CEWE DANMARK ApS

Søren Frichs Vej 38 K, 2. sal.
8230 Åbyhøj

CVR no. 33 80 85 18

Annual report 2018

The annual report was presented and approved at the Company's annual general meeting on

27 May 2019

Patrick Lucien Pierre Yves Berkhouwer
chairman

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of CEWE DANMARK ApS for the financial year 1 January – 31 December 2018.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.

Åbyhøj, 27 May 2019
Executive Board:

Stephan Stein	Patrick Lucien Pierre Yves Berkhouwer	Jean-Paul Vern
Mathias Mess		

Independent auditor's report

To the shareholders of CEWE DANMARK ApS

Opinion

We have audited the financial statements of CEWE DANMARK ApS for the financial year 1 January – 31 December 2018 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, 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 opinion. 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.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 27 May 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Michael Stenskrog State Authorised Public Accountant mne26819	Michael E. K. Rasmussen State Authorised Public Accountant mne41364

Management's review

Company details

CEWE DANMARK ApS
Søren Frichs Vej 38 K, 2. sal.
8230 Åbyhøj

Telephone:	+45 86 99 14 22
Website:	www.cewefotobog.dk
CVR no.:	33 80 85 18
Registered office:	Åbyhøj
Financial year:	1 January – 31 December

Executive Board

Stephan Stein
Patrick Lucien Pierre Yves Berkhouwer
Jean-Paul Vern
Mathias Mess

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Bank

Danske Bank
Åboulevarden 69
8000 Aarhus C

Management's review

Operating review

Principal activities

The Company sells and supplies digital photo solutions including related services.

Development in activities and financial position

For the year under review, the Company reported a profit of DKK 3,193 thousand, total assets of DKK 59,875 thousand and equity of DKK 42,391 thousand. This is in line with last year's expectations.

Gross profit has been affected by gain on sale of the Company's activities related to the websites www.cewe.no and www.cewe.se, at a total of DKK 2,938,261. This matter deviates from Management's assessment as to what forms part of the Company's operating activities.

Events after the balance sheet date

No events have occurred after the balance sheet date that may influence the financial statements for 2018.

Outlook

For 2019, the Company expects to report positive results at level with 2018.

Particular risks

Operating risks

In line with previous years, the primary operating risks represent fluctuating economic trends, including fluctuations in exchange rates for the Nordic currencies. Further, a certain risk exists with respect to fluctuations in energy prices as this impacts on transport costs and thereby our competitiveness compared to other competitors in the market.

Financial risks

Currency risks

The Company generates revenue on markets using EUR, DKK, SEK and NOK. Exchange rate risks related to foreign currencies are generally not hedged, as the Company is of the opinion that continuous hedging of short-term receivables is not optimal from an overall risk perspective.

Credit risks

No single customer or corporation partner poses any significant risk to the Company. The credit insurance policy ensures that all customers are credit insured and therefore included in the ongoing credit evaluation undertaken by the Company's insurance company.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2018	2017
Gross profit	2	18,630,791	16,378,611
Staff costs	3	-14,937,369	-13,369,665
Depreciation, amortisation and impairment		-489,311	-543,855
Operating profit		3,204,111	2,465,091
Financial income	4	914,626	757,044
Financial expenses		-20,788	-1,443
Profit before tax		4,097,949	3,220,692
Tax on profit for the year		-905,018	-666,929
Profit for the year		3,192,931	2,553,763

Proposed profit appropriation

Retained earnings		3,192,931	2,553,763

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets	5		
Software		0	0
Property, plant and equipment	6		
Fixtures and fittings, tools and equipment		1,412,619	1,399,439
Investments	7		
Equity investments in group entities		357,953	357,953
Deposits		573,900	573,900
		931,853	931,853
Total fixed assets		2,344,472	2,331,292
Current assets			
Inventories			
Finished goods and goods for resale		171,636	79,106
Receivables			
Trade receivables		6,197,474	5,766,714
Receivables from group entities		50,301,143	47,095,578
Other receivables		723,038	577,567
Deferred tax asset		56,269	325,871
		57,277,924	53,765,730
Cash at bank and in hand		80,872	4,919,193
Total current assets		57,530,432	58,764,029
TOTAL ASSETS		59,874,904	61,095,321

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Contributed capital		6,000,000	6,000,000
Retained earnings		36,391,321	33,198,390
Total equity		42,391,321	39,198,390
Liabilities			
Current liabilities			
Trade payables		5,848,934	5,904,689
Payables to group entities		4,181,369	7,084,377
Corporation tax		624,026	0
Other payables		6,829,254	8,907,865
		17,483,583	21,896,931
Total liabilities		17,483,583	21,896,931
TOTAL EQUITY AND LIABILITIES		59,874,904	61,095,321

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	6,000,000	33,198,390	39,198,390
Transferred over the profit appropriation	0	3,192,931	3,192,931
Equity at 31 December 2018	6,000,000	36,391,321	42,391,321

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of CEWE DANMARK ApS for 2018 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

A few restatements have been made of the comparative figures as a result of reclassifications.

