Non-current accruals for pensions	29.2	29.6	1.4%	0.4
+ Non-current deferred tax liabilities	2.9	3.3	12.4%	0.4
+ Non-current other accruals	0.0	0.4	-	0.4
+ Non-current financial liabilities	1.6	1.6	0.0%	0.0
+ Non-current other liabilities	0.6	0.6	-7.8%	0.0
= Non-operating liabilities	**34.3**	**35.4**	**3.4%**	**1.1**
Non-current interest-bearing financial liabilities	1.1	1.0	-11.4%	-0.1
Non-current leasing liabilities	0.0	53.5	-	53.5
+ Current interest-bearing financial liabilities	2.7	5.9	121%	3.2
Current leasing liabilities	0.0	9.2	-	9.2
= Gross financial liabilities	**3.8**	**69.6**	**>1000%**	**65.8**
= Capital invested	**292.3**	**359.9**	**23.1%**	**67.6**

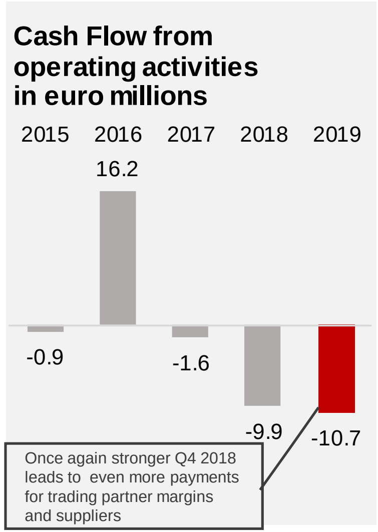
First-time adoption of IFRS 16: Recognition of non-current leasing liabilities

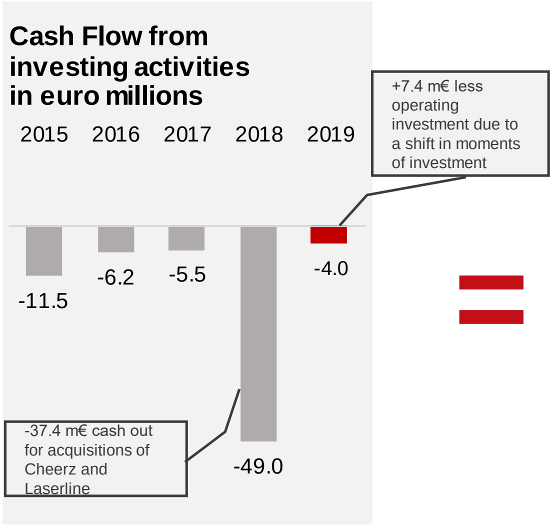
Increase in currect financial liabilities

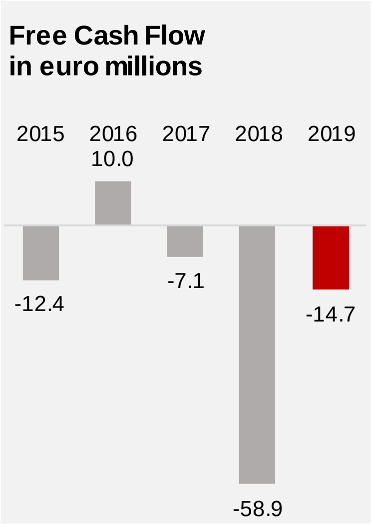
First-time adoption of IFRS 16: Recognition of current leasing liabilities

Rounding differences may occur.

Free-Cash Flow Q1







- **The success of the Christmas business in the previous year once again reduces cash flow from operating activities**
- **Following acquisition-related charges in the previous year, changed investment dates relieve the cash outflow from investing activities**
- **Free cash flow increases by Euro 44.2 million**

Rounding differences may occur.

Consolidated free cash flow Q1

	Figures in millions of euros	Q1 2018	Q1 2019	Δ as %	Δ as m€
=	**EBITDA**	**10.0**	**14.7**	**46.9%**	**4.7**
+/-	Non-cash factors	2.8	0.5	-80.9%	-2.2
+/-	Decrease (+) / increase (-) in operating net working capital	6.4	-4.8	-	-11.1
+	Decrease (+) in other net working capital (excluding income tax items)	-24.2	-16.5	-31.7%	7.7
-	Taxes paid	-4.9	-4.6	-5.9%	0.3
+	Interest received	0.1	0.0	-84.4%	-0.1
=	**Cash flow from operating activities**	**-9.9**	**-10.7**	**8.0%**	**-0.8**
-	Outflows from investments in fixed assets	-11.2	-3.9	-65.6%	7.4
-	Outflows from purchases of consolidated interests / acquisitions	-37.4	0.0	-100%	37.4
+/-	Outflows (-) / inflows (+) from investments in financial assets	-0.3	-0.2	-54.2%	0.2
-	Outflows from investments in non-current financial instruments	-0.4	0.0	-90.9%	0.4
+	Inflows from the sale of property, plant and equipment and intagible assets	0.4	0.1	-77.9%	-0.3
=	**Cash flow from investing activities**	**-49.0**	**-4.0**	**-91.9%**	**45.0**
=	**Free cash flow**	**-58.9**	**-14.6**	**-75.2%**	**44.2**

