HAWESKO
HOLDING AG

Annual report 2014

No. 1
in the trade
with premium
wines

Success with premium wines

SUBSTANTIAL, PROFITABLE, LASTING

FINANCIAL HIGHLIGHTS

		2014	2013	
NET SALES	(€ million)	**472.8**	**465.2**	+1.6%
GROSS SALES	(€ million)	**198.0**	**190.5**	+4.0%
CONSOLIDATED EBIT	(€ million)	**20.1**	**22.6**	−11.1%
EARNINGS PER SHARE (NON-RECURRENT INCOME ELIMINATED)	(€)	**1.39**	**1.41**	−1.4%
EARNINGS PER SHARE (INCLUDING EXTRAORDINARY INCOME)	(€)	1.65	1.80	−8.3%
ROCE		**14.6%**	**16.0%**	−1.4%-points
DIVIDEND YIELD	(31/12)	**3.1%**	**4.3%**	−1.2%-points
EMPLOYEES		**925**	**925**	–

complementary

Segments

open up high-end markets

SPECIALIST WINE-SHOP RETAIL

- Trading names:
  Jacques' Wein-Depot
- Target group:
  younger, more adventurous private customers
- Market segment:
  controlled quality wines – exclusive to *Jacques'* –, average price: approx. € 7 per bottle
- Addresses base:
  approx. 1,700,000
- Number of outlets:
  Germany: 285

DISTANCE SELLING

- Trading names:
  - *Hanseatisches Wein- und Sekt-Kontor*
  - *Carl Tesdorpf – Weinhandel zu Lübeck*
  - *The Wine Company* (Sweden)
  - *Wein & Vinos*
- Target group:
  epicurean, affluent private customers
- Market segment:
  upmarket and premium wines, average price: € 7 per bottle
- Addresses base:
  approx. 1,900,000

WHOLESALE/DISTRIBUTION

- Trading names:
  - *Wein Wolf Group*
  - *CWD Champagner- und Wein-Distributions-gesellschaft*
- Target group:
  top-class restaurants and re-sellers
- Market segment:
  upmarket and premium wines, average price: € 7 per bottle (at wholesale prices)
- Customer base:
  approx. 15,000

Foreword

DEAR SHAREHOLDERS,

As you will be aware, the final months of the past financial year brought many changes for the Hawesko Group. The company is now controlled by a qualified majority by a major shareholder, Detlev Meyer, via Tocos Beteiligung GmbH. Alexander Margaritoff has sold his shareholding, hitherto 30%, to this company and stands down from the CEO position effective 30 April 2015.

In view of these changes we believe it is important to address you on this occasion collectively as the whole Board of Management of Hawesko Holding AG – including Alexander Margaritoff, who has performed this task in past years. He has been for many years the face of the Hawesko Group – still, the responsibility for the company has rested and continues to rest on all our shoulders. Together with the new major shareholder we will uphold continuity in the business policy, even after the departure of Alexander Margaritoff.

The Hawesko Group was able to increase its sales by 1.6% to € 473 million in the 2014 financial year, even though wines on subscription brought in nearly € 8 million less due to lower demand for the Bordeaux vintage and the closing down of the French subsidiary *Château Classic* (in liquidation) diminished sales by a further € 4 million. Disregarding these effects, we achieved sales growth of 4.4% and consequently again easily outstripped the market. From this perspective, which reflects the normal course of business, all segments contributed to the group's growth.

The specialist wine-shop retail (*Jacques'*) and distance-selling segments – both serving end-consumers – were especially dynamic in performance: the 40th anniversary celebrations at *Jacques',* featuring many special campaigns, were a huge success and can be seen as a fitting tribute to our long-serving Board colleague Bernd Hoolmans, who retired at the end of 2014. The Board of Management extends every best wish to him for this new phase of life!

Distance-selling operations, established in 1964 under the name of *Hanseatisches Wein- und Sekt-Kontor,* equally had reason to celebrate. Hawesko's track record over the past 50 years is impressive, because it has the very modest origins of a business that started – fittingly – in a garage in the Hamburg district of Winterhude. Some of the biggest names among our partners even went out of their way to create special wines for our half-century, and the three anniversary catalogues delivered the intended results. And finally, our "Revenge of the Champagne" event got the corks popping to celebrate the occasion with gusto. All very un-Hanseatic!

In terms of earnings, the 2014 financial year nevertheless presents a mixed picture at first glance. The reported operating result (EBIT) declined from € 22.6 million to € 20.1 million. However a large number of one-off and non-recurring factors were at work. Consultancy costs were especially significant: there was € 3.0 million for the takeover process at the end of the year, and a further € 1.8 million mid-way through the year in connection with the ongoing development of the group.

The lost demand for wines on subscription also diminished the result by € 2.2 million. The decline was all the more pronounced because Bordeaux wines on subscription had been in especially high demand in the previous year. We also invested heavily in the future of our business operations in Switzerland. Without all these one-off costs, we would have seen profit rise appreciably.

We continued to develop our online trading activities both systematically and successfully in 2014: once again, more than half of our 306,000 new customers were acquired over our Internet sales channels. Online sales overall grew by well above the average at 9.0%, to € 72.1 million. Obviously the pressure of competition in online trading is not abating, but we are very well prepared thanks to our established sales structures that are tailored to the needs of the wine trade. But above all, we can draw maximum benefit from the entire range of print marketing, classic direct marketing and search engine marketing and optimisation. Like our sales and distribution activities, our marketing is not limited to one single channel.

A glance at the balance sheet and financial structure reveals Hawesko to be a company in great health: its equity ratio remains very comfortable at 42%. Although the return on capital employed of 15% has temporarily fallen below the target figure of 16% due to the considerable one-off expenses of 2014, if these exceptional factors are stripped out we come in above target, on 18%.

The Board of Management expects to see a further rise in sales for the current 2015 financial year. Disregarding expected one-off expenses of approx. € 6 million this year, EBIT and the EBIT margin are forecast to be up on the previous year. Together with the Supervisory Board we continue to refine our tried-and-tested strategy for sustainably financed growth with a view to ensuring that all shareholders benefit from rising profits and the appreciating corporate value.

Dear shareholders, since the start of 2015 the Hawesko Group has had a new major shareholder in Detlev Meyer. He aims to set new priorities, for example with regard to the dividend policy. Hawesko shares are nevertheless to remain a reliable dividend-paying stock. But in the interests of sustainability, there is no question of tapping its substance to distribute profit. Bearing in mind the earnings per share of € 1.65, the Supervisory Board and Board of Management therefore propose a dividend of € 1.30 per share for the 2014 financial year.

If 2014 was a year of change and exceptional challenges, the focus for the 2015 financial year now in progress is all about the start of a new era for the Hawesko Group. This year, as every year, we will depend especially on our employees to accomplish the task successfully. They are our most valuable asset, because it is through their passion, dedication and creativity that the company's business operations are made to succeed. They deserve the particular thanks of the Board of Management!

The Board of Management

Alexander Margaritoff *Alexander Borwitzky* *Nikolas von Haugwitz* *Bernd G Siebdrat* *Ulrich Zimmermann*

f. l. t. r.: Nikolas von Haugwitz, Alexander Borwitzky, Ulrich Zimmermann, Alexander Margaritoff, Bernd G Siebdrat

Board of Management

ALEXANDER MARGARITOFF, CHAIRMAN AND CHIEF EXECUTIVE OFFICER (UNTIL 30 APRIL 2015)

Alexander Margaritoff (born 1952) graduated from the University of Sussex, England, with degrees in Economics (B.A.) and Contemporary European Studies (M.A.). In 1981 he joined the company *Hanseatisches Wein- und Sekt-Kontor.* As Chief Executive Officer he is responsible for the strategic focus of Hawesko Holding AG as well as all companies in which it has shareholdings.

ALEXANDER BORWITZKY

Alexander Borwitzky (born 1968) completed his MBA at Nottingham University Business School in 1992. He subsequently held management positions in several international retail groups and has been one of the directors at *Jacques' Wein-Depot* since 2013. He has been in the Board of Management since January 2015, responsible for the stationary specialist wine-shop retail segment.

NIKOLAS VON HAUGWITZ

Nikolas von Haugwitz (born 1968) graduated with a degree in Economics from the Free University of Berlin in 1996. Since 2003 he has held management positions at *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH,* and since 2008 he has been one of its directors. He is also managing director of *Carl Tesdorpf GmbH.* Since January 2015 he represents the distance-selling segment in the Board of Management.

BERND G SIEBDRAT

Bernd G Siebdrat (born 1956) is co-founder and managing director of *Wein Wolf Holding GmbH & Co. KG*, which was started in 1981 and became a subsidiary of Hawesko through its acquisition in 1999. His primary responsibility is the wholesale segment.

ULRICH ZIMMERMANN, CHIEF FINANCIAL OFFICER

Ulrich Zimmermann (born 1962) graduated with a degree in Economics from the University of Karlsruhe in 1989. In 1998 he joined Hawesko Holding AG as Head of Finance and Group Controlling and was appointed an authorised signatory in 1999. As Chief Financial Officer he bears particular responsibility for these areas as well as for group logistics.

50 years of Hanseatisches Wein- und Sekt-Kontor

A pioneer in the field of wine and champagne trading, we have been doing things our way for half a century. Established by Peter Margaritoff in 1964 in a garage, over the next 50 years Hanseatisches Wein- und Sekt-Kontor developed into Germany's undisputed leader for wine by distance selling.

The undisputed No. 1

Today, our customers can choose from around 1,250 different wines and champagnes from all over the world – meticulously selected, expertly stored and carefully transported. Our employees focus on just one thing – choice wines from all over the world. And because wine is our true passion, and not simply a product, customers and suppliers benefit from the one-stop shop approach to enjoying every facet of wine.

This unique depth and breadth to our service is an advantage for us especially when the preferences and requirements of our customers change. We can reliably identify trends, react quickly and then offer our customers exactly what they want. That explains why our online shop hawesko.de is already the market leader in Germany, and why the Hawesko Group is among the leading e-commerce wine businesses in Europe.

Wine & champagne for Germany

Since our founding, we have expertly sold, packed and shipped 10 million bottles of champagne and 450 million bottles of wine. Our recipe for success is to keep to what works, while continually remaining receptive to new ideas: innovations in production – in partnership with our vintners –, in distribution and in the way we reach customers have all been pivotal to our growth over the past 50 years.

1964

Established by Peter Margaritoff

1970s

First illustrated catalogue, Dimitri Margaritoff joins the company

1980s

Market leader with a range of 800 wines, Alexander Margaritoff joins, start of partnership with Barons de Rothschild

Bon anniversaire
Congratulations
Tanti auguri

The "Revenge of the Champagne"

Who says it should always be the champagne bottle that gets smashed into the hull of a ship that is being launched? In April 2014, to mark our 50th anniversary, we turned the tables and garnered rapturous applause from 150 specially invited guests at Hamburg's Fischereihafen by smashing a yacht into a 17 metre tall, 10 tonne bottle of champagne. We then obviously toasted the occasion in fitting style – with a specially created Pommery champagne. Link to film: hawesko.de/die-rache

1990s

Wines from overseas added to the range

2000s

Marchesi Antinori becomes a partner supplier

2014

HAWESKO.DE
HANSEATISCHES WEIN & SEKT KONTOR

Santé
Cheers
Salute

A relaxed atmosphere, free tastings on request and individual advice on wines – right from the start, Jacques' Wein-Depot paired practical expertise in wine with an approach that treats the customer as an equal.

Taste and choose, as at the vintners

"How are you supposed to tell from the label whether you'll actually like the wine in the bottle?" – this question, which gets right to the heart of the matter, was the founding inspiration for *Jacques'*. The answer came with the opening of the first *Jacques' Wein-Depot* outlet in Düsseldorf in 1974. In a new departure for Germany, customers could now try all the wines in the range in a relaxed atmosphere.

1974

2014

285 times a passion for wine

Up close and personal with wines: today, over 10,000 customers who visit more than 280 outlets every day can decide for themselves which wine is to their taste. They receive expert advice and service from our enthusiastic, specialist retail partners, who often know their customers as well as they do their wines.

1 depot
1,000 clients

285 depots
Nearly 800,000 active clients

1974 **2014**

Vintners from all over the world congratulate Jacques' on its 40th anniversary.

1974 *Opening of the first outlet, stocking French wines*

1990 *Range becomes international*

1994 *Opening of the 100th outlet*

1999 *Introduction of the loyalty card*

2009 *Opening of the Jacques' online shop*

2013 *Cross-channel leverage with the "My Jacques'" portal*

2014 *The outlets celebrate 40 years of Jacques' take on wine*

Jacques' 40 JAHRE · seit 1974 ·

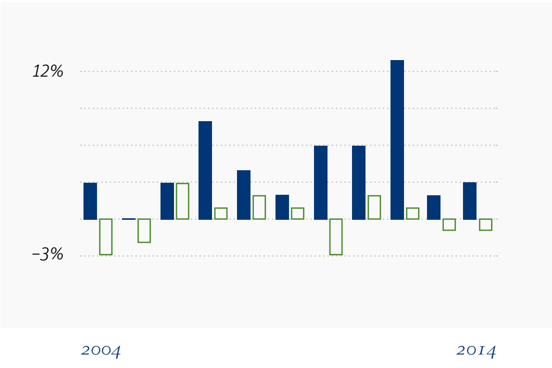
No. 1 in Europe

EXCELLENT WINES & EXCELLENT SERVICE

From a humble garage in the Hamburg district of Winterhude to international-scale European market leader – Hawesko has described an impressive trajectory over the past five decades. Today, the group employs almost 1,000 employees and generates sales of almost half a billion euros. But one thing has not changed over all those years: now, as then, the key to success is excellent wines and excellent service.

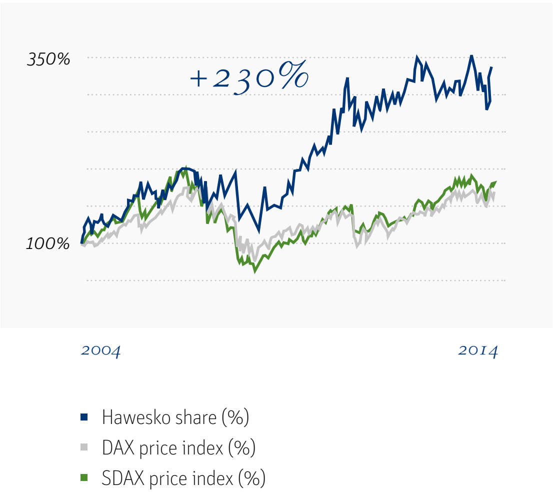
Again better than the market in 2014

Even though various adverse factors emerged in the course of the year and 2014 overall was rather more unsettled than usual, the Hawesko Group again succeeded in outperforming the overall German wine market and carved out larger market shares. Thanks to the group's broad base, with operations in the specialist wine-shop retail, distance-selling and wholesale segments, it has a proven track record of compensating for weaker market phases and achieving success, even if that means bucking the market trend.



Year-on-year change:
- Hawesko Group domestic sales
- Total German wine market

Hawesko shares – better than the benchmark



The past ten years overall have been very successful for the shareholders of Hawesko Holding AG: over that period, the trading price of their shares has more than trebled. And they have enjoyed a dividend payment in every year. By their very nature, stock markets do not always rise, but over the past decade Hawesko shares have typically comfortably outperformed not only the German leading index DAX, but also the reference index SDAX.

A regular dividend-paying stock

Since the IPO in 1998, Hawesko shares have acquired a reputation on the markets as a dependable dividend-paying stock with a regular distribution policy. Healthy ratios and a corporate policy focusing on long-term growth have always been the mainstays of the group's strategic direction. Hawesko will moreover adhere to its sustainable, dividend-oriented policy in future.

(non-recurrent income and acquisitions eliminated)


Penfolds
BIN 389
CABERNET
2010

2014 business performance

A DEMANDING YEAR – WE ROSE TO THE CHALLENGE

For all the adverse conditions faced this financial year, the Hawesko Group maintained its growth trajectory in 2014. The Board of Management is predominantly satisfied with business progress, considers the group to be in good health and is confident about the medium and long-range outlook.

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

COMBINED MANAGEMENT REPORT

of Hawesko Holding Aktiengesellschaft for the 2014 financial year

The German Accounting Standard 20 (DRS 20) "Group Management Report" is applied in this annual report.

Basic Profile of the Group

BUSINESS MODEL OF THE GROUP

The Hawesko Group trades wines of superior quality and offers them expertly to consumers (in the "specialist wine-shop retail" and "distance-selling" segments – the latter previously known as "mail-order") or retailers (in the "wholesale" segment). In 2014, approx. 89% (previous year: 88%) of consolidated sales were generated in the Federal Republic of Germany. Each of the group's three business segments is a leader in its respective market. Long-standing relations with top wine producers and numerous exclusive distribution rights for wines of worldwide repute in Germany are important pillars of the company's business. The principal locations are Hamburg and Tornesch (management headquarters and administrative offices for the distance-selling segment, the logistics base for wholesale and distance-selling operations), Düsseldorf (administrative offices for the specialist wine-shop retail segment through the market presence of *Jacques' Wein-Depot*), and Bonn (administrative offices for the wholesale segment). The subsidiary *Wein & Vinos* that has been part of the group since 2012 has its head office and six retail outlets in Berlin; it has a further outlet in Munich. *Jacques' Wein-Depot* has sales outlets throughout Germany. There moreover existed international branches for wholesale trade (France, Austria, Switzerland, Czech Republic) and of *Jacques' Wein-Depot* (Austria) in the year under review; at the reporting date the French subsidiary *Château Classic* was in the process of being wound up. Under the company name *The Wine Company*, the distance-selling arm serves the Swedish market from Hamburg.

THREE INDEPENDENT BUSINESS SEGMENTS

The Hawesko Group has a structure comprising three operating segments: specialist wine-shop retail, wholesale, and distance selling; there in addition exists the "miscellaneous" segment, which brackets together logistics and management companies. Being active in three segments of the wine trade gives the group a degree of risk diversification and makes its business model correspondingly robust.

The Hawesko Group is organised non-centrally. As the group parent, Hawesko Holding AG does not itself conduct operations, and instead performs management tasks in the areas of corporate strategy, central financing and central cash management, as well as risk management: as far as possible, decisions concerning business operations are taken and implemented by the individual subsidiaries themselves. This organisational structure usefully reflects the fact that the wine trade operates essentially as a people business, where nurturing and exploiting personal contacts with both producers and customers is what matters. It is basically about nurturing and building on personal contacts with both producers and customers.

Goals and Strategies

CORNERSTONES OF THE GROUP'S LONG-TERM STRATEGY

- *Focusing on the top segment:* Offering a discerning clientele outstanding products, coupled with a very high standard of service.
- *Building on the long-term trend towards superior quality:* The appeal of exclusive wines rubs off on the entire wine trade, because they embody culture, possess charisma and represent values. This is what makes them desirable to the wine connoisseur and the object of rising expectations. As a consequence, the market must be tackled first through the segment for high-quality wines. The Hawesko Group has therefore been focusing on that segment for many years.
- *Nurturing ties with the best wine producers in the world:* The Hawesko Group's ranges comprise over 4,000 exclusive products. It is only possible to manage and develop the range appropriately by maintaining a constant, active dialogue with the producers as a means of identifying market trends and responding to topical developments. This dialogue establishes the basis of trust that enables the group to hold onto the best producers and thus gain access to the best wines.
- *Value for money – not cut-price policies:* The Hawesko Group offers its customers high-quality products and corresponding service at fair prices, and provides an expert, differentiated marketing approach for its suppliers. It consciously sets itself apart from mass selling of cheap goods. There is documentary evidence of its successful efforts to provide quality and define the benchmark in the trade in the numerous awards it has received.
- *Focus on the German market:* The German wine market is one of the biggest in the world in the price categories above € 4.00 per bottle. Recent estimates, e.g. by the International Wine and Spirits Record, envisage further growth over the next few years. By virtue of having been involved in that market for decades, the individual subsidiaries of the Hawesko Group have built up a strong market position. Business contacts with more than two million wine-loving customers have been established and nurtured over many years. The Hawesko Group consequently acts as the producers' principal route for channelling high-quality wines to consumers in Germany. Notwithstanding its strong position in the domestic market, Hawesko's Board of Management is systematically increasing its business activities outside Germany and is actively looking for attractive business opportunities abroad, too.
- *Profitable growth:* To maintain profitability throughout the company's growth process, the Hawesko Group conducts systematic prospecting for new customers and continuously develops and realises new distribution and marketing concepts. The management indicators of profit margin and ROCE therefore focus on this goal.

SPECIALIST WINE-SHOP RETAIL

Via the market presence of *Jacques' Wein-Depot*, the specialist wine-shop retailing approach adopts the following strategic coordinates:

- *Target group:* The segment addresses affluent private customers with a higher level of education (in particular the 35 to 60 age bracket) who want to discover more about the world of wine. They are familiar with the varieties and producing regions, and prefer complex, interesting wines. Under the new motto of "Wine is a personal taste", *Jacques'* offers them the opportunity to taste a range of more than 200 wines – a model that emphasises they are under no obligation to buy adds to their enjoyment of wine.

- *Market segment:* Upmarket wines of authenticated quality, available exclusively at *Jacques'*; average value around € 7.00 per bottle, with a focal price bracket of between € 6.00 and € 10.00.
- *Distribution:* There exists a system of independent partners (trade representatives) who in situ independently run the *Jacques' Wein-Depot* outlets that are rented from and fitted out by the group. The dedication and expertise of these partners give vital momentum to the company's success.
- *Growth:* Through the acquisition of new customers for the existing outlets (the advertising measures for which are handled centrally), through building up the online shop and dovetailing it with the wine-shop concept in order to promote its development into a cross-channel concept encompassing communication and sales, through optimising the network of outlets and through moderate expansion of the network via the opening of new establishments.

WHOLESALE

This segment consists of several subsidiaries, each of which has specialised in particular product areas and has a separate identity. Their goal is to be expert partners to both demanding producers and discerning retailers.