Omission of consolidated financial statements

Pursuant to section 110(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of goods is recognised in revenue when delivery and transfer of risk to the buyer have taken place, and the income may be measured reliably and is expected to be received. The date of transfer of the most significant benefits and risks is determined using standard Incoterms ® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of sales

Cost of sales comprises costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other operating income

Other operating income comprises items secondary to the activities of the entity, including gains on the disposal of intangible assets and property, plant and equipment.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Other external costs

Other external costs comprise distribution costs and costs related to sales, sales campaigns, administration, office premises, operating leases, etc.

Gross profit

Pursuant to Section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross profit.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial income and expenses

Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Dividends from equity investments in group entities are recognised in the income statement in the financial year in which dividend is declared. To the extent that the distributed dividend exceeds accumulated earnings at the acquisition date, the dividend is recognised as write-down of the cost of the equity investment.

Tax on profit/loss for the year

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries. The subsidiaries are included in the joint taxation from the date when they are included in the consolidated financial statements and up to the date when they are excluded from the consolidation.

The Parent Company is the administrative company for the joint taxation and accordingly settles all payments of corporation tax to the tax authorities.

On payment of joint taxation contributions, current Danish corporation tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have used the losses to reduce their own taxable profit.

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Intangible assets

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the remaining life of the software. Useful life for software is 3 years.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Property, plant and equipment

Fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

The depreciable amount, which is calculated as cost less any projected residual values after the end of the useful life, is depreciated on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Fixtures and fittings, tools and equipment	3-5 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Equity investments in group entities

Equity investments in group entities are measured at cost. In case of indication of impairment, an impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this lower value.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable is used as discount rate.

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Equity

Dividends

The expected dividends payment for the year is disclosed as a separate item under equity.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Other liabilities are measured at net realisable value.

2 Special items

Special items comprise significant income and costs of a special nature in relation to the Company's usual income generating operating activities. Special items also comprise costs related to restructuring and gains and losses from the disposal of fixed assets that are of significant importance over time. Moreover, other significant non-recurring costs are included in special items.

As mentioned in the Management's review, gross profit has been affected by gain on sales of the Company's activities related to the websites www.cewe.no and www.cewe.se, at a total of DKK 2,938,261. This matter deviates from Management's assessment as to what forms part of the Company's operating activities.

Financial statements 1 January – 31 December

Notes

DKK	2018	2017
3 Staff costs		
Wages and salaries	13,641,174	12,030,284
Pensions	1,124,224	1,015,304
Other social security costs	171,971	324,077
	14,937,369	13,369,665
Average number of full-time employees	34	32
4 Financial income		
Interest income from group entities	493,325	435,006
Exchange gains	421,301	322,038
	914,626	757,044

5 Intangible assets

DKK	Software	Total
Cost at 1 January 2018	4,507,149	4,507,149
Cost at 31 December 2018	4,507,149	4,507,149
Amortisation and impairment losses at 1 January 2018	-4,507,149	-4,507,149
Amortisation and impairment losses at 31 December 2018	-4,507,149	-4,507,149
Carrying amount at 31 December 2018	0	0

6 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment
Cost at 1 January 2018	6,010,977
Additions for the year	540,516
Disposals for the year	-70,412
Cost at 31 December 2018	6,481,081
Depreciation and impairment losses at 1 January 2018	-4,611,538
Depreciation for the year	-489,311
Reversed depreciation and impairment losses on assets sold	32,387
Depreciation and impairment losses at 31 December 2018	-5,068,462
Carrying amount at 31 December 2018	1,412,619

Financial statements 1 January – 31 December

Notes

7 Investments

DKK	Equity investments in group entities	Total
Cost at 1 January 2018	357,953	357,953
Cost at 31 December 2018	357,953	357,953
Carrying amount at 31 December 2018	357,953	357,953

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit/loss for the year
Subsidiaries:			DKK	DKK
CEWE-PRINT Nordic A/S	Åbyhøj	100%	10,258	9,889
			10,258	9,889

8 Contractual obligations, contingencies, etc.

Contingent liabilities

The Group's Danish entities are jointly and severally liable for tax on the Group's jointly taxed income and for certain withholding taxes such as dividend tax and royalty tax as well as for the joint registration for VAT. The jointly taxed entities' total net liability to SKAT amounted to DKK 624,026 at 31 December 2018. Any subsequent corrections of the taxable income subject to joint taxation or withholding taxes on dividends, etc., may entail an increase in the entities' liability. The Group as a whole is not liable to any other parties.

The Company has issued a letter of subordination for its subsidiary, CEWE-PRINT Nordic A/S.

Operating lease obligations

Remaining operating lease obligations at the balance sheet date fall due at DKK 4,082 thousand within 5 years (2017: DKK 5,451 thousand).

9 Related party disclosures

CEWE Nordic ApS is part of the consolidated financial statements of CeWe Stiftung & Co. KGaA, Oldenburg, Germany, which is the smallest group in which the Company is included as a subsidiary.