(+) Increased earnings situation

(-) Seasonally higher decrease in trade payables

(+) Q1 2018 Liabilities acquired through acquisitions

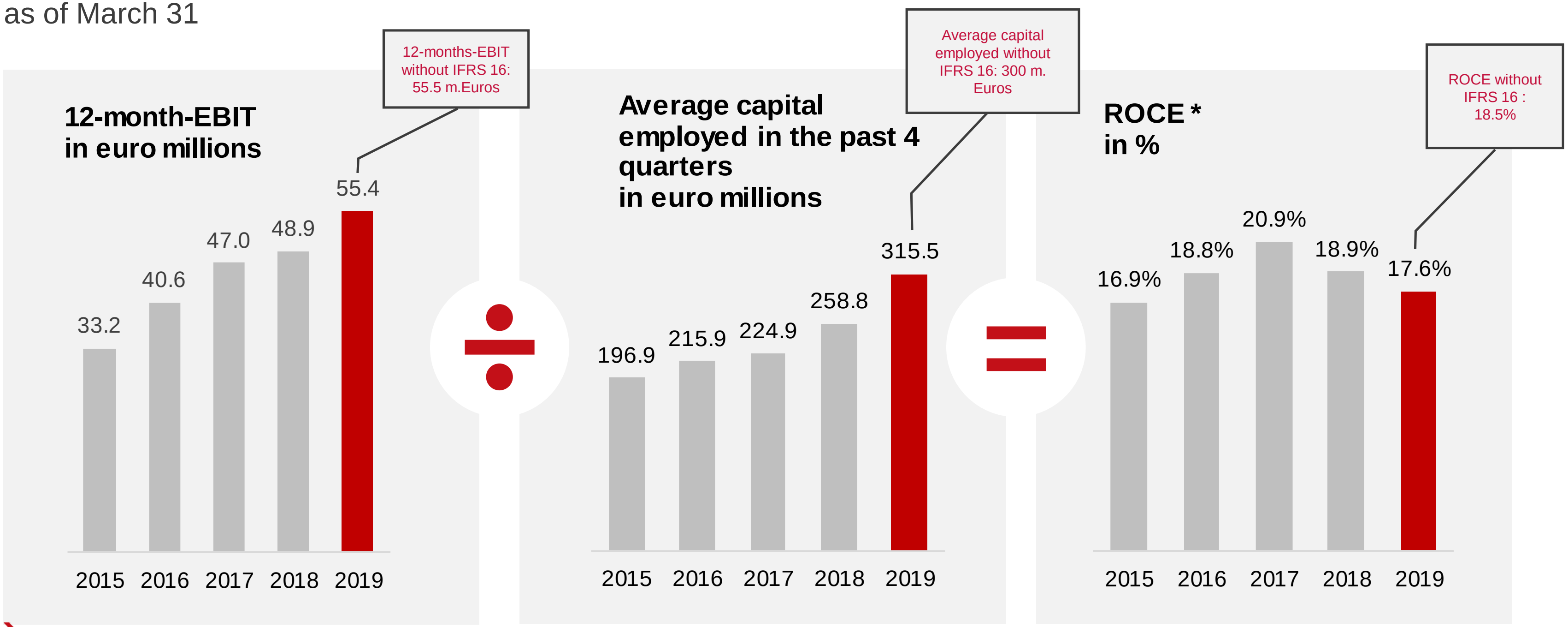
(+) Q1 2018 Acquisition of previously leased operating properties

(+) Q1 2018 Cash outflows from acquisitions of Cheerz and Laserline

Rounding differences may occur.