- *Target group:* Catering trade, specialist wholesalers and retailers, department stores as well as upmarket segments of the food retailing trade.
- *Market segment:* Upmarket and premium wines; average value (wholesale) around € 7.00 per bottle, with a bandwidth from € 2.00 to in excess of € 1,000.00.
- *Distribution:* Trade agencies, own sales representatives in the field and direct mail-order sales.
- *Growth:* By acquiring new customers on the basis of the particular appeal of a range that includes many renowned exclusive wines, and by stepping up international activities (particularly in Germany's neighbouring countries).

DISTANCE SELLING

The distance-selling segment comprises the subsidiaries *Carl Tesdorpf – Weinhandel zu Lübeck, Hanseatisches Wein- und Sekt-Kontor,* and *The Wine Company,* which supplies the Swedish market from Hamburg. *Wein & Vinos* rounds off the distance-selling range of the Hawesko Group with its e-commerce approach to the distribution of Spanish wines.

- *Target group:* The segment focuses on private customers who have discerning tastes in wine, regard themselves as sophisticated connoisseurs and appreciate the convenience of being able to order choice wines from all over the world and have them delivered to their doorstep. The range is additionally aimed at business customers who are looking for gifts for customers, particularly at Christmas.
- *Market segment:* Upmarket and premium wines; average value around € 7.00 per bottle, with a bandwidth from € 4.00 to in excess of € 1,000.00.
- *Distribution:* The customer base is familiarised with attractive offers through more than 20 campaigns spread over the year. The campaigns are staged both online (newsletter, display, online shop, search engine marketing, social networks) and offline (mail shots). They are supported by two printed main catalogues (spring/summer, autumn/winter).
- *Selective expansion:* The distance-selling business has already achieved a high market share (in excess of 50%) in Germany in its relevant market. In addition to ongoing optimisation measures, business here is being expanded in selected areas and the market increasingly approached by means of e-commerce concepts. The emphasis is on accessing new customer groups. The inclusion of *Wein & Vinos* in the group has given this development further momentum. Distribution to Sweden by the subsidiary *The Wine Company* is to be stepped up further.

MANAGEMENT SYSTEM: STRATEGIC GROWTH, RATE-OF-RETURN AND FINANCING TARGETS

The Hawesko Group's targets for growth, rate of return and liquidity are as follows:

- *Sales:* The sales growth of the Hawesko Group should always be higher than that of the market as a whole. Even if the overall market is not expanding, the group's sales should rise. The Hawesko Group consequently has the objective of continuously increasing its market share.
- *Profit margin:* In 2000, the company set itself the long-term objective of boosting the EBIT margin permanently to 7%.
- *ROCE:* In 2005, the Hawesko Group set itself the long-term objective of consistently achieving a minimum return on capital employed of 16%.
- *Free cash flow:* The group aims to generate a liquidity surplus from business operations in order to have adequate financial resources at its disposal for capital expenditure and for paying an appropriate dividend.

Financial management within the Hawesko Group is based on the fundamental principle of profitable growth coupled with a systematic, permanent increase in the value of the company. The sales and earnings performance therefore serves as an important benchmark for the internal management system. The growth rate compared with the previous year is used as the management ratio for the sales performance, and defined as a high-priority objective.

The earnings performance is assessed using the profit indicator EBIT (earnings before interest and taxes) and the EBIT margin, along with their development; they indicate the short-term operating performance of the group and of the individual segments, and in setup or reorientation phases may depart temporarily from the benchmark. The group uses the ratio of return on capital employed (ROCE) as a regular benchmark of how profitably its business is performing in relation to the capital required to run it. The aim of the Hawesko Group is to earn the costs of capital derived from the capital market (see under "Financial position", page 32 et seq.) in every segment of the group. The group is thus reasserting the objective of investing only in those areas of business that generate value and therefore exceed their costs of capital in the long term.

In addition to this value-oriented ratio, the free cash flow serves as a liquidity-oriented indicator in order to continue assuring adequate financial resources for ongoing business operations and future growth, as well as payment of a dividend that is in line with earnings per share. The sustained optimisation of working capital and effective investment management will perform a crucial role here (see under "Management and control", page 55). The group's objective is to secure a long-term capital structure and ratio of net financial liabilities to EBITDA, each corresponding to a bank rating of "investment grade".

RESEARCH AND DEVELOPMENT

As a trading company, the Hawesko Group does not perform research and development in the narrower sense. The cost of developing exclusively marketed vintages in partnership with renowned wine producers – including the registration and protection of brands – amounted to € 0.3 million in 2014 (previous year: just under € 0.2 million).

Economic Report

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

German economy stable

The German economy was in good shape in 2014. According to calculations by the Federal Statistical Office, gross domestic product (GDP) as the lead indicator of overall economic output was up 1.6% on the previous year. GDP had grown by 0.1% in 2013 and by 0.4% in 2012. After a vigorous start to 2014 and a weak phase over the summer, the business cycle stabilised towards the end of the year. Consumer spending, alongside investment spending and export trade, was one of the mainstays of economic growth. Price-adjusted consumer spending was up 1.1% (previous year: 0.8%).

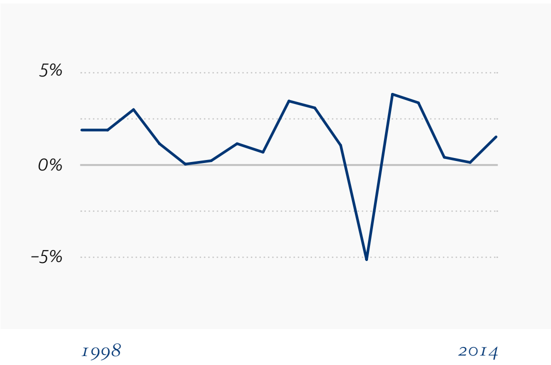
The overall indicator of the consumer confidence index compiled by Gesellschaft für Konsumforschung (GfK) climbed to above eight points in February 2014 and remained constantly above that level for the remainder of the year. GfK's experts consider it a fair assumption that Germany's domestic economy will again make a major contribution to overall economic development in 2015.

German wine market

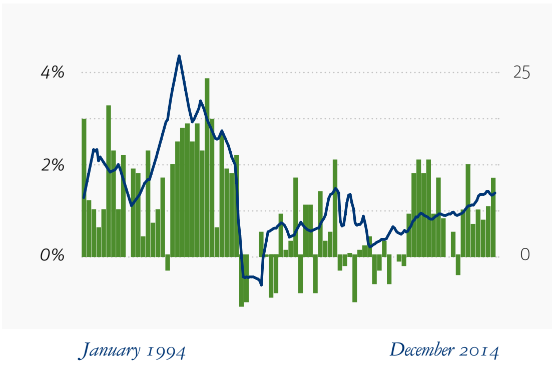
According to figures from the German Wine Institute, the German wine market overall in 2014 declined by 1.0% in terms of value and by 2.4% in volume terms compared with 2013. These figures supply further evidence of a fundamental longer-term trend in consumer behaviour: on average, people are spending more on wine. The Hawesko Board of Management estimates that the average price for the customary 0.75 l bottle in the food retailing trade, including discounters, was just over € 2.00.

The Hawesko Board of Management puts the value of the German market at around € 7 billion, of which the upmarket segment (from € 4.00 per bottle) accounts for slightly more than € 1 billion. Market data from Geisenheim University, from the latest study published in 2014, confirms this assessment of the overall wine market and suggests that the upmarket segment could actually be worth significantly more than € 1 billion. According to this study, a group of approx. 20% of all wine drinkers accounts for the lion's share of wine sales in the upmarket segment. The consequence

GDP GROWTH (%)



PRIVATE CONSUMPTION EXPENDITURE/CONSUMER CLIMATE



- Consumption expenditure of private domestic households, seasonally adjusted, change against the same quarter of the previous year (%)
- GfK consumer climate *(Source: Frankfurter Allgemeine Zeitung, 31 March 2005, supplemented by data from GfK till 2014)*

of this for the Hawesko Group's strategy in Germany is, first, that it must know the requirements of that group of customers very accurately in order to be able to meet that demand, and second, that it should promote interest in superior and high-quality wine among the wider population, as well as knowledge of wine and how to enjoy it responsibly.

The wine market outside Germany

In 2014 the Hawesko Group generated 11% of its sales outside Germany. The markets for top wines outside Germany are therefore relevant. The group is already active in certain ones via subsidiaries, and Hawesko's Board of Management is increasingly turning its strategic focus to international potential for sales. The market for top wines is by its very nature international, and Germany accounts for only a very small portion of the world market.

The Hawesko Group is active in the wholesale trade in Switzerland through its subsidiary *Globalwine AG* based in Zurich and through *Vogel Vins S.A.* in the French-speaking part of the country; it generated around € 25 million in sales there in 2014; the Swiss market is estimated to be worth around € 1.0 to 1.5 billion, with steady potential to develop; this contrasts with the general trend in the upmarket segment (over € 4.00 per bottle) in Germany. The size of the market in Austria is estimated at around € 1.5 billion. It is served by the subsidiary *Wein Wolf* (wholesaler), which achieved sales of around € 12 million in 2014. The Austrian market, too, is developing steadily. The Swedish market has a total volume of approx. € 2 billion and is controlled by a state monopoly. In accordance with the relevant European Union regulations, the Hawesko subsidiary *The Wine Company* supplies wine to addresses in Sweden from its Hamburg centre. It generated sales of € 9 million with these customers in the year under review.

All in all, it is a fair assessment of the wine market that wine is universally regarded as an expression of a cultured lifestyle and that it is therefore steadily gaining in popularity. Many consumers are moreover attaching greater importance to the quality of the wines they drink.

Global wine market in 2014: lower production and slight increase in consumption

The wine market worldwide has been characterised by an oversupply for many years. According to estimates by the International Organisation of Vine and Wine (OIV), wine production fell to an estimated 271 million hectolitres in 2014. This compared with 288 million hectolitres in the previous year. On the other hand OIV estimates identified a slight rise in worldwide wine consumption compared with 2013 to an estimated 243 million hectolitres. When industrial production (approx. 28 million hectolitres) is factored in, wine consumption and production worldwide are in equilibrium.

The oversupply primarily affects the lower-price market segment and basic-quality wines. The pressure this exerts on prices does also affect the medium quality categories further up the price range. Apart from the market for top-end wines from Bordeaux, which exhibited little dynamism after the boom in 2010 and 2011, demand for many other top-quality wines in higher price brackets held up. There will always be a relatively stable market for top-class wines in the top segment because it is fundamentally not possible to expand the world's choice locations; their products are accordingly usually in short supply. Tradition, the people behind the wines, their philosophy, their vintner's art as well as the weather and the quality of the harvest are the factors that determine the price a vintage commands.

At the turn of 2015, the Hawesko Board of Management's assessment of buying prices in most wine-producing regions is that they offer stable market conditions.

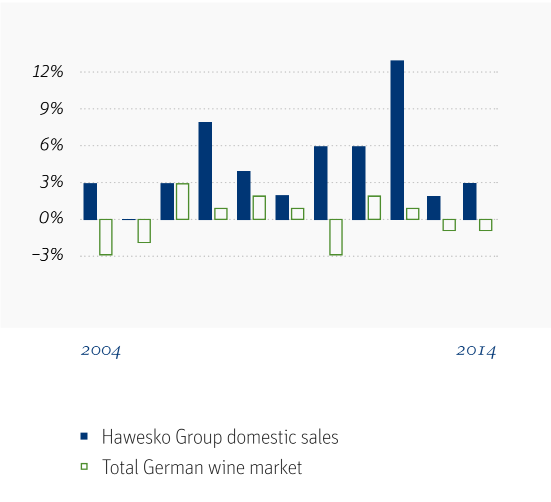
Non-uniform trade structure for upmarket products

In the price category below € 4.00 per bottle, the German wine market is dominated by discount grocery retailers such as Aldi. On the other hand the upscale market segment – i.e. the price category of € 4.00 per bottle – is covered by a large number of smaller suppliers. That portion of the market, in which the Hawesko Group also operates, is largely fragmentary in nature. A growing number of out-and-out online wine businesses have been attempting to enter the market since 2012; the year under review saw the first insolvencies among such operators.

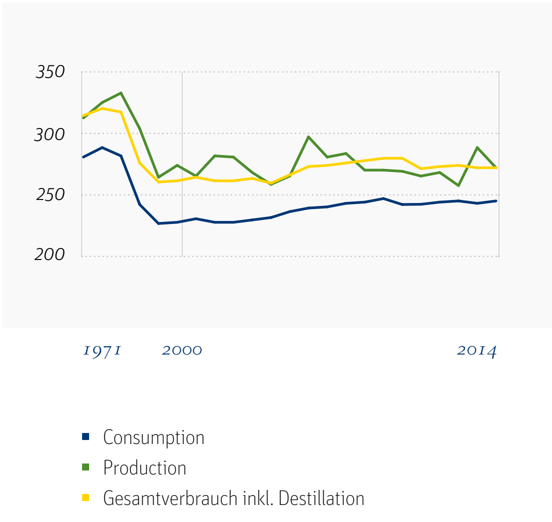
Market share of the Hawesko Group continues to grow

Every year since the start of this century, the Hawesko Group has bettered the performance of the overall wine market in its home market Germany. In 2014, too, it succeeded in increasing its sales in Germany even though the German wine market contracted. The Hawesko Board of Management estimates the group's market share at around 23–26% in the upmarket segment (prices per bottle of more than € 4.00), and at 4% of the overall market.

DOMESTIC SALES DEVELOPMENT HAWESKO GROUP



WORLD WINE PRODUCTION AND CONSUMPTION (million of hectolitres)



(Quellen: Das Deutsche Weinmagazin, 12.01.2010; Point de conjoncture OIV, Octobre 2014)

BUSINESS PERFORMANCE AND FINANCIAL PERFORMANCE

Overall statement on 2014 business performance and economic situation

For all the adverse market environment, the Hawesko Group was able to maintain its growth trajectory in the 2014 financial year. It proved disadvantageous that the Bordeaux vintage was less popular than that of the previous year, and the need to wind up the French subsidiary *Château Classic – Le Monde des Grands Bordeaux* also proved an obstacle. The expansion of Swiss business did not achieve the defined benchmarks and *Wein & Vinos,* too, underperformed compared with expectations – both factors slowed the earnings performance from operating business. On the other hand the two major company anniversaries celebrated in 2014 provided ample momentum: *Jacques'* turned 40, and *Hanseatisches Wein- und Sekt-Kontor* reached its half-century. The numerous special campaigns staged by both companies had a positive effect on the business performance. Moreover there were non-recurring costs not directly related to business operations: consultancy costs were incurred for exploring options for further strategic expansion mid-way through the year and for considering the Tocos tender offer towards the end of the year. Nevertheless, the Hawesko Board of Management is predominantly satisfied with the progress of business operations in the year under review: at the start of 2015 it considers the group to be in good health and is confident about the medium and long-range outlook for its further business development.

The following targets or long-term rate of return targets for 2014 were declared in the 2013 annual report, and achieved or not achieved as indicated:

	Objective	2014	*Attained*
Sales	Sales growth of around 1–2% compared with previous year (€ 465 million); stronger growth than the German wine market (2014: –1.0%)	€ 472.8 million (+1.6% year-on-year, in Germany +2.9% year-on-year)	✔
EBIT	Operating result (EBIT) in the order of € 27–28 million	As reported: € 20.1 million (–11.1% year-on-year) Adjusted: € 24.6 million (+9.2% year-on-year)	–
EBIT margin	Long-term margin of 7.0% of sales or, for 2014: between 5.7% and 6.0% of sales	As reported: 4.2% Adjusted: 5.2%	–
ROCE	Achieving the long-term minimum target return (16%)	As reported: 15% Adjusted: 18%	– (✔)
Free cash flow	Free cash flow in the order of € 17–22 million	€ 13.1 million	–

Adjusted figures are provided exclusive of non-recurring consultancy costs.

The non-attainment of the EBIT target and EBIT margin, ROCE and free cash flow is primarily due to consultancy costs of € 4.8 million at the end of the year, prompted by the tender offer towards the end of 2014, as well as the project mid-way through the year concerning the further development of the group. However even excluding these effects, there is a shortfall that stems mainly from the performance of *Wein & Vinos* and from forward-looking investment spending and non-recurring charges in connection with the merger of *Vogel Vins* and *Globalwine* in Switzerland. For further details, please refer to the corresponding sections under "Financial performance".

Financial performance

End customer segments in Germany support growth for group – very good response at core business level to company anniversaries more than compensates for further fall in subscriptions and closing-down of business in France

The net sales of the Hawesko Group rose by 1.6% in 2014 from € 465.2 million to € 472.8 million. Wines from France accounted for 29% of the total (previous year: 33%), Italian products for 27% (previous year: 27%), wines from Spain for 18% (previous year: 17%) and German products for approx. 9% (previous year: 8%). About 89% of sales were generated within Germany, with year-on-year growth reaching 2.9% domestically. The overall sales volume came to 72 million bottles or units (previous year: 70 million). As expected, two major negative effects undermined sales in the 2014 calendar year: first, volume and margins of the 2011 en primeur vintage were inferior to those of the previous year 2010, leading to a year-on-year decrease in sales of € 7.7 million. Second, the sales proceeds of the French subsidiary *Château Classic* were down by € 4.1 million because the company is in liquidation. After stripping out the sales from the delivery of the Bordeaux subscription (en primeur) wines achieved both in the year under review and in the previous year as well as the sales of *Château Classic,* core business actually saw sales rise by 4.4%. From this perspective, all three business segments grew.

There was a positive impetus for the group's sales performance mainly from high customer activity prompted by the company anniversaries of *Jacques' Wein-Depot* and *Hanseatisches Wein- und Sekt-Kontor.* In addition the expansion of online business and a systematic drive over the past few years to acquire new customers brought increased sales.

The higher year-on-year sales proceeds of the end customer segments distance selling and specialist wine-shop retail compared with wholesale business pushed up the gross profit margin for the group: it came to 41.9% in the year under review, as against 40.9% in the previous year.

Personnel costs comprise wages and salaries, as well as statutory, collectively negotiated and voluntary social contributions. This item increased to € 52.4 million in the year under review (previous year: € 51.9 million), in particular as a result of the gradual buildup of personnel to improve the infrastructure of *Wein & Vinos,* which started in 2013 and continued in 2014. To a lesser extent the rise is attributable to general pay increases. A compensating effect in the year under review was the absence of costs for the preparations in 2013 for a new generation to take over the Board of Management. The personnel expenses ratio remained constant compared with the previous year, at 11.1% of sales in the 2014 financial year.

The advertising expenses came to € 41.5 million (previous year: € 39.7 million), and as a proportion of sales thus rose by 0.3 percentage points to 8.8% in 2014. There was a scheduled increase in advertising costs from the campaigns to mark the company anniversaries (40 years of *Jacques' Wein-Depot* and 50 years of *Hanseatisches Wein- und Sekt-Kontor*), entailing higher print runs and also additional costs for online marketing. The advertising expenses include the recurring basic amount for prospecting for new customers and reactivating former customers, by which means the group extends its business basis year by year: in the year under review, 306,000 new customers (previous year: 308,000) were attracted in the end customer segments.

SALES BY SEGMENT (€ million, rounding differences are possible)

The delivery costs for the group rose by € 1.2 million to € 21.4 million, with this cost ratio climbing to 4.5% (previous year: 4.3%). The development was amplified by an unfavourable structure of orders for distance selling and the transfer of order processing in Switzerland to a new logistics centre.

Group EBIT down year on year due to non-recurring factors, lower en primeur business and declining profitability for distance selling

The operating result (EBIT) of the Hawesko Group came to € 20.1 million (previous year: € 22.6 million) in the year under review. This represents an operating margin of 4.2% of sales (previous year: 4.8%). The fall is mainly attributable to one-off consultancy costs prompted by the takeover process and also by a project to expand the group; together, these came to € 4.8 million. Even disregarding these costs and the influence of the subsidiary *Château Classic,* in liquidation in the year under review and the previous year, EBIT for 2014 would still be below the previous year's level (€ 25.6 million and € 27.0 million in previous year). The reasons are the lower income from the vintage-dependent Bordeaux subscription (en primeur) business alongside the contraction of the distance-selling segment and of wholesale activities in Switzerland, after capacities had been increased in both areas. On the other hand there was a positive effect on EBIT from increased sales coinciding with the company anniversary of *Jacques' Wein-Depot* (specialist wine-shop retail).

DEVELOPMENT IN EARNINGS				
€ million/%	2011	2012	2013	2014
EBITDA	**31.5**	**32.8**	**29.4**	**26.9**
– Year-on-year change	+2.4%	+4.1%	–10.4%	–8.5%
– EBITDA margin	7.7%	7.3%	6.3%	5.7%
EBIT	**26.2**	**25.6**	**22.6**	**20.1**
– Year-on-year change	+3.9%	–2.2%	–11.9%	–11.1%
– EBIT margin	6.4%	5.7%	4.8%	4.2%
EBT	**26.0**	**30.0**	**25.3**	**21.4**
– Year-on-year change	–4.6%	+15.4%	–15.9%	–15.5%
– EBT margin	6.4%	6.7%	5.4%	4.5%
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**17.9**	**22.5**	**16.2**	**14.8**
– Year-on-year change	–10.5%	+26.0%	–28.1%	–8.5%
– Net margin	4.4%	5.1%	3.5%	3.1%

COST STRUCTURE				
as % of sales	2011	2012	2013	2014
Personnel costs	–9.8%	–10.3%	–11.1%	–11.1%
Advertising costs	–8.3%	–8.9%	–8.5%	–8.8%
Delivery costs	–3.7%	–4.3%	–4.3%	–4.5%
Other operating income and expenses (balance)	–10.0%	–9.9%	–10.7%	–11.9%
Depreciation and amortisation	–1.3%	–1.6%	–1.5%	–1.4%
TOTAL	**–33.1%**	**–35.0%**	**–36.1%**	**–37.7%**

EBIT MARGINS				
as % of sales	2011	2012	2013	2014
Specialist wine-shop retail	12.1%	11.3%	10.6%	11.1%
Wholesale	4.8%	4.4%	1.4%	2.8%
Distance selling	7.1%	6.0%	7.5%	5.7%

Return on capital employed (ROCE) at group level influenced strongly by development in EBIT

As a key component of the return on capital employed (ROCE), the development in EBIT also has a major influence on this indicator.