ROCE

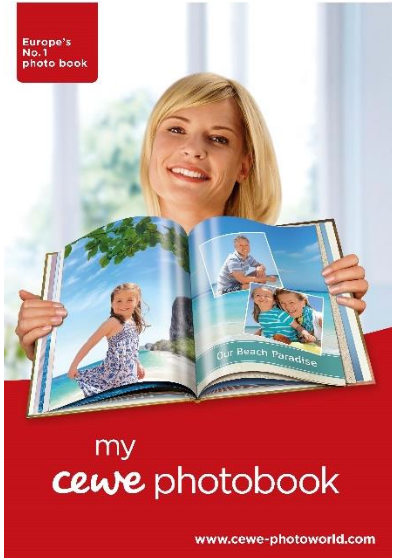
as of March 31



- **The recent acquisitions of Cheerz and Laserline and the first-time application of IFRS 16 increase average capital employed and therefore lower ROCE**
- **ROCE before IFRS 16 adoption at a strong 18.5%**

ROCE = EBIT / ∅ Capital Employed.
Rounding differences might occur.

Agenda



Europe's No. 1 photo book
Our Beach Paradise
my
cewe photobook
www.cewe-photoworld.com

CEWE Group Targets 2019: Adjustments after WhiteWall acquisition

Targets		2018	Target 2019	*NEW* Target 2019 incl. WhiteWall
Photos	billion photos	2.23	2.22 to 2.26	
CEWE PHOTO BOOK	millions	6.18	6.24 to 6.31	
Investments*	Euro millions	49.6	around 55	
Revenue	**Euro millions**	**653.3**	**655 to 690**	**675 to 710**
EBIT	**Euro millions**	**53.7**	**52 to 58**	**51 to 58**
EBT	Euro millions	53.3	51.5 to 57.5	50.5 to 57.5
Earnings after tax	Euro millions	36.3	35 to 39	35 to 39**
Earnings per share	Euro	5.06	4.84 to 5.40	4.74 to 5.40

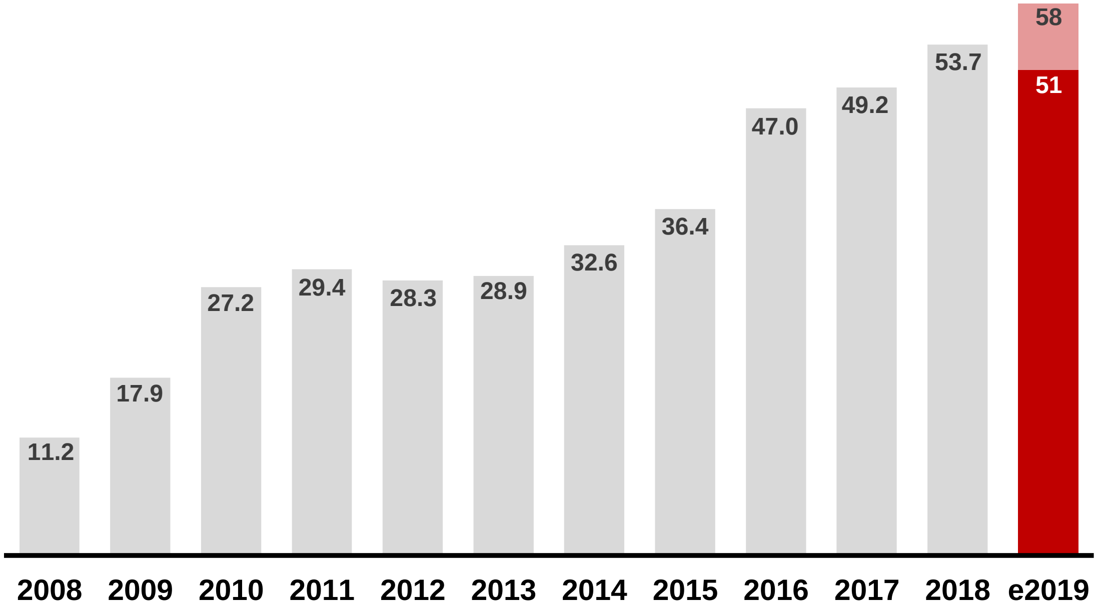
* Operative investments without potential investments in expanding the business volume and, for example, corporate acquisitions and/or additional customer-base acquisitions
** Due to rounding, the interval remains unchanged

Rounding differences might occur.

- **EBIT is expected to rise in 2019: up to 58 Euro millions**
- **Although CEWE expects WhiteWall 2019 to contribute with an EBIT of -1 million euros (including PPA effects), the Management Board still considers the upper end of the earnings corridor to be justified**

EBIT Development

in Euro millions



- **EBIT-target for 2019 continues the trend**

Q&A-Session

Q1 2018 Analyst Conference Call

May 13, 2019