ROCE is calculated as follows in the Hawesko Group: EBIT (€ 20.1 million) divided by the average capital employed (€ 137.5 million), in other words by the balance sheet total (2014 balance sheet date: € 217.2 million, 2013 balance sheet date: € 234.3 million) plus capitalised lease commitments (€ 31.1 million, € 29.8 million) less interest-free liabilities including deferred tax assets and provisions (€ 99.5 million, € 108.3 million) as well as cash and cash equivalents (€ 10.9 million, € 18.8 million).

The ROCE ratios for the business segments and group are as follows:

ROCE

	2011	2012	2013	2014	*Anticipated minimum return*
Specialist wine-shop retail	43%	40%	40%	43%	> 27%
Wholesale	20%	15%	5%	9%	> 17%
Distance selling	28%	16%	22%	20%	> 22%
Group	25%	18%	16%	As reported: 15% Adjusted: 18%	> 16%

The adjusted figure excludes one-off consultancy costs.

Specialist wine-shop retail

Revenue boost from Jacques' Wein-Depot company anniversary – active customers again increased by successful customer loyalty and acquisition measures

Net sales for the specialist wine-shop retail business segment (*Jacques' Wein-Depot*) were increased by 4.7% in the year under review to € 137.8 million. Like for like, and excluding online sales, the rise in sales was 3.9%. A whole array of measures – the excellent reception to the anniversary campaigns throughout the entire year, the stepping-up of advertising and successful customer loyalty, reactivation and acquisition measures – resulted in 777,000 active customers in 2014 (almost +4% on previous year) as well as a growth rate for sales that was well above the average for the past ten years. The average spend was just about at the previous year's level. In 2014 *Jacques' Wein-Depot* acquired 111,000 new customers (previous year: 109,000) with an increased proportion of new customers attracted via the online shop.

At the end of the 2014 financial year there were 287 *Jacques' Wein-Depot* outlets, including two in Austria (previous year: 284, including three in Austria). At 31 December 2014, rental agreements for a further outlet had moreover been taken out.

In Germany, four shops were opened, two locations were moved and none closed. The trial involving city centre locations with higher footfall was extended with the opening of an outlet in the Hamburg district of Ottensen and the Munich district of Schwabing. The gradual roll-out of the newly developed brand image at the outlets continued in the year under review.

The operating result (EBIT) for over-the-counter trade rose from € 14.0 million to € 15.2 million in the reporting period, or by 8.9%. The above-average earnings growth compared to recent years was driven by the company's 40th anniversary, but also by the expansion of the *Jacques'* online shop, in an effort to increase the acquisition of new customers by using a cross-channel approach. The absence of the costs incurred in the previous year in connection with a new generation taking over at the top of the company meant there was a slight fall in personnel expenses compared with 2013, despite general pay increases; mainly for that reason, the development in the EBIT margin outstripped revenue growth for 2014.

ROCE for the segment moved up from 40% in the previous year to 43% as a result of the higher earnings.

EBIT BY SEGMENT (€ million, rounding differences are possible)

Wholesale

Absence of burdens on earnings in France cushions impact on earnings of weaker subscription business as well as forward-looking investment spending and non-recurring charges in Switzerland

The net sales of the wholesale segment were down 3.5% on the previous year, at € 177.7 million (€ 184.2 million). This development was driven mainly by the lower deliveries of vintage-dependent subscription (en primeur) wines than in the previous year, as well as by the closure of the subsidiary *Château Classic,* in liquidation in France. These negative effects combined left a gap in sales amounting to € 9.5 million. After adjustment for these effects, core business saw sales proceeds rise by 1.8%. It was helped by expansion in Switzerland (+5.8% year on year) and growth in domestic core business thanks to the enlarged sales force in the field.

The subsidiary *Château Classic,* in liquidation had specialised in trading top wines from Bordeaux and posted sales of € 8.8 million in 2013. The decision was taken to halt its activities in that same year. In the 2014 reporting year, it achieved sales proceeds of € 4.7 million through the sell-off of its inventories.

The operating result (EBIT) for wholesale operations was better than in the previous year at € 5.1 million, compared with € 2.5 million in 2013. The main factor behind this reversal was the absence of the non-recurring expenses from 2013 in connection with the decision to remove *Château Classic* from the group of consolidated companies. The EBIT margin for this sales channel consequently rose by 1.4 percentage points compared with the previous year, to 2.8%. After eliminating the effect of *Château Classic* both in the year under review and in the previous year, EBIT would however be down on the previous year. This was attributable on the one hand to forward-looking investment spending and non-recurring charges in connection with the merger of *Vogel Vins* and *Globalwine* in Switzerland, and on the other hand to the weaker 2011 Bordeaux subscription (en primeur) vintage compared with the previous year. The EBIT margin excluding *Château Classic* came to 3.4% (previous year: 3.9%) – after also excluding subscriptions, the figure was 3.4% (previous year: 3.7%).

ROCE for the wholesale segment improved from 5% to 9% as a result of the better earnings.

Distance selling

Company anniversary of Hanseatisches Wein- und Sekt-Kontor generates high appeal – organic growth in core business, but EBIT margin suffers from reduced subscription business and forward-looking investment spending

The distance-selling segment saw its sales grow by 5.3% to € 157.3 million in 2014. After adjustment for Bordeaux subscription (en primeur) wines, sales actually rose by 6.9%. This increase was underpinned mainly by the anniversary offerings of *Hanseatisches Wein- und Sekt-Kontor* and by *Wein & Vinos.* The segment benefited from a further increase in the number of active customers. *Carl Tesdorpf – Weinhandel zu Lübeck* secured 8% growth in core business. Distance selling to Sweden (*The Wine Company*) achieved only a 1% rise in sales compared with the previous year – the fall in the value of the Swedish krona and the alcohol tax increase from 1 January 2014 precluded better development.

The measures to acquire new customers, especially through advertising supplements and in online media, were a success in the year under review: 195,000 new customers (previous year: 200,000) were acquired for established business (figures in each case excluding the normal annual migration). On top of this, there was an above-average reactivation rate for *Hanseatisches Wein- und Sekt-Kontor* in the anniversary year of 2014. At 31 December 2014 the distance-selling segment therefore had around 711,000 active customers on its books; for this purpose, an active customer is defined as someone who has placed at least one order in the past 24 months (prior-year reporting date: 689,000).

The special sales channels in the distance-selling segment include gifts business, subscription business and the *"Vino Select!"* wine club. Sales proceeds for gifts business were down on the previous year due to a lower total number of orders from both corporate and private customers. Sales from gifts mainly in the run-up to Christmas totalled € 4.5 million, compared with € 6.0 million in the previous year.

Subscription business relates almost exclusively to top-class Bordeaux wines. These are pre-sold shortly after the harvest and delivered approximately two years later, once the wine has been bottled. In the year under review the distance-selling segment realised sales of € 1.0 million upon shipping of the 2011 vintage (previous year: € 3.3 million for the 2010 vintage). The *"Vino Select!"* wine club concept generated sales proceeds of € 12.6 million (of which € 0.8 million for the first time in Sweden), compared with € 11.8 million in the previous year. Under this concept, each quarter members receive a carefully selected assortment of high-quality wines at a special price.

The management of the 70% subsidiary *Wein & Vinos* was reinforced in the year under review and more extensive advertising was conducted; this company, which specialises in Spanish wines, achieved sales of € 39.8 million in 2014 (previous year: € 36.7 million).

The subsidiary *Carl Tesdorpf – Weinhandel zu Lübeck* focuses on the top-end segment of the wine market; in the year under review it further enhanced this market profile by continuing to focus on even higher-quality wines and rarities in its range and addressing the customer target group of particularly discerning wine connoisseurs. This meant its sales enjoyed a year-on-year rise of € 0.1 million to € 9.5 million, thus more than compensating for the € 0.6 million fall in subscription deliveries.

The proportion of online sales for the distance-selling segment again climbed noticeably from 44% in the previous year to 46% in 2014.

The operating result (EBIT) for the distance-selling segment declined to € 9.0 million, compared with € 11.1 million in the previous year. The lower volume of Bordeaux subscription wines delivered than in the previous year was the main reason. Even after adjustment for the subscriptions influence in both years, there would still be an EBIT gap of € 0.6 million that was mainly attributable to the expenditure for the structural expansion of *Wein & Vinos.*

ROCE for the distance-selling segment was 20%, compared to 22% in the previous year. The lower earnings were behind this decrease.

Logistics again achieves balanced operating result (EBIT)

The subsidiary *IWL Internationale Wein Logistik* in Tornesch, near Hamburg, complements the distance-selling and wholesale activities through its logistics services. To an economically negligible extent it also performs logistics services on behalf of customers outside the group. As one year earlier, *IWL* finished the period under review with a balanced operating result (EBIT).

At group level the costs for the holding company and consolidating items increased in the year under review as a result of non-recurring factors and amounted to € 9.2 million, compared with € 5.1 million in the previous year. The one-off charges arose as a result of consultancy services that were needed at the end of the year in connection with the takeover process and mid-way through the year in the context of the group's further development.

Consolidated net income

The financial result showed a net income of € 1.3 million (previous year: net income of € 2.7 million). As a result of the subsequent measurement of a financial liability at 31 December 2014 according to IAS 39 for the put option of the original shareholders of *Wein & Vinos* in respect of Hawesko Holding AG, income overall was € 1.1 million lower than in the previous year. The consolidated earnings before taxes for 2014 financial year came to € 21.4 million, down € 3.9 million on the prior-year figure. In the previous year, the effective tax rate had suffered as a result the reversal of the deferred tax assets formed for the loss carryforward as well as due to the non-recognition of tax loss carryforwards for *Château Classic* in liquidation. The effective tax rate fell from 35.4% in the previous year to 30.6% because much lower expenditure was incurred in respect of *Château Classic* in liquidation. Due to lower earnings before taxes, earnings after taxes decreased to € 14.8 million (previous year: € 16.3 million).

The consolidated net income excluding non-controlling interests equally came to € 14.8 million in the year under review (previous year: € 16.2 million). After elimination of financial income from the remeasurement acc. to IAS 39, the consolidated net income amounted to € 12.5 million; the corresponding prior-year figure was € 12.7 million.

Earnings per share were € 1.65 (previous year: € 1.80). After elimination of financial income from the remeasurement acc. to IAS 39, the figure would have been € 1.39, compared with € 1.41 in the previous year (equally adjusted). The figures for both reporting years are based on a total of 8,983,403 shares.

FINANCIAL POSITION

Principles and aims of financial management

The principles and aims of financial management were explained on page 20 in the section “Management system: strategic growth, rate-of-return and financing targets”.

Share price development and capital measures

Stock markets in Germany were exposed to highly contrasting factors in 2014. International political unrest such as the armed conflicts in the Middle East and especially the crisis in Ukraine had an adverse effect on the global economy and caused recurring uncertainty. The result was occasionally quite sharp markdowns in the second half in particular, pushing shares to new year-lows up until mid-October. On the other hand the situation was bolstered by the actions of the European Central Bank: the continuing fall in interest rates in Europe, adherence to an expansionary monetary policy and the associated weakness of the euro prompted shares to bounce back strongly from their lows in the final quarter of the year. European markets remained bullish until the end of 2014, many of them closing at all-time highs, like the German share index DAX. The DAX share price index (disregarding dividend payments) started the year on 5,052 points and ended the year on 5,044 points. German small cap indices put in a similar performance: the MDAX share price index flatlined to finish the year on 10,269 points, and only the SDAX share price index, a selective index for smaller caps, appreciated by just under 4% to end 2014 on 3,737 points.

Hawesko shares were listed in the SDAX until 22 September 2014. As larger companies than Hawesko Holding AG went public in 2014, Hawesko shares were removed from the index. The trading price started 2014 on € 38.44. On the last trading day of 2014, which was still within the acceptance period for the tender offer of € 40, the shares were trading on € 41.52 (Xetra). This elevated price reflected the expectations of some market participants that a higher, competing offer might be submitted. After expiry of the final acceptance period at the end of February 2015, Hawesko shares were quoted in the range of € 39 to € 40.

The total number of shares therefore remained unchanged from the previous year at 8,983,403 throughout 2014.

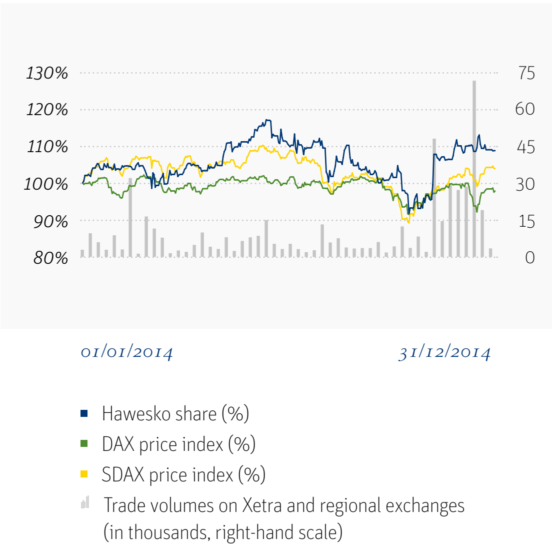
Investor relations

The investor relations activities of the Hawesko Group strive to maintain a continuing dialogue with fund managers and other institutional investors, as well as with other capital market participants and representatives. The business situation of the group and the expectations of its management are addressed through this dialogue. A total of 65 individual meetings (previous year: 82) were held with institutional investors in 2014, both at the group's headquarters and at roadshows; a member of the Board of Management attended 40 (previous year: 47) of these meetings. Hawesko Holding AG in addition held seven (previous year: nine) company presentations in Frankfurt am Main, Hamburg and Munich as well as at an equity forum of the German Association for Private Shareholders (DSW) in Hamburg, and introduced itself to investors at roadshows in Frankfurt and Zurich. The takeover process from November 2014 limited the amount of time available for talks with investors and for participating in conferences. As previously, the development of Hawesko Holding AG was regularly covered by a number of leading banks in 2014, including Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ BANK, GSC Research, Hauck & Aufhäuser, Kepler Cheuvreux, M.M.Warburg & CO, Montega and Oddo Seydler Research.

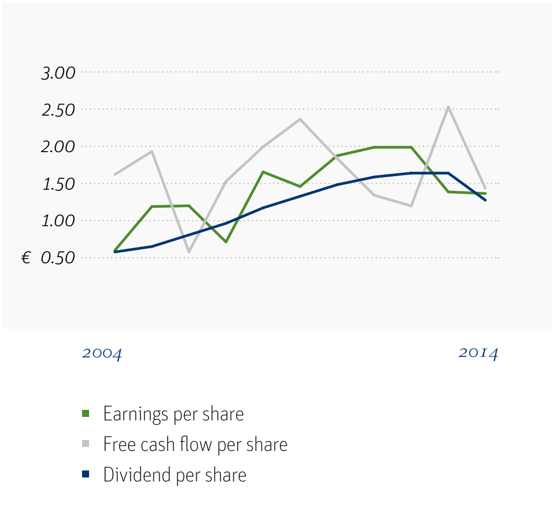
Capital structure

The capital requirements of the Hawesko Group comprise the capital expenditure on fixed assets and the financing of operating activities. For these purposes, the group finances itself largely through short and medium-term bank loans, finance leases and the cash flow that it generates from operations. At 31 December 2014 the cash resources of the group comprised cash amounting to € 10.9 million (previous year: € 18.8 million). Within time-unlimited credit lines for the financing of current business operations (working capital), there exist short-term credit facilities with a volume totalling € 28.0 million, of which € 4.0 million is available seasonally to finance Christmas business. At the reporting date these credit facilities were drawn on to a level of 35% and 30% respectively. There were also non-current liabilities of € 1.0 million due to banks as a result of the acquisition of the majority interest in *Wein & Vinos* in 2012. The Hawesko Group reported short-term and long-term borrowings

PRICE DEVELOPMENT OF THE HAWESKO SHARE/TRADING VOLUMES



KEY DATA PER SHARE (€)



(non-recurrent income and acquisitions eliminated)

amounting to € 16.9 million at 31 December 2014. Of this total, € 14.5 million is due within the next twelve months. The long-term and short-term borrowings consist predominantly of bank loans from German banks on the basis of credit agreements. The contractual obligations of Hawesko Holding AG within these have always been met. The existing credit facilities moreover guaranteed adequate cash levels at all times during the year under review. The long-term borrowings included finance lease liabilities of € 1.5 million.

According to group calculations, the costs of the equity and borrowed capital made available to the group are currently 4.9%. They comprise the weighted costs of the equity capital of 5.6% on the one hand, and of the borrowed capital of 1.6% on the other. In calculating the cost of equity, the group works on the basis of a long-term risk-free interest rate of 1.1% and a risk premium of 6.0% at beta = 0.7.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2014

rounding differences are possible	*Short-term* € million	*Short-term* %	*Long-term* € million	*Long-term* %	*Total* € million
Due to banks	14.1	93.5	1.0	6.5	15.1
Finance lease	0.4	20.4	1.5	79.6	1.9
TOTAL	**14.5**	**85.4**	**2.5**	**14.6**	**16.9**

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2013

rounding differences are possible	*Short-term* € million	*Short-term* %	*Long-term* € million	*Long-term* %	*Total* € million
Due to banks	14.2	71.4	5.7	28.6	19.9
Finance lease	0.4	16.6	1.9	83.4	2.2
TOTAL	**14.6**	**65.8**	**7.6**	**34.2**	**22.2**

The long-term loans relate to the financing of the purchase price of *Wein & Vinos* and are subject to contractual clauses that require specified financial ratios to be met (financial covenants). The Hawesko Group has always met these. The short-term loans mainly consist of rolling borrowings denominated in Swiss francs, in each case with a maturity of between one and three months.

Please refer to the Notes to the consolidated financial statements from page 72 for the terms of the borrowings and details of the finance leases.

In the year under review of 2014, net debt rose from € 4.3 million in the previous year to € 7.1 million. This development was driven by the fall in cash at the reporting date.

The following table shows the development in the net debt owed (rounding differences are possible):

€ million	2014	2013
Due to banks	15.1	19.9
+ Finance leases	1.9	2.2
+ Provisions for pensions	1.1	0.9
= **GROSS DEBT OWED**	**18.0**	**23.0**
– Cash	–10.9	–18.8
= **NET DEBT**	**7.1**	**4.3**

Off-balance-sheet financial instruments, such as loan asset sales, are not used.

Investment

The Hawesko Group had invested € 5.4 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 5.2 million). In relation to sales, the investment ratio was thus around 1.1%, as in the previous year.

Investments in intangible assets amounted to € 2.1 million (previous year: € 1.3 million) and were attributable to software – amongst other things for a campaign management tool at *Hanseatisches Wein- und Sekt-Kontor* as well as for updates and modernisation of the online shops in the distance-selling segment.

Investments in property, plant and equipment in 2014 totalled € 3.3 million (previous year: € 3.9 million). The bulk of this amount (€ 1.2 million) went on modernisation measures in the specialist wine-shop retail segment (*Jacques' Wein-Depot*). The brand profiling project alone took up the sum of more than € 0.1 million (previous year: € 0.2 million). On top of that, replacement and expansion investment in this segment came to just over € 0.1 million. Other such investment included € 1.1 million in the wholesale segment and about € 0.6 million in the distance-selling segment. *IWL Internationale Wein Logistik* moreover invested € 0.2 million in property, plant and equipment.

Liquidity analysis

CONSOLIDATED CASH FLOW

€ million	2014	2013
Cash flow from current operations	+19.3	+31.1
Cash flow from investing activities	−5.1	−7.5
Cash flow from financing activities	−22.2	−16.3

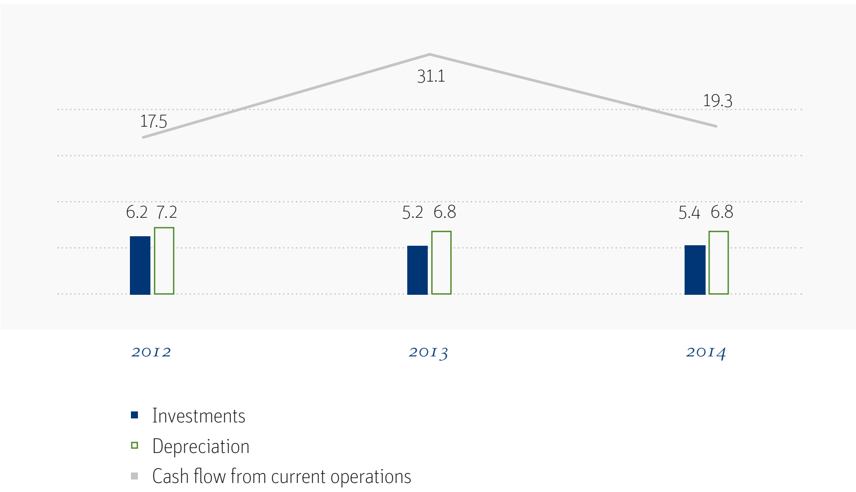
The consolidated cash flow from current operations fell from € 31.1 million in the previous year to € 19.3 million in the year under review. The decrease compared with the exceptionally high level of the previous year was mainly down to a normalisation process; in the previous year, working capital had been significantly reduced compared to 2012 (sharp reduction in inventories, high incoming receivables at year-end 2013). The weaker year-on-year earnings furthermore amplified the decrease in the cash flow from current operations.

Cash flow from investing activities of € −5.1 million in the year under review showed an improvement compared with the previous year (€ −7.5 million). The 2013 figure included the payment of € 2.5 million for the acquisition of *Vogel Vins*. The cash flow from investing activities in 2014 featured cash outflows for property, plant and equipment and intangible assets of € 5.4 million. The investments in intangible assets in the same year (€ 2.1 million) were mainly in respect of those intended to optimise Internet business. Capital expenditure on property, plant and equipment (€ 3.3 million) mainly comprised the expansion and modernisation of retail outlets in the specialist wine-shop retail segment, as well as group-wide expansion and replacement investment.

The free cash flow (total of cash flows from current operations and investing activities less interest paid), an important performance indicator within the Hawesko Group, fell from € 22.7 million to € 13.1 million. The decrease was the result of the lower cash flows from current operations.

The cash flow from financing activities mainly reflected the payment of dividends (€ −14.8 million) as well as the redemption of credit and interest paid.

INVESTMENTS/DEPRECIATION/CASH FLOW (€ million)



NET WORTH

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2014		2013	
rounding differences are possible	€ million	*% of balance sheet total*	€ million	*% of balance sheet total*
NON-CURRENT ASSETS				
Intangible assets	33.0	15%	34.2	15%
Property, plant and equipment	21.3	10%	21.8	9%
Investments accounted for using the equity method	0.5	0%	0.5	0%
Other financial assets	0.2	0%	0.2	0%
Deferred tax liabilities	1.7	1%	1.9	1%
Other non-current assets	3.6	2%	6.1	3%
	60.3	**28%**	**64.7**	**28%**
CURRENT ASSETS				
Inventories	95.4	44%	95.8	41%
Trade receivables	44.5	20%	48.5	21%
Cash and other current assets	16.9	8%	25.2	11%
	156.9	**72%**	**169.5**	**72%**
BALANCE SHEET TOTAL	**217.2**	**100%**	**234.3**	**100%**

The balance sheet total for the group came to € 217.2 million in 2014 (previous year: € 234.3 million). This represented a fall of 7.3%.

There was a decrease in the long-term advance payments for inventories (under “Other”) because demand for the 2013 Bordeaux vintage was lower than for the previous 2012 vintage. The portion of advance payments for the 2012 Bordeaux vintage that was still long-term in 2013 was reclassified to the corresponding short-term item because the wines in question will be delivered in the coming twelve months.

Current assets decreased from € 169.5 million to € 156.9 million. Current advance payments on inventories declined because demand for the 2012 Bordeaux vintage was lower than for the previous 2011 vintage. Trade receivables fell from € 48.5 million in the previous year to € 44.5 million, mainly because orders for Christmas business were received earlier than in the previous year. Cash and other current assets at the 2013 reporting date had climbed to € 25.2 million as a result of the normalisation of working capital; because the level of working capital was not reduced again in the year under review, cash and other current assets at the reporting date declined to € 16.9 million.

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES	2014		2013	
rounding differences are possible	€ million	*% of balance sheet total*	€ million	*% of balance sheet total*
SHAREHOLDERS' EQUITY				
Subscribed capital of Hawesko Holding AG	13.7	6%	13.7	6%
Capital reserve	10.1	5%	10.1	4%
Retained earnings	61.0	28%	61.0	26%
Other reserves	–0.1	–0%	–0.1	–0%
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG	**84.7**	**39%**	**84.7**	**36%**
Non-controlling interests	6.5	3%	7.4	3%
	91.1	**42%**	**92.1**	**39%**
LONG-TERM PROVISIONS AND LIABILITIES				
Provisions	2.5	1%	2.5	1%
Borrowings	2.5	1%	7.6	3%
Other non-current liabilities and deferred tax liabilities	12.2	6%	16.2	7%
	17.1	**8%**	**26.3**	**11%**
CURRENT LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	0.1	0%	0.0	0%
Borrowings	14.5	7%	14.6	6%
Advances received	5.4	2%	6.6	3%
Trade payables	65.8	30%	67.7	29%
Other liabilities	23.3	11%	26.9	11%
	109.0	**50%**	**115.8**	**49%**
BALANCE SHEET TOTAL	**217.2**	**100%**	**234.3**	**100%**

Consolidated equity fell year on year from € 92.1 million to € 91.1 million. Retained earnings remained unchanged compared with the prior-year reporting date at € 61.0 million. Despite the weaker financial performance in the year under review, the equity ratio (prior to distribution) was 42% of the balance sheet total (previous year: 39%). Non-controlling interests showed a year-on-year decrease above all because of the lower earnings of *Wein & Vinos*.

The long-term provisions and liabilities amounted to € 17.1 million and therefore contracted significantly by € 9.2 million: the long-term borrowings alone fell from € 7.6 million to € 2.5 million at the reporting date. This decrease stems from the scheduled repayment of the bank loans for the acquisition of a majority interest in *Wein & Vinos* in 2012, and from the accounting of a warehouse building as a finance lease. Equally, the advances received for Bordeaux subscriptions fell in the year under review; there was lower demand for the 2013 vintage than for the 2012 vintage, which was reported under this item in the previous year.

Current liabilities decreased by € 6.8 million to € 109.0 million. The borrowings component of this figure fell only marginally from € 14.6 million to € 14.5 million – mainly a result of the reclassification of loans to banks that had still been reported as long-term in the previous year. The trade payables fell compared with the previous year because of orders for merchandise placed earlier in the year under review. The portion of advances received from customers for the 2012 Bordeaux vintage that was still non-current in 2013 was transferred to a corresponding current item in 2014 because the wines will be shipped within the next twelve months. The downturn reported here was attributable to the differences in quality.

The financial position is not affected to any significant degree by the differences between market values and the assets and debts recognised in the accounts. No off-balance-sheet financial instruments exist.

There exist no substantial assets in use that are leased but not recognised on the balance sheet. In the specialist wine-shop retail segment, the *Jacques' Wein-Depot* locations are fundamentally rented and are therefore not reported under fixed assets.

There also existed contingencies and financial obligations in respect of third parties at 31 December 2014. The minimum total for non-discounted future lease and rental payments amounts to € 18.9 million (previous year: € 15.8 million). Obligations amounting to € 1.2 million (31 December 2013: € 1.4 million) from outstanding advances received for subscriptions on the books at 31 December 2014 were settled at the start of 2015.

EMPLOYEES

The positive performance of the Hawesko Group in the past financial year is substantially down to the expertise, experience and exceptional dedication of its employees. They ensure day in, day out that the group's customers feel they receive outstanding advice and service, and therefore enjoy making their wine purchases from the group companies.

The group employed an average of 925 people in the 2014 financial year, predominantly in Germany, as in the previous year. Women make up 46% of the group's workforce (previous year: 48%), and 21% of its management (previous year: 21%).

Qualifications and training

Ongoing training for employees is treated as a high priority by all companies in the Hawesko Group. Only well-trained employees will be capable of achieving the high standards that the market and our customers expect. The Hawesko Group therefore provides both demand-led training and specific further training.

The successful recruitment of junior employees starts with offering a diverse range of options for school-leavers. In the year under review, the group had 25 apprentices (previous year: 21). Traineeships are predominantly in commercial vocations such as wholesale or export clerks, or dialogue marketing clerks. Those at the start of their career can also train in information technology and warehouse logistics.

To realise additional potential, by way of systematically promoting junior employees, a sandwich course in business administration is offered in partnership with Nordakademie Elmshorn. This training course represents an alternative to exclusively theory-based studies.

The further training measures available within the Hawesko Group are based on courses designed to develop the personal performance profiles and personalities of individual employees. Employees are in addition offered internal training courses, focusing predominantly on goods management and on the handling of user software. Expenditure on training and advancement measures in the year under review amounted to € 0.5 million (previous year: € 0.4 million).

Social responsibility

In addition to qualifications, the motivation and health of all employees are key factors of their successful performance. Active health management can therefore be regarded as an investment in the future and has now become a vital component of responsible, sustainable corporate culture within the Hawesko Group.

Examples of how the company contributes towards promoting the health of its employees are the provision of fresh fruit during winter and mineral water, and support for a variety of preventive measures.

The compatibility of professional and family life is an important concern for the Hawesko Group. The group head office in Tornesch received the "Hamburg Family-Friendly Seal" in 2010 for its family-friendly human resources policy. This seal is awarded by the "Hamburg Alliance for Families", a joint initiative of the Hamburg Senate and the Hamburg Chamber of Crafts. The human resources policy also includes giving employees personal advice on the topics maternity leave, parental leave and parental benefit payments.

Parents are offered flexible working hours, part-time and home-based work, as well as assistance with the financing of childcare arrangements; events aimed at all the family are also held.

There is a wide range of fringe and welfare benefits available to the Hawesko Group's employees. These include most notably retirement benefit arrangements and schemes.

Hawesko Holding AG is a member of the "Pensionskasse des Handels" pension fund. Our membership paves the way for providing all domestic employees of the Hawesko Group with effective retirement benefit arrangements, including cover for invalidity and surviving dependants. The combination of employer subsidies and a component taken directly from the individual employee's salary makes it possible to build up a stable provision for old age through contributions that are exempt from tax and social insurance contributions. At 31 December 2014, 401 (prior-year reporting date: 390) employees of the group belonged to this pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

TOTAL EMPLOYEES

PARTICULARITIES OF THE WINE TRADE IN RESPECT OF THE HAWESKO GROUP

The principal intangible assets of the group that do not qualify for recognition in the financial statements come under the category of relationships with customers and suppliers. This means in particular the customer file, which covers a substantial portion of the people in Germany who are interested in high-quality wines. The warehousing and transport logistics furthermore constitute a major asset.

The specialist wine-shop retail and distance-selling segments in Germany and Austria and supplying Sweden numbered just under 1.4 million end customers in 2014 (previous year: 1.3 million). The average spend of those customers during the past year was approx. € 219 (previous year: approx. € 216) net. The customer base of the wholesale segment comprises around 15,000 customers, predominantly in Germany; they are made up of grocery retailers, specialist wine retailers and the catering branch.

Long-standing relations with the world's best vintners are a further asset in the wine trade. The exclusive distribution rights for certain leading brands in individual sales markets are also of significance. The Hawesko Group has the distribution rights for Germany for the producers Marchesi Antinori, Baron Philippe de Rothschild, Domaines Barons de Rothschild (Lafite), Louis Jadot, Penfolds, Taittinger and Torres, among others.

Hawesko is able to capitalise on a major advantage thanks to its special logistics arrangements, in other words the warehousing, handling and dispatching of its wines to customers in a manner that befits such a sensitive, high-quality product. For its distance-selling logistics, the group has a fully air-conditioned delivery centre at Tornesch, near Hamburg, where the processes are tailored precisely to the specific nature of distance-selling trade with consumers. *IWL Internationale Wein Logistik GmbH* also handles logistics for the *Wein Wolf Group*. Integration of the warehouse yields synergy benefits in the form of higher warehouse capacity utilisation and more flexible personnel deployment thanks to scope for combining movements of goods for the distance-selling and wholesale segments. In the specialist wine-shop retail area, on the other hand, predominantly third-party service providers are used because in this instance the processes are more in line with the established norm in logistics.

Environmental Report

As a trading company the Hawesko Group does not possess any production facilities of its own, with the exception of the subsidiary *Gebr. Josef und Matthäus Ziegler GmbH;* the group thus only has indirect influence on compliance with the relevant environmental standards. Within the context of its purchasing activities, the Hawesko Group encourages its suppliers to apply environmentally friendly practices in the cultivation and vinification of their wines. Many suppliers receive these suggestions positively and are having their processes certified accordingly. The subsidiaries of the Hawesko Group that deal with such products are certified to DE-ÖKO-006 for the sale of organically grown products.

For the shipment of goods from the producers, fundamentally only carriers using vehicles that comply with the emission category Euro 5 are used. Where intermodal solutions are possible – in other words where transport by rail or sea rather than by truck is possible for part of the itinerary – this is the preferred option and efforts are being made to increase the use of such arrangements. For shipping from Spain, *Hanseatisches Wein- und Sekt-Kontor* and *CWD Champagner- und Wein-Distributionsgesellschaft* have been using short sea shipping for a number of years; *Jacques' Wein-Depot* uses this method of transport for imports from Spain and Portugal. The sea route leads to much lower CO_2 emissions than transport by truck.

Measures to save energy have been and are being realised at the administrative offices in Tornesch, near Hamburg, and in Düsseldorf; the emphasis is on seeking to use resources more intelligently. A sustainability officer has been appointed at Tornesch. Consumables and recycling products with a low environmental impact are used at both locations. Office workplaces are equipped exclusively with PCs and monitors that represent the state of the art and have much lower power consumption than earlier generations of equipment.

For all direct mail campaigns, the addresses targeted in each mail shot are chosen using intelligent selection principles. This renders the mail shots more effective and equally cuts consumption of paper and energy. Print runs can consequently be planned more accurately, and waste at the printers can be avoided. Recycled paper or paper manufactured according to Forest Stewardship Council (FSC) standards is used for advertising media for the specialist wine-shop retail and substantially also for the wholesale segment. *CWD Champagner- und Wein-Distributionsgesellschaft* has already been using CO_2-neutral direct mail advertising campaigns since 2012.

At *Jacques'*, all shipping and gift boxes as well as most bag-in-box packaging versions are made from FSC-certified card.

Lighting systems with particularly high energy consumption are being identified and replaced at individual *Jacques' Wein-Depot* outlets. An energy-optimised lighting concept is always used whenever outlets are refurbished or new outlets opened. At 31 December 2014, once again over 110 *Jacques'* locations as well as the head office in Düsseldorf were supplied with power from renewable sources. The CO_2 saving from these two optimisation concepts amounts to more than 260,000 kg compared with conventional solutions. In addition, for some years every *Jacques' Wein-Depot* has served as a collection point for wine corks for recycling. In 2014, over eight million corks were again collected in the shops and passed on to specialist recyclers. *Jacques'* is the only specialist wine retail chain with a presence throughout Germany to offer such a service.

The group's climate-controlled logistics centre is located at Tornesch and prepares consignments of wine for the wholesale and distance-selling segments. An IT-based building control system optimises energy use. For example, the climate control system takes account of the sun's position, providing more cooling output to whichever side of the building is more exposed to the sun. Further improvement work was started in the year under review. Auctions are used in annual electricity and gas purchasing to secure access to direct marketers. Following the greening of the building's exterior, but above all thanks to the mild winter, energy costs were further reduced by around 5% compared with the previous year. Transport packaging is used sparingly and effectively, thus avoiding unnecessary waste. The shipping cases and boxes are matched to the dimensions of the pallets in such a way that no storage space is wasted.

Thanks to the huge success of these measures, they will also be introduced at *Wein & Vinos* in the course of the year. Hermes Logistik, DHL Freight and UPS are in turn realising their own environmentally compatible processes and are accredited to DIN 14001 (environmental management systems).

Report on Post-Balance Sheet Date Events

The acceptance period for the tender offer by Tocos Beteiligung GmbH from 21 November 2014 ended on 18 February 2015. Following this bid, Chairman of the Board of Management Alexander Margaritoff declared his intention to leave office with effect from 30 April 2015; the Supervisory Board accepted this. Margaritoff has already withdrawn entirely from the company as a major shareholder and delivered his shares to Tocos Beteiligung GmbH. The biggest shareholder, as sole owner of Tocos Beteiligung GmbH, is now Detlev Meyer. Mr Meyer belongs to the Supervisory Board of Hawesko Holding and holds 7,092,876 shares or 79.0% of the total. This means that a change of control is taking place, in the course of which both tax risks and risks in respect of supplier relationships may arise. For further details, please refer to the “Risks” section.

As a result of his employment contract which runs to 28 February 2019, Alexander Margaritoff is entitled to compensation for the remaining term of the contract. The Supervisory Board has agreed with him a successive payout of his contract. From today’s standpoint, an additional charge of approximately € 6 million is expected against earnings for the creation of the corresponding provision in the current business year.

No other occurrences which are of particular significance to the assessment of the net worth, financial position or financial performance of Hawesko Holding AG and of the group occurred after the end of the year under review and before the time this annual report went to press.

Expected Developments, Opportunities and Risks Report

Report on Expected Developments

DIRECTION OF THE HAWESKO GROUP IN THE NEXT FINANCIAL YEAR

No fundamental changes to the business policy of the Hawesko Group are envisaged in the next year. The Hawesko Group will continue to maintain and build on its already strong market position in Germany. In addition the Board of Management will continue to look to expand its international activities. Its focus in that respect will be mainly on markets in nearby European countries. With regard to activities in Germany, the group is continually examining how the individual subsidiaries can work together even more effectively and seize any opportunities that present themselves. No acquisition plans have taken on sufficiently firm contours to merit reporting. No fundamental change to business processes or the type of business is envisaged.

GENERAL ECONOMIC SITUATION

Anticipated future developments in economy as a whole

In their forecasts for 2015, the experts expect to see a continuing robust economic development in Germany. The German Federal Bank expects growth of 1.0%, but also considers higher growth to be possible. The ifo Institute even forecasts 1.5% and therefore anticipates that growth will remain almost as high as in 2014. The majority of experts now share this view. The factors perceived as driving this positive development are consumer spending, the lower oil price, rising employment, low inflation and the weakness of the euro, which is also stimulating exports.

The labour market figures for the opening months of the current year, the fourth successive rise in the ifo business barometer in February and the strong increase in the consumer confidence indicator compiled by Gesellschaft für Konsumforschung (GfK) also point in this direction. These suggest that optimism among German consumers has actually risen further. Despite the unclear situation in eastern Ukraine, continuing tension between the West and Russia and developments involving Greece, economic and income expectations as well as the propensity to buy have continued to improve. Not least the fall in inflation to below zero in Germany in January 2015 thanks to the substantially lower fuel and heating oil prices, coupled with a very stable labour market, is translating into significant rises in real incomes for both employees and the retired. Against this backdrop, GfK expects consumer spending to grow by 1.5% in the current year and therefore at the same pace as gross domestic product. This outlook is also engendering confidence among businesses. According to the ifo Institute, the German economy is proving resilient to geopolitical uncertainty.

The Hawesko Board of Management echoes this economic forecast. It expects the economic trend to remain on the whole positive throughout 2015 in Germany, which is of key importance as its domestic market. The wine market, too, should stand to benefit from this.

Future situation in the trade

The prospects for the German wine market likewise remain favourable in 2015. The already longer-established trends for wines in the upscale market segments are continuing and are being aided by demographic change. As in many other industries, the significance of online business is steadily growing in the wine trade, too, and more and more customers – especially younger people – are using this sales channel in preference to others. In other Central European countries apart from Germany, the trends in wine consumption being observed fundamentally resemble the pattern in Germany.

Notwithstanding that, the existing quality trends will continue in 2015: growing professionalism in the world of wine, increasingly discerning consumers and a concentration of consumption in Europe will in all probability continue to dominate the wine trade in 2015. Outside Europe, there are already signs that wine consumption is on the up – a development that is moreover set to continue. Supply and demand on wine markets worldwide are almost in equilibrium. The consequence of this is that the virtues that the Hawesko Group has carefully nurtured over many decades are more important than ever as a unique selling proposition in the marketplace: an extensive range of top-class wines, expert handling and shipping of wine, and excellent customer service.

ANTICIPATED FINANCIAL PERFORMANCE

The target of the Hawesko Board of Management remains profitable growth continuing into the long term. For the 2015 financial year, it expects the group to grow at a slightly slower rate than in 2014, by around 1%. Specialist wine-shop retail (*Jacques'*) should grow by about 2%, with the distance-selling and wholesale segments emulating the prior-year level.

Group EBIT is expected to be in the order of approx. € 19–20 million in 2015, corresponding to an EBIT margin of about 4.0–4.2% (2014: 4.2%). The Board of Management also expects non-recurring costs for the 2015 financial year as a result of the takeover process. These concern first and foremost provisions for personnel, which are estimated at around € 6 million and will constitute costs for the holding company. An EBIT margin of between 11.0–11.5% (2014: 11.1%) is being targeted for the specialist wine-shop retail segment. The wholesale segment is expected to achieve an EBIT margin in the range of 3.8–4.2% (2014: 2.8%) in the absence of pressure on operations from international business. Once the newly established structures are functioning smoothly, the distance-selling segment is expected to see its EBIT margin improve to approx. 6.2–6.6% (2014: 5.7%).

The financial result is expected to produce a net expense of around € 0.8 million, disregarding possible changes in value among other financial liabilities (2014: net income of € 1.3 million). The profit due to non-controlling interests will reach an anticipated approx. € 0.5 million (2014: € 0.0 million). The consolidated net income after taxes and non-controlling interests is expected to come in at around € 12–13 million (2014: € 14.8 million). The Board of Management anticipates a free cash flow for 2015 in the region of € 17–20 million, compared with € 13 million in 2014, and a ROCE of about 13–15%, on the back of 15% in 2014. As usual, Hawesko's Board of Management will promptly communicate its expectations and the outlook for the future in the next interim reports.

ANTICIPATED FINANCIAL POSITION

It is assumed in the Hawesko Group's financial planning that capital expenditure on property, plant and equipment and intangible assets, for working capital and for dividend payments can be financed predominantly from current cash flow.

Net debt at 31 December 2014 totalled € 7.1 million and the company's plan is for it to be reduced at the 2015 reporting date.

Capital expenditure on property, plant and equipment and intangible assets in the 2015 financial year is likely to rise by around € 1 million to € 6–7 million as a result of further spending on IT in the distance-selling segment. This, alongside the planned investment spending, is earmarked for modernisation and expansion in the specialist wine-shop retail segment, and for expansion and replacement investment in the wholesale and distance-selling segments.

There are no other long-term investments or acquisitions currently planned, because the relatively short-term nature of such decisions makes it inadvisable to build them into the basic scenario as fixed components. The Hawesko Group continues to have adequate financial leeway for handling a potential acquisition in accounting terms.

OVERALL STATEMENT ON THE ANTICIPATED DEVELOPMENT OF THE GROUP

In light of the above individual factors and the assessment of the wine market's development, the Board of Management considers a steady upward development in the Hawesko Group to remain realistic. The Board of Management views improving the EBIT margin to be the top priority, with revenue growth of secondary importance compared with this objective. It continues to aim for profitable growth with a long-term return on sales of around 7%. Consistently exceeding a return on capital employed (ROCE) of 16% remains an important benchmark. As before, the attainment of financial targets is the outward manifestation of an effective business model and will only succeed if due regard is likewise paid to the human dimension of economic activity: satisfied customers, motivated employees, and fair treatment of and by business partners are all values which give our business that vital authenticity, and which the Hawesko Board of Management deems are worthy of continuing to advocate.

Risk Report

RISK MANAGEMENT SYSTEM

The core tasks of the Hawesko Board of Management include the strategic management of the group. Based on intensive observation of the competitive environment, changes and developments to the national and international markets and the business environment are analysed. The group management translates the findings of these analyses into a plan of action for safeguarding and building on the company's success in the long term.

In the context of its activities in its sales markets, the Hawesko Group is exposed to the risks that go hand in hand with entrepreneurial activity. Risks are defined as events or possible developments within and outside the group that can adversely affect the companies and the attainment of the corporate targets, and/or restrict the entrepreneurial leeway of Board of Management members and managing directors. The Board of Management has established a modern, comprehensive risk management system (RMS) that is continually being refined. The early identification of risks is of major significance and is normally achieved by means of an early warning system implemented group-wide. The binding principles are enshrined in a risk management guideline.

The RMS for the Hawesko Group covers all subsidiaries; the risks are assigned to standard, predefined categories and documented in a risk inventory. The risks identified are then evaluated on the basis of their probability and the loss they would involve. They are managed by defining and regularly examining countermeasures to limit the risks identified. The RMS processes are standardised for the entire group and are controlled by the risk manager and the risk management representatives in the operating segments.

DESCRIPTION OF THE KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR FINANCIAL REPORTING PURPOSES FOR THE GROUP PARENT AND GROUP

The internal system of control for the group companies and for group financial reporting is a key component of the reporting system and therefore of the internal management and control system. It moreover serves as the basis for compliance with both internal and external requirements.

As part of the internal system of control, the risk management system methodically records and evaluates the risks identified as part of the risk inventory, which is conducted annually. In respect of group financial reporting, the aim of the risk management system is to reflect the risks appropriately in the consolidated financial statements (e.g. through the creation of provisions) and thus to limit the risk of incomplete presentation of the net worth, financial position and financial performance.

The Supervisory Board, in this context specifically the Audit and Investment Committee of Hawesko Holding AG, is involved in the financial reporting process for the group parent and group, and deals with such matters as key questions of financial reporting, risk management as well as with the audit mandate and its priorities.

The internal system of control in respect of the financial reporting process

The clear structures of organisation, control and monitoring installed within the Hawesko Group focus on the complete and accurate recording of all business transactions that are relevant for financial reporting purposes. The application of uniform recognition and measurement principles for the companies included in the consolidated financial statements, taking account of the requirements of the International Financial Reporting Standards (IFRS), is assured by the specifications in the accounting guidelines of the Hawesko Group.

The general organisation of the Accounting department and the involvement of the divisions participating in the processes that are relevant for financial reporting purposes are handled in such a way that there is an appropriate degree of separation between approval, executive, invoicing and controlling functions for a company of this size and sphere of activity. This separation of functions permits extensive preventive and disclosing controls in all material business processes throughout the group that have been implemented by the management, based on an assessment of the inherent risk of the individual processes and the controlled environment in question. The manual controls are supplemented by corresponding IT process controls and suitable IT authorisation concepts.

Complex questions of measurement such as are needed e.g. for measuring provisions for pension or derivative financial instruments, or for performing purchase price allocations, are dealt with in consultation with external independent specialists.

The internal system of control in respect of the consolidation process

The processes that are relevant for financial reporting purposes are recorded in local standard bookkeeping systems for the separate financial statements of the subsidiaries. For preparation of the consolidated financial statements, the separate financial statements as well as supplementary standardised information are fed into the consolidation software COGNOS, using a corresponding authorisation concept, and examined by Group Accounts. The internal control and risk management system of Hawesko Holding AG is designed to ensure that financial reporting by the company and by all companies included in the consolidated financial statements is uniform and in agreement with the legal and statutory requirements as well as internal guidelines.

All consolidation processes as well as the reconciliation of the local separate financial statements with IFRS accounting standards are carried out and documented by the central department “Group Accounting and Investment Controlling”. The internal and external data required for the notes to the consolidated financial statements and management report is also evaluated and consolidated at group level. The effectiveness and adequacy of Group Accounting in preparing the accounts are overseen directly by the Finance Director and the individuals appointed by him to perform that task within Group Accounts.

RISKS

In addition to the general business risk, the group is exposed to the following risks. Over a two-year horizon these are classified in descending order as A, B and C risks depending on the anticipated loss, as shown in the diagram below. The losses stated are a net view of the impact on EBIT.

Public debate on alcohol and advertising bans or restrictions

For some years the European Union has been debating whether to restrict the advertising of alcoholic beverages throughout the EU. Even if such measures were to be decided, Hawesko's Board of Management believes that an advertising ban for alcoholic products would probably not result in lower wine consumption in the medium term. Depending on what specific form any restrictions on advertising were to take, such an advertising ban could nevertheless have a significant impact on the business operations of the Hawesko Group. Based on its market position and product range, however, the Board of Management considers that the group would barely be affected by a public debate aimed at encouraging consumption of alcohol only in moderation.

The risk from the *public debate on alcohol and advertising bans or restrictions* is classified as an A risk, with a low probability.

Dependence on the business cycle

The Hawesko Group generates 89% of its sales in the Federal Republic of Germany. Germany's macroeconomic fortunes exercise considerable influence over the propensity of the population to consume and therefore over the business development of the Hawesko Group.

11% of consolidated sales were achieved outside Germany in the year under review. The neighbouring countries Austria and Switzerland account for about three-quarters of those sales.

The risk from *dependence on the business cycle* is classified as an A risk with a low to medium probability.

Wine as a natural product – marketability and fitness for consumption, quality, possible negative effects

Wine is a product of nature which accordingly exhibits variations in quality from year to year, and also depending on variety and location, under the influence of the weather, the individual locations and the fermenting processes. This variation affects prices and influences demand for individual products. On the strength of its many years of experience in the wine market, the Hawesko Group is able to limit the impact of these risks, but can never exclude them entirely.

Loss (€ million) \ Probability (%)	5) Very low (0 to <10)	4) Low (10 to <25)	3) Moderate (25 to <50)	2) High (50 to <75)	1) Very high (75 to 100)
1) Very high (>5)	B	A	A	A	A
2) High (>2.5 to ≤5)	B	B	A	A	A
3) Moderate (>1 to ≤2.5)	B	B	B	A	A
4) Low (>0.25 to ≤1)	C	C	B	B	A
5) Very low (up to 0.25)	C	C	C	C	B

The Hawesko Group is not dependent on specific suppliers. In no individual instance do the sales generated by products from a single producer exceed the level of 5% of consolidated sales.

Quality assurance for the wines we buy starts with a visit to the vineyard where they are produced, and continues with tests conducted on the end product in the Hawesko Group's laboratories. Quality problems are rare. The vintners know the Hawesko Group and the high standards it expects; moreover, they pride themselves on the quality of their wines. If a breach of the current laws or guidelines on consumer or product protection should nevertheless occur and should this result in a recall campaign or sales ban for the product in question, this could in turn entail additional costs. Such a breach by a competitor could equally have a media impact that could spread to the whole wine industry, including the Hawesko Group. In such an instance, lost sales would be feared.

In the year under review, only an insignificant proportion of deliveries was rejected by the Hawesko Group's companies for quality reasons.

The risk from the constellation *marketability and fitness for consumption, quality, possible negative effects* is classified as an A risk with a low probability.

Litigation risk from Château Classic, in liquidation

Le Monde des Grands Bordeaux Château Classic SARL, in liquidation is potentially at risk of a compensation claim based on the termination of an agency agreement. The person in question is demanding compensation. The company rejects the claim as a whole. No judicial proceedings are currently in progress.

The risk from the *litigation risk from Château Classic,* in liquidation is classified as a B risk with a low probability.

Public debate on duty on alcohol

For some years it has been debated in the European Union whether higher duty should be levied on alcoholic beverages throughout the EU. Even if such measures were to be decided, Hawesko's Board of Management believes that higher duty for alcoholic products would probably not result in lower wine consumption in the medium term.

The risk from the *public debate on duty on alcohol* is classified as a B risk with a very low probability.

Management risks and personnel risks

Smaller sales companies within the Hawesko Group are run by managing partners. The loss of such a manager would have a considerable impact on the business of the subsidiary in question. This would, however, not pose a threat to the existence of the Hawesko Group. Apart from this, no substantial management risks are identifiable at present.

The future economic development of the Hawesko Group depends to a high degree on the dedication and performance of the employees. The group responds to growing competition for highly qualified specialists and managers by nurturing close contacts with selected professional institutes and through personnel development measures. It counters the risk of being unable to hold onto valued employees in the long term by providing focused employee development.

The risk from the *management and personnel* area is classified as a B risk with a moderate probability.

Data protection as well as protection of data against unlawful actions

All statutory requirements under the Federal Data Protection Act were adopted by the Hawesko Group and implemented in its business operations. The Hawesko specialist wine-shop retail and distance-selling segments each acquire a considerable portion of their new customers by methods covered by the "list privilege", but have equally for many years been committed to the responsible use of customer data that goes beyond the statutory requirements. Core aspects include regular training for employees on the Federal Data Protection Act, a tighter user rights concept, the logging of all access to personal data and the ban on storing customer data on mass storage media. In addition there is regular optimisation of the internal processes (including with expert external support) and of the IT infrastructure.

The data protection area is closely intertwined with information security, a topic that is covered and regulated by the Compliance Guideline of Hawesko Holding. Data protection audits as well as regular IT security checks have been and are carried out.

The risk from the *data protection* area is classified as a B risk, with a very low probability.

Weather-related and seasonal factors

The Hawesko Group publishes its business results each quarter. These results reflect fluctuations that are attributable to the seasonal nature of its business. The sales and results for the individual quarters fluctuate in particular as a result of the number of advertising mail shots, which is determined on the basis of when the various public holidays fall in a given year. The Hawesko Group in addition regularly generates a large portion of its sales and earnings in the final quarter of the year. Adverse weather conditions at that time of year may put pressure on sales and earnings.

The risk from *weather-related and seasonal factors* is classified as a B risk, with a moderate probability.

Loss of the highest-volume suppliers

Business is influenced to a substantial degree by the ability of the Hawesko Group to maintain agreements securing it the status of exclusive distributor for renowned wine producers. If an existing agreement were not to be extended, sales would suffer in the short term. The change of control in the group following the Tocos tender offer means various suppliers have the right to terminate their contracts specifying exclusive distribution rights.

The risk from the *loss of the highest-volume suppliers* is classified as a B risk with the probability varying from supplier to supplier.

In view of their immaterial effects, C risks are not listed individually here. No aggregation of C risks into a higher class of risk is expected because of the self-contained nature of these risks.

Over and above this, the following potential risks that are not further quantified in the risk management system (RMS) are kept constantly under observation:

Financial risks

There exist a number of financial risks within the Hawesko Group. These include in particular influences of exchange rate and interest rate movements, as well as the non-payment and liquidity risk. Risks from the use of financial instruments are not material for the Hawesko Group.

The subsidiaries of the Hawesko Group are importers of wines traded internationally, and as such are to a limited extent affected by exchange rate movements outside the euro zone. However, imports are overwhelmingly from within the euro zone. To a minor extent the refinancing of the Hawesko Group's working capital requirements takes the form of loans which are taken out at current interest rates. Dependence on interest rate movements is thus low.

The purchase price for the 70% interest acquired in *Wein & Vinos GmbH* in 2012 was financed through long-term loans from renowned banks with a first-class credit rating. In this connection, interest rate derivatives were taken out during the 2012 financial year to hedge against the interest rate risk. The maturities, interest payments and capital repayments reflect the underlying transaction (bank loan).

As part of centrally controlled liquidity management, it is endeavoured to keep sufficient funds available to the Hawesko Group for ongoing business and for capital expenditure. The risks from receivables are limited by credit checks and credit management systems.

Legal and fiscal risks

The company is unaware of any legal or arbitration proceedings, whether pending or anticipated, which have a significant influence on the economic situation of the Hawesko Group.

The company is not aware of any fiscal risks which have a significant influence on the economic situation of the Hawesko Group. As a result of the change of control, non-recognition of tax loss carryforwards amounting to € 9 million is possible.

Other risks

No other substantial risks are currently identifiable.

OVERALL STATEMENT ON THE RISK SITUATION OF THE HAWESKO GROUP

As matters stand and on the basis of the information known, it can be established that there exist no risks that pose a threat to the company as a going concern, nor are any such risks identifiable in the future. In the overall assessment, the group is exposed to neither higher nor lower risks than in the previous year.

Opportunities Report

The currently discernible risks to the further development of the Hawesko Group are comprehensively described in the above "Risk Report" section.

At present the Hawesko Board of Management does not expect to see any further clear-cut opportunities in 2015 considering the prevailing economic environment. The Board of Management is of the opinion that there is unlikely to be much leeway for positive surprises, given the already very healthy basis for the Hawesko Group's domestic business activities. The market researchers at GfK are forecasting a further rise of 1.5% in consumer spending in 2015 and therefore no change in the propensity to consume compared with 2014 (1.5%). Broadly, the Hawesko Board of Management currently expects consumption of high-end wines commanding a price of more than € 4.00 per bottle to remain stable over the year as a whole, or possibly to achieve slight growth.

The Hawesko Group enjoyed very healthy balance sheet ratios at the reporting date of 31 December 2014. The Board of Management assumes that most of its competitors do not share this financial strength.

The Board of Management perceives opportunities in the event that efforts to access new customer groups should progress especially well. This could occur organically as a result of advertising campaigns, customer acquisition methods or newly developed concepts being well received and leading to a habit of repeat purchases. However the Board of Management regards the probability of such a development as on the low side (approx. 5–25%). An acquisition rate for new customer groups in excess of the planned levels could also be achieved by non-organic means, in other words through the purchase of businesses or business units. From the present perspective the Board of Management believes the probability of such a scenario to be very low (approx. 0–10%).

All companies in the Hawesko Group use highly refined marketing concepts. They are able to dissociate themselves to a limited degree from the general macroeconomic trend by focusing their marketing activities as accurately as possible on those who are interested in their product range. These people generally have above-average incomes and therefore respond less sensitively than the average consumer to cyclical fluctuations. Marketing partnerships are moreover conducted with renowned companies; if the group or individual segments succeed in extending these activities to other companies with suitable clientele, business performance could receive a boost.

Finally, the Board of Management is convinced that the Hawesko Group's many years of management experience specifically in the wine industry provide a very sound basis for the group's continuing successful performance over the next year.

OTHER RISK MANAGEMENT SYSTEM/ OPPORTUNITIES MANAGEMENT SYSTEM

At the monthly meetings of the Board of Management, information on each business segment is exchanged to draw attention to any special situations – whether positive or negative – in addition to current business progress. If the Board of Management believes that a challenge or opportunity renders particular measures necessary or advisable, it is able to initiate or instruct them promptly.

Legal Structure of the Group and Information Required under Takeover Law

Report pursuant to Sections 289 (4) and 315 (4) of German Commercial Code in conjunction with Section 120 (3) second sentence of the German Stock Corporation Act

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,708,934.14 at the 2014 reporting date is divided into 8,983,403 no par value bearer shares, all of which are equipped with identical rights and obligations. The company is not aware of any restrictions affecting voting rights or the transfer of shares. Equally, no other classes of share exist. Under the articles of incorporation the Board of Management is, with the consent of the Supervisory Board, authorised until 31 May 2018 to increase the capital stock by up to a total of € 6,850,000.00, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act exists. An amendment to the articles of incorporation requires a shareholders' resolution carried by at least three-quarters of the capital stock represented.

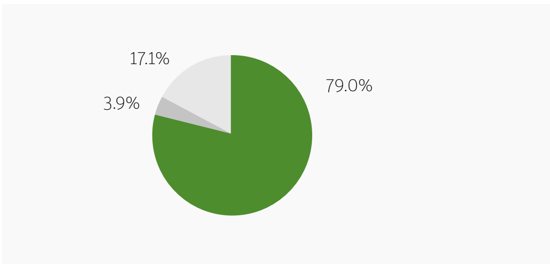
The principal agreements of Hawesko Holding AG containing a clause in the event of the takeover of Hawesko Holding AG relate to agreements with various suppliers on exclusive sales rights and to bilateral credit facilities with German banks. In the event of a takeover, the respective suppliers and lenders have the right to terminate the agreement or credit facility and, if appropriate, to call in any loans.

After completion of the tender offer dated 21 November 2014, Detlev Meyer is the largest shareholder of Hawesko Holding AG via Tocos Beteiligung GmbH, with 79.0% of the shares; there then follows Michael Schiemann, with a 3.9% shareholding via Augendum Vermögensverwaltung GmbH. Both are resident in the Federal Republic of Germany. The remaining approx. 17.1% are held by institutional and private investors. There are no employee shares as defined in Sections 289 (4) No. 5, 315 (4) No. 5 of German Commercial Code.

The Hawesko Group has a holding-company structure, with the parent company Hawesko Holding AG holding 100% or a majority of the shares in the operating subsidiaries, whose activities are predominantly in the wine trade. In the case of the subsidiaries where the shareholding is not 100%, the director responsible generally holds a minority interest. The parent company Hawesko Holding AG and a majority of the subsidiaries have their registered office in the Federal Republic of Germany; they are consequently subject to the laws of that country, which decisively influence the framework conditions for their business operations. The subsidiaries not based in Germany all have their place of incorporation within the European Union or Switzerland. No substantial factors that influence business need be mentioned.

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Goals and Strategies", page 18 et seq.).

SHAREHOLDER STRUCTURE (%)



- Tocos Beteiligung GmbH (Detlev Meyer)
- Augendum Vermögensverwaltung GmbH
- Institutional and private investors (free float)

Management and Control

Independent responsibility for the running of the company and for the appointment of representatives for transactions with third parties rests with the Board of Management of Hawesko Holding AG. It comprises five members and reaches its decisions by majority vote. Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group.

The Supervisory Board appoints the members of the Board of Management. Members of the Board of Management may be appointed for a maximum of five years. The reappointment or extension for a maximum of five years requires a renewed resolution by the Supervisory Board.

The Board of Management is overseen and advised by the Supervisory Board. In accordance with the articles of incorporation the Supervisory Board comprises six members, elected by the Shareholders' Meeting. In accordance with the legal requirements, the Supervisory Board is informed regularly, promptly and comprehensively by the Board of Management of all plans, business developments and risks that are of relevance to the company. The Board of Management coordinates the strategic emphasis of the group with the Supervisory Board.

The shareholders exercise their right to have a say in the running and supervision of the company through the Shareholders' Meeting. Every share in Hawesko Holding AG carries one vote. The principle of "one share, one vote" is taken to its logical conclusion, as there are no caps on the number of voting rights which may be held by one shareholder, nor any special voting rights. Every shareholder is entitled to take part in the Shareholders' Meeting, to comment there on the individual agenda items and to demand information on matters concerning the company, to the extent that this is needed for the correct assessment of a matter being brought before the Shareholders' Meeting.

Each business segment of Hawesko Holding AG is headed by a member of the Board of Management, who is responsible for defining and attaining the segment targets and possesses authority to issue instructions within the segment.

The Board of Management uses sales growth, profit margin, ROCE and free cash flow as the basis for its management approach. The benchmarks it aims for were outlined above under "Goals and Strategies". The targets and the development of the individual segments on the basis of these benchmarks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies. By incorporating EBIT margins and the return on capital employed into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.

The Notes to the consolidated financial statements contain full details of the members of the Board of Management and Supervisory Board.

Pursuant to Section 289a of German Commercial Code, publicly listed companies are to prepare a corporate governance declaration and incorporate it into their management report as a separate section. It may also be made publicly accessible on the company's website. This declaration, which contains the declaration pursuant to Section 161 of the German Stock Corporation Act as well as relevant disclosures on corporate management practices implemented over and above the statutory requirements, a description of the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of their committees, is published in the annual report (page 126 et seq.) and can also be accessed on the Internet at www.hawesko-holding.com -> Group -> Corporate Governance.

Remuneration Report

The remuneration level and system for the Board of Management are determined by the Supervisory Board based on preparatory resolutions by the Personnel and Nominating Committee and examined at regular intervals. As part of its preparations, the Supervisory Board also commissions external remuneration studies.

The remuneration of the Board of Management members comprises a fixed and a variable component. The variable component consists of a management bonus made up of both an earnings component that reflects on the medium-term performance of the company, and a component that is based on personal performance. The earnings component is based on the development in EBIT and ROCE over a three-year period, and the personal performance component reflects qualitative targets tailored to each individual. There is a defined cap on the variable remuneration. The older contract of Bernd Hoolmans, which expires in mid-2015, includes different provisions on variable remuneration.

In 2014, as in the previous year, the remuneration did not include any stock options, stock appreciation rights which work in the same way as stock options or any other share-based components. The remuneration of the Board of Management for 2014 is shown in the following tables:

BENEFITS GRANTED € '000	*Alexander Margaritoff,* *Chairman*				*Bernd Hoolmans,* *Member, leave of absence from 31 December 2014*			
	2013	2014	*Min.*	*Max.*	2013	2014	*Min.*	*Max.*
Fixed remuneration	982	1,142	–	–	450	450	–	–
Fringe benefits	–	–	–	–	–	–	–	–
TOTAL	**982**	**1,142**	**–**	**–**	**450**	**450**	**–**	**–**
One-year variable remuneration	684	115	–	–	304	315	–	–
MULTI-YEAR VARIABLE REMUNERATION								
for financial years 2013–2015	–	–	–	–	–	–	–	–
TOTAL	**1,666**	**1,257**	**–**	**–**	**754**	**765**	**–**	**–**
Benefit expense	–	–	–	–	2	61	–	–
TOTAL REMUNERATION	**1,666**	**1,257**	**–**	**–**	**756**	**826**	**–**	**–**

BENEFITS GRANTED € '000	*Bernd G Siebdrat,* *Member*				*Ulrich Zimmermann,* *Finance Director*			
	2013	2014	*Min.*	*Max.*	2013	2014	*Min.*	*Max.*
Fixed remuneration	480	480	–	–	300	300	–	–
Fringe benefits	–	–	–	–	–	–	–	–
TOTAL	**480**	**480**	**–**	**–**	**300**	**300**	**–**	**–**
One-year variable remuneration	–	–	–	–	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION								
for financial years 2013–2015	120	60	0	480	75	50	0	300
TOTAL	**600**	**540**	**–**	**–**	**375**	**350**	**–**	**–**
Benefit expense	2	2	–	–	10	10	–	–
TOTAL REMUNERATION	**602**	**542**	**–**	**–**	**385**	**360**	**–**	**–**

BENEFITS PAID € '000	*Alexander Margaritoff,* *Chairman*		*Bernd Hoolmans,* *Member, leave of absence from 31 December 2014*	
	2013	2014	2013	2014
Fixed remuneration	982	1,142	450	450
Fringe benefits	–	–	–	–
TOTAL	**982**	**1,142**	**450**	**450**
One-year variable remuneration	885	684	393	304
MULTI-YEAR VARIABLE REMUNERATION				
for financial years 2013–2015	–	–	–	–
TOTAL	**1,867**	**1,826**	**843**	**754**
Benefit expense	–	–	–	–
TOTAL REMUNERATION	**1,867**	**1,826**	**843**	**754**

BENEFITS PAID € '000	*Bernd G Siebdrat,* *Member*		*Ulrich Zimmermann,* *Finance Director*	
	2013	2014	2013	2014
Fixed remuneration	480	480	300	300
Fringe benefits	–	–	–	–
TOTAL	**480**	**480**	**300**	**300**
One-year variable remuneration	511	–	142	–
MULTI-YEAR VARIABLE REMUNERATION				
for financial years 2013–2015	–	120	–	75
TOTAL	**991**	**600**	**442**	**375**
Benefit expense	2	2	10	10
TOTAL REMUNERATION	**993**	**602**	**452**	**385**

The Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay; a provision totalling € 247 thousand (previous year: € 186 thousand) was recognised for this commitment at 31 December 2014. In addition his leave of absence from 31 December 2014 while continuing to draw his pay until 31 July 2015 has been agreed; a provision amounting to € 0.5 million was created for this purpose in the previous year. The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay, having reached the age of 65. The company paid an amount of € 30 thousand (previous year: € 30 thousand) into a benevolent fund for this commitment in the year under review, including € 20 thousand from salary conversion.

The remuneration of the Supervisory Board was supplemented by a variable component by shareholders' resolution dated 8 June 2000, paid in addition to the fixed component. The Supervisory Board members currently receive a fixed payment of € 4,200.00 per year plus reimbursement of expenses (as well as any VAT, if due, on their Supervisory Board activities). Each Supervisory Board member in addition receives € 1,050.00 in attendance fees for each plenary or committee meeting attended. The Chair receives twice this amount, and the Deputy Chair one and a half times it. The remuneration of the Supervisory Board for 2014 is shown in the following table:

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Dr Joh. Christian Jacobs (since 16 June 2014)	20	5	23	–	48
Prof Dr Dr Dres h c Franz Jürgen Säcker (until 16 June 2014)	17	4	21	5	47
Gunnar Heinemann	27	6	20	–	53
Thomas R Fischer	18	4	14	–	36
Detlev Meyer	18	4	15	–	37
Prof Dr-Ing Wolfgang Reitzle (since 1 August 2014)	8	2	7	–	17
Kim-Eva Wempe	18	4	13	–	35
TOTAL	**126**	**29**	**113**	**5**	**273**

The shares held by members of the Board of Management and Supervisory Board are indicated in Note 45 to the consolidated financial statements. Pursuant to Section 15a of the German Securities Trading Act, the members of the Board of Management and Supervisory Board are obliged to disclose significant acquisitions or disposals of shares in Hawesko Holding AG.

Supplementary Information on Hawesko Holding AG (in accordance with German Commercial Code)

OVERVIEW OF THE 2014 FINANCIAL YEAR FOR HAWESKO HOLDING AG

Hawesko Holding AG, as the management holding company of the Hawesko Group, is dependent to a significant degree on the development of the Hawesko Group in respect of the business performance, position and expected development, together with its principal opportunities and risks.

In view of the holding structure, in a departure from the group view the most important performance indicator for Hawesko Holding AG is the net income for the period as defined under German commercial law within the meaning of DRS 20.

BUSINESS PERFORMANCE OF HAWESKO HOLDING AG

The business performance of Hawesko Holding AG is materially determined by the performance of its investments. The financial statements of Hawesko Holding AG in accordance with the regulations of commercial law serve as the basis for the dividend distribution. The statement of income and balance sheet of Hawesko Holding AG in accordance with the German Commercial Code are presented below.

Financial performance of Hawesko Holding AG and appropriation of earnings

Statement of income for the financial year from 1 January to 31 December 2014 in accordance with German Commercial Code

€ '000 *(rounding differences are possible)*	2014	2013
Other operating income	1,606	1,742
Personnel expenses		
a) Salaries	–3,654	–4,507
b) Social security and other employee benefits	–150	–145
Depreciation/amortisation of intangible fixed assets and of tangible assets	–17	–17
Other operating expenses	–7,861	–5,611
Income from profit transfers	22,379	22,163
Investment income	8,418	7,193
Other interest and similar income	1,042	1,086
Expenses from losses absorbed	–275	–255
Write-downs of financial assets	–	–452
Interest and similar expenses	–630	–857
RESULT FROM ORDINARY ACTIVITIES	**20,857**	**20,340**
Income tax expense	–5,082	–6,151
Other taxes	–2	–12
NET INCOME	**15,773**	**14,176**
Profit carryforward from previous year	271	417
Appropriation to other retained earnings	–4,000	–
Withdrawal from other retained earnings	–	500
ACCUMULATED PROFIT	**12,044**	**15,094**

Hawesko Holding AG reports a result from ordinary activities of € 20.9 million for the 2014 financial year, compared with € 20.3 million in the previous year.

The income from profit transfers consist mainly of the profits of the subsidiaries *Jacques' Wein-Depot Wein-Einzelhandels GmbH* and *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*.

The income from investments comprises mainly the profits of *Wein Wolf Holding GmbH & Co. KG, Wein & Vinos GmbH, CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Weinland Ariane Abayan GmbH & Co. KG*.

The expenses from losses absorbed result from those in respect of *IWL Internationale Wein Logistik GmbH*.

The other operating expenses rose as a result of higher expenses for consultancy fees than in the previous year.

On average over the 2014 financial year, Hawesko Holding AG had eight (previous year: eight) employees. Lower performance-related remuneration components meant that personnel costs fell.

The net income for the year is € 15.8 million, compared with € 14.2 million in the previous year. It is therefore below the level of € 17.5–18.0 million forecast at the start of the reporting period.

After addition of the profit carryforward from the previous year and appropriation of € 4.0 million into other retained earnings, the company reports an unappropriated profit of € 12.0 million (previous year: € 15.1 million).

With regard to use of the unappropriated profit for 2014, the Board of Management proposes that a dividend of € 1.30 per share, in other words € 11.7 million in total, be paid from the declared unappropriated profit of € 12.0 million, and that the remainder be profit carried forward for new account.

Financial position of Hawesko Holding AG

Cash flows arose in the year under review mainly as a result of financing activities involving companies of the Hawesko Group.

Net worth of Hawesko Holding AG

ASSETS € '000 *(rounding differences are possible)*	31/12/2014	31/12/2013
FIXED ASSETS		
INTANGIBLE ASSETS		
Concessions acquired for consideration, industrial property rights and similar rights and values as well as licences to such rights and values	18	1
TANGIBLE ASSETS		
Land, equivalent rights and buildings, including buildings on third-party land	12	17
Other fixtures and fittings, tools and equipment	40	51
FINANCIAL ASSETS		
Shares in affiliated companies	100,115	100,115
Advance payments on shares in affiliated companies	–	–
Other loans	47	49
	100,231	**100,233**
CURRENT ASSETS		
RECEIVABLES AND OTHER ASSETS		
Due from affiliated companies	67,886	65,430
Other assets	1,764	1,101
BANK ACCOUNTS IN CREDIT	6,666	14,412
	76,316	**80,943**
PREPAID EXPENSES	34	44
	176,581	**181,220**

The assets at the reporting date total € 176.6 million (previous year: € 181.2 million) and are made up predominantly of financial assets in the amount of € 100.2 million (previous year: € 100.2 million) along with receivables from affiliated companies in the amount of € 67.9 million (€ 65.4 million). The financial assets represent 57% of the balance sheet total.

The item bank accounts in credit fell from € 14.4 million at the prior-year reporting date to € 6.7 million at 31 December 2014. The main reason for this change was the repayment of the purchase price financing for *Wein & Vinos GmbH*.

SHAREHOLDERS' EQUITY AND LIABILITIES € '000 *(rounding differences are possible)*	31/12/2014	31/12/2013
SHAREHOLDERS' EQUITY		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other retained earnings	62,738	58,738
Accumulated profit	12,044	15,094
	152,558	**151,608**
PROVISIONS		
Provisions for taxation	208	489
Other provisions	2,313	2,826
	2,521	**3,315**
LIABILITIES		
Due to banks	14,248	19,847
Trade payables	2,715	138
Due to affiliated companies	977	2,720
Other liabilities	1,879	2,197
	19,818	**24,902**
DEFERRED TAX LIABILITIES	**1,683**	**1,395**
	176,581	**181,220**

The equity and liabilities side of the balance sheet comprises € 152.6 million in equity (prior-year reporting date: € 151.6 million) and provisions, liabilities and deferred tax liabilities of € 24.0 million (prior-year reporting date: € 29.6 million). Equity represents 86% of the balance sheet total.

The fall in amounts due to banks is in respect of the scheduled repayment of the purchase price financing for *Wein & Vinos GmbH*.

RISK SITUATION OF HAWESKO HOLDING AG

As Hawesko Holding AG is extensively tied in with the companies of the Hawesko Group through such arrangements as financing and warranty commitments as well as by holding direct and indirect interests in the investments, the risk situation of Hawesko Holding AG is essentially dependent on the risk situation of the Hawesko Group. To that extent the statements on the overall assessment of the risk situation by the company's management also summarise the risk situation of Hawesko Holding AG.

FORECAST FOR HAWESKO HOLDING AG

The development of Hawesko Holding AG in its function as holding company is dependent essentially on the development of its investments. Subject to a stable financial result, a broadly unchanged cost structure and non-recurring costs roughly on a par with the previous year, the Board of Management assumes that the net income for the year 2015 will again be at the level of the 2014 financial year.

PLANNED CAPITAL EXPENDITURE BY HAWESKO HOLDING AG

In the course of carrying out capital expenditure for the Hawesko Group, Hawesko Holding AG will support the group companies by providing financial resources.

CORPORATE GOVERNANCE DECLARATION

The Corporate Governance Declaration in accordance with Section 289a of German Commercial Code is available to the public in the annual report and on the website of the company at www.hawesko-holding.com.

CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2014 financial year

Consolidated Statement of Income

for the period from 1 January to 31 December 2014

€ '000	Notes	2014	2013
SALES REVENUES	8	**472,790**	**465,172**
Increase/decrease in finished goods inventories		317	31
Other production for own assets capitalised		408	–
Other operating income	9	20,068	20,633
Cost of purchased goods		−274,772	−274,710
Personnel expenses	10	−52,370	−51,861
Depreciation and amortisation	11	−6,840	−6,826
Other operating expenses	12	−139,474	−129,443
Other taxes		−77	−439
RESULT FROM OPERATIONS		**20,050**	**22,557**
Interest income	13	108	143
Interest expense	13	−1,319	−1,111
Other financial result	13	2,385	3,436
Investment income	13	131	252
EARNINGS BEFORE TAXES		**21,355**	**25,277**
Taxes on income and deferred tax	14	−6,524	−8,951
CONSOLIDATED NET INCOME		**14,831**	**16,326**
of which attributable			
– to the shareholders of Hawesko Holding AG		14,840	16,212
– to non-controlling interests		−9	114
Earnings per share (basic = diluted) (€)	15	1.65	1.80

Consolidated Statement of Comprehensive Income

for the period from 1 January to 31 December 2014

€ '000	2014	2013
CONSOLIDATED NET INCOME	**14,831**	**16,326**
AMOUNTS THAT WILL NOT BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE	**–135**	**–1**
– Actuarial gains and losses from defined benefit plans, incl. deferred tax	–135	–1
AMOUNTS THAT MAY BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE	**111**	**109**
– Effective portion of the losses from cash flow hedges, incl. deferred tax	65	133
– Currency translation differences	46	–24
OTHER COMPREHENSIVE INCOME	**–24**	**108**
TOTAL COMPREHENSIVE INCOME	**14,807**	**16,434**
of which attributable		
– to the shareholders of Hawesko Holding AG	14,772	16,315
– to non-controlling interests	35	119

Consolidated Balance Sheet

at 31 December 2014 (IFRS)

ASSETS € '000	Notes	31/12/2014	31/12/2013
NON-CURRENT ASSETS			
Intangible assets	16	33,010	34,160
Property, plant and equipment	17	21,300	21,846
Investments accounted for using the equity method	7	457	526
Other financial assets	18	234	236
Advance payments for inventories	20	2,427	4,906
Receivables and other assets	21	1,205	1,157
Deferred tax	19	1,712	1,906
		60,345	**64,737**
CURRENT ASSETS			
Inventories	20	95,424	95,809
Trade receivables	21	44,508	48,485
Receivables and other assets	21	3,719	5,167
Accounts receivable from taxes on income	21	2,361	1,316
Cash in banking accounts and cash on hand	22	10,858	18,760
		156,870	**169,537**
		217,215	**234,274**

SHAREHOLDERS' EQUITY AND LIABILITIES € '000	*Notes*	31/12/2014	31/12/2013
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	23	13,709	13,709
Capital reserve	24	10,061	10,061
Retained earnings	25	61,017	61,000
Other reserves	26	–132	–64
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG		**84,655**	**84,706**
Non-controlling interests	27	6,459	7,386
		91,114	**92,092**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	28	1,075	873
Other long-term provisions	29	1,384	1,653
Borrowings	30	2,466	7,575
Advances received	31	1,229	2,588
Sundry liabilities	32	1	1
Other financial liabilities	31	10,242	12,719
Deferred tax liabilities	33	701	937
		17,098	**26,346**
SHORT-TERM LIABILITIES			
Minority interest in the capital of unincorporated subsidiaries	31	64	9
Borrowings	30	14,461	14,591
Advances received	31	5,366	6,575
Trade payables	31	65,815	67,730
Income taxes payable		532	1,533
Sundry liabilities	32	22,765	25,398
		109,003	**115,836**
		217,215	**234,274**

Consolidated Cash Flow Statement

for the period from 1 January to 31 December 2014

€ '000		Notes	2014	2013
	Earnings before taxes		21,355	25,277
+	Depreciation and amortisation of intangible and tangible assets		6,840	6,826
+/–	Other non-cash expenses and income		–	–783
+/–	Financial income and expense		–1,174	–2,468
+/–	Result from the disposal of intangible and tangible assets		–24	13
+	Result from the companies reported using the equity method		–131	–252
+	Dividend payments received		193	557
+/–	Change in inventories		2,865	8,070
+/–	Change in receivables and other assets		5,377	7,820
+/–	Change in provisions		–258	455
+/–	Change in liabilities (excluding borrowings)		–7,402	–5,923
–	Taxes on income paid out	39	–8,304	–8,532
=	**NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS**		**19,337**	**31,060**
–	Acquisition of subsidiaries net of cash acquired		–	–2,523
–	Outpayments for tangible assets and intangible assets		–5,365	–5,161
+	Inpayments from the disposal of intangible and tangible assets		268	203
+	Inpayments from the disposal of financial assets		2	2
=	**NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES**		**–5,095**	**–7,479**
–	Outpayments for dividend		–14,823	–14,823
–	Outpayments to non-controlling interests		–962	–524
–	Payments of finance lease liabilities		–372	–351
+	Change in short-term borrowings		–139	5,003
–	Repayments of medium and long-term borrowings		–4,750	–4,750
+	Interest received	39	101	132
–	Interest paid out	39	–1,232	–1,021
=	**OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES**		**–22,177**	**–16,334**
	Effects of exchange rate changes on cash (up to 3 months to maturity)		33	–11
=	**NET DECREASE/INCREASE OF FUNDS**		**–7,902**	**7,236**
+	Funds at start of period		18,760	11,524
=	**FUNDS AT END OF PERIOD**		**10,858**	**18,760**

Consolidated Statement of Changes in Equity

for the period from 31 December 2012 to 31 December 2013

				Other reserves					
€ '000	Subscribed capital	Capital reserve	Retained earnings	Balancing item from currency translation	Revaluation component retirement benefit obligation	Reserve for cash flow hedge	Ownership interest of Hawesko Holding AG shareholders	Non-controlling interests	Shareholders' equity
31/12/2012	**13,709**	**10,061**	**59,611**	**63**	**24**	**–254**	**83,214**	**6,524**	**89,738**
Consolidation changes	–	–	–	–	–	–	–	1,267	1,267
Dividends	–	–	–14,823	–	–	–	–14,823	–524	–15,347
Consolidated net income	–	–	16,212	–	–	–	16,212	114	16,326
Other result	–	–	–	–29	–2	187	156	5	161
Deferred tax on other result	–	–	–	–	1	–54	–53	–	–53
31/12/2013	**13,709**	**10,061**	**61,000**	**34**	**23**	**–121**	**84,706**	**7,386**	**92,092**

for the period from 31 December 2013 to 31 December 2014

				Other reserves					
€ '000	Subscribed capital	Capital reserve	Retained earnings	Balancing item from currency translation	Revaluation component retirement benefit obligation	Reserve for cash flow hedge	Ownership interest of Hawesko Holding AG shareholders	Non-controlling interests	Shareholders' equity
31/12/2013	**13,709**	**10,061**	**61,000**	**34**	**23**	**–121**	**84,706**	**7,386**	**92,092**
Dividends	–	–	–14,823	–	–	–	–14,823	–962	–15,785
Consolidated net income	–	–	14,840	–	–	–	14,840	–9	14,831
Other result	–	–	–	2	–191	92	–97	44	–53
Deferred tax on other result	–	–	–	–	56	–27	29	–	29
31/12/2014	**13,709**	**10,061**	**61,017**	**36**	**–112**	**–56**	**84,655**	**6,459**	**91,114**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2014 financial year

Principles and Methods applied in the Consolidated Financial Statements

Hawesko Holding Aktiengesellschaft has its registered office in Hamburg, Germany (Address: Plan 5, 20095 Hamburg). It is entered on the Commercial Register at the Local Court of Hamburg under number 66708. The activities of the group include in particular the trading and sale of wines, champagnes and other alcoholic drinks to consumers and re-sellers. The companies under the corporate umbrella of Hawesko Holding AG cover the sales forms specialist wine-shop retailing, wholesaling and distance selling.

1. GENERAL PRINCIPLES

Pursuant to EU Order 1606/2002, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU at the balance sheet date. The supplementary requirements of German commercial law were additionally taken into account, pursuant to Section 315a (1) of German Commercial Code.

The requirements were satisfied in full and the consolidated financial statements give a true and fair view of the net worth, financial position and financial performance.

The annual financial statements of the consolidated companies are based on standard recognition and measurement principles. For greater clarity, certain items in the statement of income and balance sheet are combined; they are explained in the Notes. The standard reporting date for all group companies is 31 December 2014.

The type of expenditure format was used for the preparation of the statement of income.

The consolidated financial statements are prepared under the historical cost convention, with the exception of derivative financial instruments as well as available for sale financial assets, which are measured at their fair value.

The sums reported are always quoted in thousand euros (€ '000), unless otherwise indicated.

The consolidated financial statements prepared by the Board of Management are to be submitted to the Supervisory Board on 20 March 2015 for signing off at the Supervisory Board meeting devoted to the annual accounts on 26 March 2015.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2014 of Hawesko Holding AG are published in the Federal Gazette. Copies of the annual financial statements and the combined management report for the group and the parent company can in addition be requested directly from Hawesko Holding AG.

2. STANDARDS AND INTERPRETATIONS TO BE APPLIED FOR THE FIRST TIME IN THE FINANCIAL YEAR AND AMENDMENTS TO STANDARDS AND INTERPRETATIONS

Hawesko Holding AG adopted the following standards of the International Accounting Standards Board (IASB) for the first time in the financial year:

- *IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (endorsed on 29 December 2012)*
  The terms "present time" and "simultaneously" are concretised.
- *IAS 36 "Impairment of Assets" (endorsed on 20 December 2013)*
  Clarification that the disclosure of the recoverable amount for a cash generating unit is only necessary in the case of actual impairment.
- *IAS 39 "Financial Instruments: Recognition and Measurement" (endorsed on 20 December 2013)*
  Derivatives remain designated as hedges in existing hedging relationships despite a novation.

- *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (for adoption from 1 January 2014, endorsed on 14 June 2014)*

The amendments to the aforementioned standards had no material effect on the presentation of net worth, the financial position and the financial performance.

- *IFRS 12 "Disclosures of Interests in Other Entities"*
  The standard contains much wider disclosure requirements for interests in other entities. The adoption of IFRS 12 results in a number of additional disclosures in the Notes.

3. NEW IASB ACCOUNTING STANDARDS

The consolidated financial statements of Hawesko Holding AG have been prepared in accordance with all published financial reporting standards and interpretations of the IASB, the application of which was mandatory for the 2014 financial year, as endorsed by the European Union. The option of adopting new standards and interpretations before they become binding was not exercised in the year under review.

The following new or revised standards and interpretations have already been published but application is not yet mandatory for companies with a financial year ending 31 December 2014:

- *IAS 19 "Employee Benefits" (for adoption from 1 February 2015, endorsed on 17 December 2014)*
- *IFRS 2 "Share-based Payments" (not yet endorsed)*
- *IFRS 3 "Business Combinations" (not yet endorsed)*
- *IFRS 8 "Operating Segments" (not yet endorsed)*
- *IFRS 13 "Fair Value Measurement" (not yet endorsed)*
- *IAS 16 "Property, Plant and Equipment" Clarification of acceptable methods of depreciation and amortisation (not yet endorsed)*
- *IAS 38 "Intangible Assets" Clarification of acceptable methods of depreciation and amortisation (not yet endorsed)*
- *IAS 24 "Related Party Disclosures" (not yet endorsed)*
- *Improvements 2010 to 2012 (for adoption from 1 February 2015, endorsed on 18 December 2014)*
- *Improvements 2011 to 2013 (for adoption from 1 January 2015, endorsed on 17 December 2014)*
- *IFRS 1 "First-time Adoption of International Financial Reporting Standards" (not yet endorsed)*
- *IAS 34 "Interim Financial Reporting" (not yet endorsed)*
- *IAS 40 "Investment Property" (not yet endorsed)*
- *IAS 41 "Agriculture" (not yet endorsed)*
- *IAS 27 "Separate Financial Statements" (not yet endorsed)*
- *IAS 28 "Investments in Associates and Joint Ventures" (not yet endorsed)*
- *IFRS 10 "Consolidated Financial Statements" (not yet endorsed)*
- *IFRS 11 "Joint Arrangements" (not yet endorsed)*
- *IFRS 14 "Regulatory Deferral Accounts" (not yet endorsed)*
- *IFRS 15 "Revenue from Contracts with Customers" (not yet endorsed)*
- *IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (not yet endorsed)*
- *IFRS 7 "Financial Instruments: Disclosures" (not yet endorsed)*
- *IFRS 9 "Financial Instruments" (not yet endorsed)*
- *IFRIC 21 "Levies" (for adoption from 17 June 2014, endorsed on 14 June 2014)*

It is planned to apply the standards and interpretations from the point in time when they become mandatory.

The application of the aforementioned standards will probably have no material effect on the net worth, financial position and financial performance of the group.

4. CONSOLIDATION PRINCIPLES

The consolidated financial statements of Hawesko Holding AG include all significant domestic and foreign subsidiaries or joint ventures where the company directly or indirectly has a right to variable returns and also scope for influencing those variable returns through its ability to determine activities.

The consolidation of capital is always performed on the basis of the time of acquisition according to the purchase method. For this method, the acquisition costs of the shares acquired are netted against the pro rata fair value of the acquired assets and debts of the subsidiary at the time of acquisition. Any remaining positive differences are carried as derivative goodwill on the basis of their economic content. Negative differences are booked through profit and loss. In the case of business combinations achieved in stages, remeasurement to be performed at the fair value of the shares held at the time of transfer of control. Transactions that do not lead to a loss of control are recognised income-neutrally as equity transactions for non-controlling interests. At the time of loss of control, all residual interests are remeasured at fair value through profit and loss.

Since 2013, joint ventures have been accounted for in accordance with IFRS 11. According to IFRS 11, a distinction is made within joint arrangements between joint operations and joint ventures, depending on the contractual rights and obligations between. Pursuant to IFRS 11, joint ventures are accounted for using the equity method at the updated pro rata value of the equity capital of the investment.

The contribution of the three subsidiaries *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* to Hawesko Holding AG on 1 January 1998 was treated as a "transaction between companies under common control". No differences arose from the consolidation of capital, as the carrying amounts of the three subsidiaries in question were retained.

Intra-group sales, charges and earnings as well as accounts receivable and payable between the consolidated companies are eliminated.

Intercompany results for inventories are eliminated unless they are of more than minor economic significance.

Non-controlling interests are measured either at fair value or at the pro rata fair value of the acquired assets or debts assumed. Following initial recognition, pro rata gains and losses are allocated without limit, as a result of which non-controlling interests may also show a negative balance.

For consolidation, the annual financial statements of economically independent foreign group companies are translated into the currency of the Hawesko Group in keeping with the concept of the functional currency. In the translation of these financial statements, all assets and debts are translated at the balance sheet date, and income and expense items at the average rate for the reporting period. Equity components of subsidiaries are translated at the corresponding historical rate at the time they arise. The exchange differences resulting from translation are reported as balancing items from currency translation within accumulated other equity or non-controlling interests.

5. RECOGNITION AND MEASUREMENT PRINCIPLES

Intangible assets acquired for consideration are measured at acquisition cost.

Self-constructed intangible assets are capitalised at the costs that were incurred by them during the development phase, after the time that their technological and commercial feasibility was established, up to the time of their completion. The capitalised cost of production comprises the costs directly and indirectly allocable to the development phase. Costs that are incurred before the development phase in connection with subsequent self-constructed assets are posted as an expense.

With the exception of goodwill from the consolidation of capital, there are no intangible assets with an indefinite useful life. Other intangible assets, whether self-constructed or acquired for consideration, are depreciated throughout their useful life, starting from the time of their use, by the straight-line method (generally between three and six and a half years).

Pursuant to IAS 23 borrowing costs for intangible assets were not capitalised, as the corresponding conditions were not satisfied.

Goodwill is not amortised but is instead tested for impairment on the basis of the recoverable amount for the cash-generating unit to which the goodwill is allocated. Taking the sales and management structure as the starting point, a cash-generating unit is defined as an individual company or a group. The impairment test is to be performed at the balance sheet date and then subsequently whenever there is evidence of impairment. The recoverable amount for a cash-generating unit is determined on the basis of the fair value less disposal costs. The fair value is calculated on the basis of future cash flows according to group planning. Discounting of the forecast cash flows is performed using a risk-adjusted interest rate. Capital market data is used in determining the risk-oriented interest rate. If the carrying amount of the cash-generating unit exceeds the recoverable amount, the allocable goodwill is to be impaired by the difference. If the impairment exceeds the carrying amount of the goodwill, the excess amount is to be distributed pro rata among the other assets of the cash-generating unit.

Property, plant and equipment are valued at their acquisition cost and depreciated by the straight-line method in accordance with their useful life. Pursuant to IAS 23 borrowing costs for items of property, plant and equipment were not capitalised, as the corresponding conditions were not satisfied.

Rented or leased assets in the economic ownership of the Hawesko Group (finance leases) are capitalised within fixed assets at the present value of the minimum lease payments or at fair value if lower, and depreciated by the straight-line method. The present value of lease obligations from future lease payments is recognised as a liability. All other rental agreements or leases are classified as operating leases.

The depreciation plan for property, plant and equipment is based on the following estimates of useful life:

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Buildings	6 to 50 years
Leasehold improvements	7 to 10 years
Other fixtures and fittings, tools and equipment	2 to 15 years

Intangible assets and property, plant and equipment are tested for any *need for impairment* of the carrying amount at the balance sheet date or whenever there is evidence of such impairment. A reduction for impairment is applied if the carrying amounts are no longer covered by the anticipated sales proceeds or value in use. If it is not possible to determine the recoverable amount for individual assets, impairment is tested on the basis of the next-higher group of assets. Wherever the reasons for impairment previously recorded cease to apply, these assets are written up. The value in use corresponds to the discounted cash flows from continued use, which are determined on the basis of group planning. Discounting of the forecast cash flows is performed using a risk-adjusted interest rate. Capital market data is used in determining the risk-oriented interest rate.

In the year under review, reductions for impairment amounting to € 134 thousand (previous year: none) were applied to internally produced intangible assets. There were no reversals, as in the previous year.

Raw materials, consumables used and merchandise as well as advance payments for inventories are measured at acquisition cost or at net realisable value. The costs include overhead costs which can be directly allocated, in addition to prime costs. They are fundamentally measured according to the moving average method. *Work in progress and finished goods* are valued at the cost of production or at net realisable value if lower.

The *provisions for pensions* are calculated according to the projected unit credit method pursuant to IAS 19 (2011), taking account of the anticipated pay and pension increases. Retirement benefit obligations are measured on the basis of retirement benefit appraisals. Actuarial gains and losses are recognised income-neutrally in the other reserves in the year in which they arise. The service cost from pension commitments is shown under personnel expenses. The interest expense from pension commitments is reported in the financial result.

The *other provisions* take account of all discernible obligations from past business transactions or occurrences at the balance sheet date, and where the outflow of resources is probable. The provisions are measured at the amounts that are likely to apply. Provisions are only created where a legal or de facto obligation towards third parties exists. Long-term provisions are reported at their discounted settlement value at the balance sheet date, on the basis of corresponding market interest rates.

Contingent liabilities as defined by IAS 37 are indicated in the Notes, insofar as the outflow of resources is not probable or the magnitude of the obligation cannot be estimated reliably.

Accounts receivable and payable in *foreign currency* are translated at the exchange rate at the time of their addition. This rate is also used for determining the acquisition costs of stock in trade. The assets and debts reported in foreign currency at the balance sheet are translated at the prevailing exchange rate. The foreign currency gains and losses resulting from this translation are booked through profit and loss.

A *financial instrument* is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets are broken down into the following categories:

a) At fair value through profit or loss

b) Held to maturity

c) Loans and receivables

d) Available for sale

The management determines the classification of financial assets upon initial recognition.

The financial assets include in particular cash in banking accounts and cash on hand, trade receivables, other loans originated by the enterprise and financial assets held for trading. The financial liabilities include the minority interest in the capital of unincorporated subsidiaries, trade liabilities, amounts due to banks, finance lease liabilities and derivative financial liabilities.

Shares in affiliated companies and *participations* that are not consolidated for reasons of minority are categorised as *financial assets available for sale.* These assets are measured at cost (less any impairment) because the fair value of such non-listed equity instruments cannot be reliably determined.

Securities are categorised as *financial assets available for sale.* They are recognised at fair value, which is determined using publicly listed market prices. If the fair value cannot reliably be determined, they are measured at cost. Unrealised gains or losses resulting from fair value changes are recognised in the accumulated other equity, taking account of the fiscal effects. The fair value changes are not recognised in income until the time of disposal or until permanent impairment is established.

Other loans are measured at amortised cost.

Receivables and other assets are fundamentally recognised upon delivery, i.e. at the settlement date. Initial recognition is at fair value. Subsequent measurement is at amortised cost. Any necessary reductions for impairment, which are based on the probable non-payment risk, are taken into account in the statement of income. Impaired accounts receivable and other assets are derecognised where cash inflows are unlikely.

Cash in banking accounts and cash on hand have a maturity of up to three months upon their addition and are measured at nominal value.

Financial liabilities are measured at fair value upon initial recognition.

Minority interest in the capital of unincorporated subsidiaries is measured within income at the amortised cost that corresponds to the respective compensation balance.

Trade liabilities and *other financial liabilities* are recognised at amortised cost using the effective interest method, with the interest expense recorded on the basis of the effective interest rate.

Financial instruments are stated as soon as a group company becomes party to the contractual regulations of the financial instrument. Within the group, regular way purchases or sales of financial assets are fundamentally recognised at the settlement date. Derivative financial instruments are recognised at the trade date.

No use was made of the scope for designating financial assets and liabilities as *assets and liabilities measured at fair value through profit and loss.*

Derivative financial instruments are concluded to hedge currency and interest rate risks.

The derivative financial instruments are reported at fair value upon initial recognition. Their subsequent measurement is likewise at fair value. The fair value is determined by investment mathematics methods and on the basis of the market data available at the reporting date.

Derivatives that are not bound up in an effective hedging relationship pursuant to IAS 39 are categorised as *financial assets and liabilities held for trading.* They are measured at fair value. A gain or loss from subsequent measurement is recognised in the statement of income.

Where the criteria for the recording of hedging relationships in accordance with IAS 39 are satisfied, the fair value changes in terms of the hedged risk are recognised either in the result for the period (fair value hedge) or in the other reserves (cash flow hedge) with no effect on income.

The *derecognition of financial assets and liabilities* held for trading is entered under the date of trading. All other financial assets and liabilities are derecognised upon their settlement.

Financial assets and liabilities are only *offset* and reported as a net amount on the balance sheet if a legal entitlement to do so exists and there is the intention to offset them in net terms or to settle the corresponding liability simultaneously with realisation of the asset in question.

Sales revenues and other operating income are shown at the time the service is rendered, provided the level of the income can be determined reliably and the economic benefit is likely to be accrued. Rendering of the service in the case of the sale of merchandise to customers has taken place if economic ownership has passed. The sales revenues are reduced by sales tax and any reduction in proceeds realised or anticipated.

Current tax expense comprises the actual income tax expense. The tax liabilities and receivables mainly comprise liabilities and claims for domestic and foreign income tax. They contain both the current year and any liabilities and claims from previous years. The liabilities and claims are created on the basis of the fiscal provisions in the countries of the respective business activities. *Deferred taxes* result from the temporarily divergent valuations in the IFRS consolidated balance sheet and the respective tax balance sheet values for these asset and liability items. Deferred tax assets on fiscally realisable loss carryforwards are capitalised if it is sufficiently likely that taxable income is to be expected in the future. They are determined on the basis of the anticipated tax rates in the individual countries at the time of realisation. These are based fundamentally on the statutory provisions that are valid or approved at the balance sheet date. Future income tax reduction claims and income tax obligations resulting from the preparation of the accounts according to IFRS are carried as deferred tax assets and liabilities. Deferred taxes are offset if a corresponding legally enforceable entitlement to offsetting exists and if the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority for either the same taxable entity or for different taxable entities that intend to offset them in net terms.

6. ESTIMATES AND ASSUMPTIONS

Preparation of the IFRS consolidated financial statements involves making *estimates and assumptions* which have an effect on the disclosure of assets and debts, the reporting of contingent liabilities at the balance sheet date and the disclosure of income and expenditure. These estimates and assumptions are based on past experience and on other factors, including expectations regarding future developments. All estimates and assessments are subject to ongoing review and remeasurement. The actual figures may differ from the amounts obtained by estimates and assumptions. Key estimates and assumptions are required in the following areas in particular:

Goodwill is tested annually for impairment in accordance with IAS 36. The recoverable amount is determined on the basis of the fair value less disposal costs. Determining the fair value in particular requires estimates of the future cash flow based on group planning. The most important assumptions on which the calculation of fair value is based include estimates of growth rates, weighted capital cost rates and tax rates. The carrying amount for goodwill was € 14,720 thousand at 31 December 2014 (previous year: € 14,720 thousand).

With effect from 1 January 2013 the useful life of a high-bay warehouse was increased. The new useful life is six years. A write-up of € 663 thousand was made in the previous year in this connection; as a result, depreciation and amortisation also increased by € 156 thousand. Based on the present level of assets, expense for depreciation and amortisation will likewise be € 156 thousand higher in subsequent years.

The measurement of inventory risks within *inventories* depends substantially on the assessment of future demand and, in specialist wine segments, on estimates of market price developments. The total impairment of inventories amounted to € 568 thousand at 31 December 2014 (previous year: € 1,687 thousand).

Impairment of doubtful *receivables* includes estimates and assessments of individual receivables that are based on the creditworthiness of the individual customer, and on past experience. A distinction is made between individual and general allowances for uncollectable receivables. The total impairment of receivables amounted to € 741 thousand at 31 December 2014 (previous year: € 717 thousand).

Provisions for pensions are measured according to actuarial principles. These methods are based on actuarial parameters such as the discounting rate, income and pension trend, and life expectancy. In view of the fluctuating market and economic situation, the underlying assumptions may depart from the actual development and have a material impact on the obligation for retirement benefit payments post-employment. The carrying amount of the provisions for pensions was € 1,075 thousand at 31 December 2014 (previous year: € 873 thousand).

The determination of *liabilities* from customer bonus programmes depends substantially on the assessment of how likely it is that the credit acquired will be redeemed. For this purpose assumptions are made based on customer quality and the credit levels. The carrying amount of the customer bonus liabilities was € 3,908 thousand at 31 December 2014 (previous year: € 3,773 thousand).

Consolidated Companies

7. CONSOLIDATED COMPANIES

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 25 (previous year: 25) domestic and foreign companies, as well as one domestic joint venture and its foreign subsidiary, in which Hawesko Holding AG directly or indirectly holds a majority of voting rights or over which it exercises joint control.

FULLY CONSOLIDATED SUBSIDIARIES

	Registered office	*Segment*	*Shareholding* %
Alexander Baron von Essen Weinhandelsgesellschaft mbH	Bonn	Wholesale	100.0
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	Hamburg	Wholesale	100.0
Deutschwein Classics GmbH & Co. KG	Bonn	Wholesale	90.0
Gebr. Josef und Matthäus Ziegler GmbH	Freudenberg	Wholesale	100.0
Globalwine AG	Zurich (Switzerland)	Wholesale	78.96
Vogel Vins SA	Grandvaux (Switzerland)	Wholesale	55.27
Le Monde des Grands Bordeaux Château Classic SARL, in liquidation	St-Christoly, Médoc (France)	Wholesale	90.0
Sélection de Bordeaux SARL	Strasbourg (France)	Wholesale	100.0
Wein Wolf Holding GmbH & Co. KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	Wholesale	100.0
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	Wholesale	100.0
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	Wholesale	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.	Salzburg (Austria)	Specialist wine-shop retail	100.0
Jacques-IT GmbH	Vaterstetten	Specialist wine-shop retail	100.0
Multi-Weinmarkt GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Viniversitaet Die Weinschule GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Carl Tesdorpf GmbH	Lübeck	Distance selling	97.5
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	Distance selling	100.0
The Wine Company Hawesko GmbH	Hamburg	Distance selling	100.0
Weinlet.de GmbH	Hamburg	Distance selling	100.0
Wein & Vinos GmbH	Berlin	Distance selling	70.0
IWL Internationale Wein Logistik GmbH	Tornesch	Miscellaneous	100.0
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	Miscellaneous	100.0

The joint venture *Global Eastern Wine Holding,* Bonn, along with its subsidiary *Global Wines, s.r.o.,* Prague (Czech Republic), is classified as a joint venture. The joint venture is accounted for using the equity method in acordance with IFRS 11 and is reported under the balance sheet item "Investments accounted for using the equity method":

	31/12/2014	31/12/2013
Carrying amount € '000	457	526
Share of capital %	50	50

The joint venture and its subsidiary come under the wholesale segment and are strategic partners for the sale of wines in the Czech Republic.

The following tables show the aggregated key figures for the joint venture included in the consolidated financial statements using the equity method, on the basis of the 50% ownership interest:

SHARE OF ASSETS AND DEBTS

€ '000	31/12/2014	31/12/2013
Non-current assets	9	17
Current assets	1,139	1,277
ASSETS	**1,148**	**1,294**
Shareholders' equity	656	781
Short-term provisions and liabilities	492	513
EQUITY AND LIABILITIES	**1,148**	**1,294**

SHARE OF INCOME AND EXPENSES

€ '000	31/12/2014	31/12/2013
Sales revenues	2,509	2,875
Other operating income	80	82
Cost of materials	–1,681	–1,962
Personnel expenses	–242	–168
Depreciation and amortisation	–9	–11
Other operating expenses	–402	–311
RESULT FROM OPERATIONS	**255**	**505**
Interest income	1	2
Interest expense	–3	–28
RESULT FROM ORDINARY ACTIVITIES	**253**	**479**
Taxes on income	–53	–97
NET INCOME	**200**	**382**
Profit due to controlling interests	–69	–130
NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**131**	**252**

A distribution of € 193 thousand (previous year: € 557 thousand) was received in the year under review.

The following subsidiaries are not included in the consolidated financial statements in view of their minor economic significance:

NON-CONSOLIDATED SUBSIDIARIES

	Registered office	*Shareholding* %	*Capital* € '000	*Net earnings* 2014 € '000
Wein Wolf Import GmbH	Bonn	100.0	34	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	36	1
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	100.0	28	1
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	100.0	52	6
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	39	1
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	90.0	32	1
C.C.F. Fischer GmbH	Tornesch	100.0	17	–1

Notes to the Consolidated Statement of Income

8. SALES REVENUES

€ '000	2014	2013
Specialist wine-shop retail	137,767	131,556
Wholesale	177,730	184,237
Distance selling	157,275	149,347
Miscellaneous	18	32
	472,790	**465,172**

The sales revenues include € 234 thousand (previous year: € 162 thousand) from exchange deals, mainly in respect of advertising services.

9. OTHER OPERATING INCOME

€ '000	2014	2013
Rental income	7,913	7,532
Advertising expense subsidies	5,584	5,259
Income from cost refunds	2,588	2,441
Income from currency translation	441	527
Income from the reversal of provisions	553	626
Miscellaneous	2,989	4,248
	20,068	**20,633**

Rental income substantially comprises income from the letting and leasing of the furnished Wein-Depot outlets to the trade representatives.

The advertising expense subsidies originate from contracts with leading vintners and are either calculated on the basis of the bottles or crates sold, or they represent the costs of events billed to the vintners on a pro rata basis.

10. PERSONNEL EXPENSES

€ '000	2014	2013
Wages and salaries	44,902	44,650
Social security and other pension costs	7,468	7,211
– of which in respect of old age pensions	178	188
	52,370	**51,861**

The employee benefit expenses include payments from defined contribution plans totalling € 167 thousand (previous year: € 167 thousand) and from defined benefit plans totalling € 11 thousand (previous year: € 21 thousand).

11. DEPRECIATION/AMORTISATION AND IMPAIRMENT

€ '000	2014	2013
Depreciation/amortisation of intangible assets	3,080	3,080
Impairment of intangible assets	134	–
Depreciation/amortisation of property, plant and equipment	3,626	3,746
	6,840	**6,826**

12. OTHER OPERATING EXPENSES

€ '000	2014	2013
Advertising	41,469	39,652
Commissions to partners	35,175	33,735
Delivery costs	21,429	20,193
Rental and leasing	11,480	11,238
Motor vehicle and travel costs	4,497	4,213
IT and communication costs	3,740	3,268
Board	2,841	2,720
Legal and consultancy costs	7,181	2,303
Other personnel expenses	2,011	1,554
Expenses from currency translation	516	525
Miscellaneous	9,135	10,042
	139,474	**129,443**

13. INTEREST INCOME, INTEREST EXPENSE, OTHER FINANCIAL RESULT AND INVESTMENT INCOME

€ '000	2014	2013
Interest income	108	143
Interest expense	–779	–942
Other financing expenses	–338	–
Interest for finance leases	–130	–152
Interest from the compounding of provisions	–18	–11
Income from put option	2,385	3,436
Net profit for the year due to minority interests in unincorporated subsidiaries	–12	–6
Change in the carrying amount of minority interests in unincorporated subsidiaries	–42	–
Result for the participating interests reported using the equity method	131	252
	1,305	**2,720**
Of which from financial instruments of the classification categories pursuant to IAS 39:		
– *Loans and receivables*	108	143
– *Financial assets held for trading (FAHfT)*	–	–
– *Financial liabilities held for trading (FLHfT)*	–	–
– *Available for sale financial assets (AfS)*	–	–
– *Financial liabilities measured at amortised cost*	1,196	2,477

14. TAXES ON INCOME AND DEFERRED TAX

€ '000	2014	2013
Current tax	6,545	8,865
Deferred tax liabilities	–21	86
	6,524	**8,951**

Paid or due taxes on income and earnings, and also deferred taxes, are reported as taxes on income.

Expenses for current tax are made up as follows:

€ '000	2014	2013
Current year	6,424	8,361
Previous years	121	504
	6,545	**8,865**

Expenses for deferred taxes are attributable to the following:

€ '000	2014	2013
From restructuring measures with an effect on taxes	53	64
From loss carryforwards	91	370
Other temporary differences	–165	–322
Change in tax rate	–	–26
	–21	**86**

The actual tax expense for the year 2014 of € 6,524 thousand (previous year: € 8,951 thousand) is € 226 thousand higher (previous year: € 1,498 thousand higher) than the anticipated tax expense of € 6,298 thousand (previous year: € 7,453 thousand) which would have resulted from the application of a tax rate to pre-tax earnings that was based on the current German legislation at the balance sheet date. The anticipated tax rate is 29.49% (previous year: 29.49%) and is obtained as follows:

	2014	2013
Trade tax (average municipal factor 390%, previous year: 390%)	13.66%	13.66%
Corporation tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporation tax)	0.83%	0.83%
TOTAL TAX BURDEN ON PRE-TAX EARNINGS	**29.49%**	**29.49%**

The causes of the difference between the anticipated and actual tax expense for the group are as follows:

€ '000	2014	2013
Earnings before taxes	21,355	25,277
Anticipated tax expense	6,298	7,453
Reclassification of minority interest	3	2
Tax expenses/income unrelated to the accounting period	121	504
Non-recognition of fiscal loss carryforwards	276	1,913
Capitalisation of deferred taxes on loss carryforwards	–27	–329
Tenancy and leasing commitments to be included in trade tax	162	170
Fiscally non-deductible portion of Supervisory Board remuneration	45	45
Effect of divergent national tax rates	93	4
Tax-free income	–703	–1,013
Other tax effects	256	202
ACTUAL TAX EXPENSE	**6,524**	**8,951**
Effective tax rate in %	30.55	35.41

At the end of the year the fair values of the derivatives reported in the other result came to € –77 thousand (previous year: € –169 thousand). In connection with this, deferred tax assets of € 27 thousand (previous year: € 54 thousand) were written back in the year under review. In addition, deferred tax assets totalling € 56 thousand (previous year: € 1 thousand) were created for the actuarial losses of € 191 thousand (previous year: € 2 thousand) that were reported in the other result.

15. EARNINGS PER SHARE

The earnings per share are calculated according to IAS 33 (Earnings per Share) by dividing the consolidated earnings by the average number of shares in circulation.

	2014	2013
Consolidated earnings of the shareholders (€ '000)	14,840	16,212
Average number of shares ('000)	8,983	8,983
Basic earnings per share (€)	1.65	1.80

At the time of preparation of the consolidated financial statements there were an unchanged 8,983,403 shares outstanding.

There is no difference between the diluted and basic earnings per share.

Notes to the Consolidated Balance Sheet

16. INTANGIBLE ASSETS

The development in intangible assets in the year under review and in the previous year is shown in the consolidated assets movement schedule on pages 86 – 89.

€ '000	31/12/2014	31/12/2013
Software	4,161	4,125
Other intangible assets including advance payments	14,129	15,315
Goodwill	14,720	14,720
	33,010	**34,160**

In the previous year, the item "Software" included two online shops in the amount of € 268 thousand by way of self-constructed assets. One online shop was written off in full by € 79 thousand ahead of schedule at the end of the year because use of that shop was halted. Depreciation and amortisation of € 119 thousand was applied to the other online shop, leaving the residual carrying amount of € 70 thousand at 31 December 2014. In addition a further online shop for distance selling was capitalised at a total of € 310 thousand in the year under review. Depreciation and amortisation of € 26 thousand was applied for this in the year under review, producing the residual carrying amount in this instance of € 284 thousand at 31 December 2014.

Beyond this, the implementation of a new ERP system was begun at a subsidiary in the distance-selling segment. € 164 thousand toward this project has been shown under advance payments, of which € 98 thousand comprises self-constructed assets.

The item "Other intangible assets" includes € 13,965 thousand (previous year: € 15,301 thousand) for the measurement of customer contacts and exclusive agreements from the initial consolidation of *Wein & Vinos GmbH*. A useful life of 14 years is recorded for the customer contacts, and eight years for the exclusive agreements.

Development of Consolidated Assets

for the period from 1 January to 31 December 2014

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Other intangible assets*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST					
POSITION AT 01/01/2014	**16,460**	**18,612**	**17,973**	**14**	**53,059**
Extension on the basis of consolidation	–	–	–	–	–
Additions	1,947	–	–	164	2,111
Disposals	−206	–	–	−14	−220
Appreciation	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2014	**18,201**	**18,612**	**17,973**	**164**	**54,950**
ACCUMULATED DEPRECIATION					
POSITION AT 01/01/2014	**12,335**	**3,892**	**2,672**	**–**	**18,899**
Extension on the basis of consolidation	–	–	–	–	–
Additions	1,878	–	1,336	–	3,214
Disposals	−173	–	–	–	−173
Appreciation	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2014	**14,040**	**3,892**	**4,008**	**–**	**21,940**
CARRYING AMOUNTS					
POSITION AT 31/12/2014	**4,161**	**14,720**	**13,965**	**164**	**33,010**

PROPERTY, PLANT AND EQUIPMENT € '000	*Land and buildings*	*Other fixtures and fittings, tools and equipment*	*Construction in progress*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 01/01/2014	**34,415**	**27,482**	**8**	**61,905**
Extension on the basis of consolidation	–	–	–	–
Additions	149	2,934	171	3,254
Disposals	−334	−1,200	−5	−1,539
Appreciation	–	–	–	–
Transfers	–	135	−135	–
POSITION AT 31/12/2014	**34,230**	**29,351**	**39**	**63,620**
ACCUMULATED DEPRECIATION				
POSITION AT 01/01/2014	**21,035**	**19,024**	**–**	**40,059**
Extension on the basis of consolidation	–	–	–	–
Additions	867	2,759	–	3,626
Disposals	−364	−1,001	–	−1,365
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2014	**21,538**	**20,782**	**–**	**42,320**
CARRYING AMOUNTS				
POSITION AT 31/12/2014	**12,692**	**8,569**	**39**	**21,300**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Investments*	*Other loans*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 01/01/2014	**185**	**526**	**51**	**762**
Extension on the basis of consolidation	–	–	–	–
Additions	–	131	–	131
Disposals	–	–200	–2	–202
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2014	**185**	**457**	**49**	**691**
ACCUMULATED DEPRECIATION				
POSITION AT 01/01/2014	**–**	**–**	**–**	**–**
Extension on the basis of consolidation	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2014	**–**	**–**	**–**	**–**
CARRYING AMOUNTS				
POSITION AT 31/12/2014	**185**	**457**	**49**	**691**

Development of Consolidated Assets

for the period from 1 January to 31 December 2013

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Other intangible assets*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST					
POSITION AT 01/01/2013	**15,321**	**18,447**	**17,973**	**6**	**51,747**
Extension on the basis of consolidation	–	165	–	–	165
Additions	1,285	–	–	14	1,299
Disposals	–146	–	–	–6	–152
Appreciation	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2013	**16,460**	**18,612**	**17,973**	**14**	**53,059**
ACCUMULATED DEPRECIATION					
POSITION AT 01/01/2013	**10,932**	**3,692**	**1,336**	**–**	**15,960**
Extension on the basis of consolidation	–	–	–	–	–
Additions	1,544	200	1,336	–	3,080
Disposals	–141	–	–	–	–141
Appreciation	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2013	**12,335**	**3,892**	**2,672**	**–**	**18,899**
CARRYING AMOUNTS					
POSITION AT 31/12/2013	**4,125**	**14,720**	**15,301**	**14**	**34,160**

PROPERTY, PLANT AND EQUIPMENT € '000	*Land and buildings*	*Other fixtures and fittings, tools and equipment*	*Construction in progress*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 01/01/2013	**33,588**	**25,319**	**131**	**59,038**
Extension on the basis of consolidation	–	688	–	688
Additions	800	3,031	31	3,862
Disposals	–	–1,556	–127	–1,683
Appreciation	–	–	–	–
Transfers	27	–	–27	–
POSITION AT 31/12/2013	**34,415**	**27,482**	**8**	**61,905**
ACCUMULATED DEPRECIATION				
POSITION AT 01/01/2013	**20,814**	**17,759**	**–**	**38,573**
Extension on the basis of consolidation	–	–	–	–
Additions	1,004	2,742	–	3,746
Disposals	–	–1,477	–	–1,477
Appreciation	–783	–	–	–783
Transfers	–	–	–	–
POSITION AT 31/12/2013	**21,035**	**19,024**	**–**	**40,059**
CARRYING AMOUNTS				
POSITION AT 31/12/2013	**13,380**	**8,458**	**8**	**21,846**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Investments*	*Other loans*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 01/01/2013	**185**	**867**	**53**	**1,105**
Extension on the basis of consolidation	–	–	–	–
Additions	–	252	–	252
Disposals	–	–593	–2	–595
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2013	**185**	**526**	**51**	**762**
ACCUMULATED DEPRECIATION				
POSITION AT 01/01/2013	**–**	**–**	**–**	**–**
Extension on the basis of consolidation	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2013	**–**	**–**	**–**	**–**
CARRYING AMOUNTS				
POSITION AT 31/12/2013	**185**	**526**	**51**	**762**

The development in goodwill from the consolidation of capital is unchanged against the previous year as follows:

€ '000	*Acquisition cost* 01/01/2014	*Accumulated impairment* 31/12/2014	*Carrying amountt* 31/12/2014
SPECIALIST WINE-SHOP RETAIL	**453**	**–**	**453**
Jacques-IT GmbH	453	–	453
WHOLESALE	**8,373**	**2,816**	**5,557**
Wein Wolf Group	6,690	2,209	4,481
Le Monde des Grands Bordeaux Château Classic SARL, in liquidation	615	615	–
Globalwine AG	875	–	875
Vogel Vins SA	165	–	165
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	47	11	36
Sélection de Bordeaux SARL	–19	–19	–
DISTANCE SELLING	**9,165**	**455**	**8,710**
The Wine Company Hawesko GmbH	–2	–2	–
Carl Tesdorpf GmbH	457	457	–
Wein & Vinos GmbH	8,710	–	8,710
TOTAL	**17,991**	**3,271**	**14,720**

For purposes of testing for impairment, the carrying amount of the cash-generating unit is compared with its recoverable amount. The recoverable amount is determined as the fair value less disposal costs based on the future discounted cash flows. The anticipated cash flows for future years are rolled over in group planning for the next three years and discounted at the balance sheet date. The calculation is based on a risk-adjusted growth rate of 0.75% (previous year: 0.75%), and the pre-tax interest rates for purposes of discounting the cash flows in the determination of the net realisable value were 4.85% in 2014 (previous year: 6.99%).

The impairment tests in the previous year led to the residual goodwill of the company *Le Monde des Grands Bordeaux Château Classic SARL* in liquidation (€ 189 thousand), being written off in full. In the financial year, the impairment tests carried out revealed no further need for impairment. A 10% fall in the forecast cash flow or a rise of one percentage point in the discounting rates would not lead to any additional impairment.

17. PROPERTY, PLANT AND EQUIPMENT

The development in property, plant and equipment for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 86–89.

€ '000	31/12/2014	31/12/2013
Land and buildings, including buildings on third-party land	12,692	13,380
Other fixtures and fittings, tools and equipment	8,569	8,458
Advance payments and construction in progress	39	8
	21,300	**21,846**

The carrying amount of the land and buildings in finance lease totalled € 1,413 thousand at 31 December 2014 (previous year: € 1,670 thousand). Depreciation amounting to € 257 thousand (previous year: € 257 thousand) was applied. This land is not freely at the company's disposal. For additional notes, please refer to pages 98 et seq. (cf. Note 30).

18. OTHER FINANCIAL ASSETS

The development in financial assets for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 86–89.

€ '000	31/12/2014	31/12/2013
Shares in affiliated companies	185	185
Other loans	49	51
	234	**236**

Shares in affiliated companies are measured at amortised cost and relate to the following companies, which are not consolidated in view of their minor significance for the group (cf. also the remarks on the consolidated companies):

ACQUISITION COST

€ '000	31/12/2014	31/12/2013
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
Weinland Ariane Abayan Verwaltungs GmbH	24	24
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributions-gesellschaft m.b.H.	25	25
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	34	34
Deutschwein Classics Verwaltungsgesellschaft mbH	25	25
C.C.F. Fischer GmbH	25	25
	185	**185**

The other loans amounting to € 49 thousand (previous year: € 51 thousand) relate to one (previous year: one) loan to an employee. The loan accrues interest at 6%, the fixed-interest term ends in August 2015.

19. DEFERRED TAX

The deferred tax assets developed as follows:

€ '000	31/12/2014	31/12/2013
Opening balance	1,906	2,157
Increase	4,399	5,376
Decrease	–208	–784
Offsetting	–4,385	–4,879
Change in tax rate	–	36
	1,712	**1,906**

The deferred tax assets are in respect of the following temporary differences and tax loss carryforwards:

€ '000	31/12/2014	31/12/2013
Goodwill from restructuring measures with an effect on taxes	4,808	5,262
Loss carryforwards	799	868
Fair value measurement of derivative financial instruments	23	48
Finance leases	135	164
Inventories	37	31
Provisions for pensions	295	376
Other	0	0
Offsetting	–4,385	–4,879
Change in tax rate	–	36
	1,712	**1,906**

The reported deferred tax assets from loss carryforwards at 31 December 2014 relate to the tax loss carryforwards that are available for future use for the subsidiaries *Carl Tesdorpf GmbH,* Lübeck, and *The Wine Company Hawesko GmbH,* Hamburg. A change of control occurred after the balance sheet date (see also Note 47 "Events occurring after the balance sheet date"). In connection with this, there exists the risk that the tax loss carryforwards will be lost pro rata, thus reducing the deferred tax assets on the loss carryforwards. The effects are not reliably appraisable at the time of preparing the financial accounts; thus it continues to be assumed that these assets will be recognised.

There remain unused, temporarily unlimited tax loss carryforwards amounting to € 5,814 thousand (previous year: € 4,328 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 62 thousand is expected to be realised from the deferred tax assets within twelve months.

20. INVENTORIES

€ '000	31/12/2014	31/12/2013
Raw material and consumables used	873	1,004
Work in progress	4,589	4,255
Finished goods and merchandise	85,239	81,657
Advance payments	7,150	13,799
	97,851	**100,715**

The advance payments relate to wines of earlier vintages which are not delivered until subsequent years ("subscriptions").

Inventories totalling € 477 thousand (previous year: € 6,854 thousand) were recognised at their net realisable value. A reversal of impairment totalling € 1,119 thousand (previous year: addition of € 548 thousand) was reported under the cost of materials in the result for the year under review.

It is possible that individual items within inventories are not turned over within the course of one year. That is particularly possible in the case of higher-quality wines and spirits. It is therefore not possible to make any liquidity forecasts on the basis of the inventories reported.

21. RECEIVABLES AND OTHER ASSETS

€ '000	31/12/2014	31/12/2013
Trade receivables (gross)	45,249	49,202
Less uncollectable receivables	–741	–717
TRADE RECEIVABLES	**44,508**	**48,485**
Accounts receivable from taxes on income	2,361	1,316
Receivables and other assets	4,924	6,324
	51,793	**56,125**
Of which with a maturity of		
– *up to 1 year*	50,588	54,968
– *over 1 year*	1,205	1,157

€ '000	*Carrying amount*	*Of which neither impaired nor overdue at reporting date*	*Of which not impaired but overdue by the following time bands at reporting date*				
			<30 days	*30–60 days*	*61–90 days*	*91–180 days*	*>180 days*
	31/12/2014						
Trade receivables	44,508	33,454	9,757	1,458	119	516	727
	31/12/2013						
Trade receivables	48,485	37,011	10,382	1,253	263	892	224

With regard to the trade receivables that were neither impaired nor overdue, there is no evidence at the reporting date that the debtors will not meet their payment commitments. There was no renegotiation with debtors with regard to the extending of payment deadlines.

The impairment on trade receivables developed as follows:

€ '000	2014	2013
Impairment at 1 January	717	607
Added	236	353
Used up	–195	–177
Reversed	–17	–66
IMPAIRMENT AT 31 DECEMBER	**741**	**717**

The impairment for individual receivables is in accordance with the following schedule: depending on the number of days a receivable is overdue, a specific percentage is impaired based on actual defaults of previous years.

Receivables and other assets:

€ '000	31/12/2014	31/12/2013
Of which financial assets	**1,594**	**1,575**
– *Due from participating interests*	113	145
– *Borrowings*	103	130
– *Receivables from trade representatives*	498	398
– *Rent deposits*	880	902
Of which non-financial assets	**3,330**	**4,749**
– *Tax refund claims*	177	72
– *Accrued costs*	1,480	1,325
– *Miscellaneous other assets*	1,673	3,352
	4,924	**6,324**
Financial assets		
Of which with a maturity of		
– *up to 1 year*	472	428
– *over 1 year*	1,122	1,147
Non-financial assets		
Of which with a maturity of		
– *up to 1 year*	3,247	4,739
– *over 1 year*	83	10

The amounts due from participating interests are those from the joint venture *Global Eastern Wine Holding,* Bonn, and its subsidiary *Global Wines, s.r.o.,* Prague (Czech Republic).

The remainder of the assets were neither impaired nor overdue. There is no evidence at the reporting date that the debtors will not meet their payment commitments.

22. CASH IN BANKING ACCOUNTS AND CASH ON HAND

Cash in banking accounts and cash on hand totalling € 10,858 thousand (previous year: € 18,760 thousand) relates substantially to balances with banks.

23. SUBSCRIBED CAPITAL OF HAWESKO HOLDING AG

The subscribed capital of Hawesko Holding AG amounts to € 13,708,934.14 (previous year: € 13,708,934.14) and is divided into 8,983,403 (previous year: 8,983,403) no par value bearer shares. The capital is fully paid up.

At 31 December 2014, as in the previous year, no treasury shares are held.

Both in the financial year and in the previous year a dividend of € 1.65 per share was paid, amounting to € 14,823 thousand in total.

Authorised capital

The Board of Management is authorised to increase the capital stock on one or more occasions by up to a total of € 6,850,000.00 within the period ending 31 May 2018, with the consent of the Supervisory Board, through the issuance of new no par value bearer shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right. With the permission of the Supervisory Board, the Board of Management is, however, authorised to exclude the shareholders' statutory subscription,

a) insofar as the exclusion of the subscription right is necessary in order to grant the bearers of convertible bonds or loans or warrants issued by the company a subscription right to the extent that they would be entitled following exercising of the warrant or conversion right or following fulfilment of the conversion obligation,

b) insofar as the capital increase for contribution in kind is made for the purpose of acquiring companies or participations in companies,

c) for residual amounts.

In the case of capital increases for cash, the Board of Management is moreover authorised to exclude the subscription right of the shareholders, with the consent of the Supervisory Board, if the nominal value of the new shares neither exceeds 10% of the existing capital stock at the time of the authorisation taking effect nor exceeds 10% of the existing capital stock at the time of issuance of the new shares and the issue value of the new shares is not significantly below their stock market price pursuant to Section 186 (3) fourth sentence of the German Stock Corporation Act. Treasury shares sold are to be added to the 10% threshold if the sale takes place with the exclusion of the subscription right, on the basis of an authorisation that is already valid or takes effect at the time of this authorisation, pursuant to Section 186 (3) fourth sentence of the German Stock Corporation Act.

Insofar as the subscription right is not excluded, the shares are to be taken on by banks with the obligation to offer them for sale to shareholders (indirect subscription right).

The Board of Management is moreover authorised to specify the further content of the rights carried by the shares and the conditions of the share issue with the approval of the Supervisory Board.

The authorised capital at 31 December 2014 amounted to € 6,850,000.00 (previous year: € 6,850,000.00).

24. CAPITAL RESERVE

€ '000	31/12/2014	31/12/2013
Capital reserve	10,061	10,061

The capital reserve for the group comprises the premium from the capital increase in 1998, from the issuance of shares to employees and from the issuance of new shares from the convertible bond issued in 2001.

The premium from the conversion of the convertible loan into Hawesko bearer shares carrying full dividend entitlements totalled € 105 thousand, i.e. € 9.58 per share.

The costs for the initial public offering of € 978 thousand were booked to the capital reserve net of taxes, with no effect on income, in agreement with IAS 32.

The capital reserve also includes the aforementioned capital increase (€ +3.4 million) from 2008 as well as the change from the retirement of treasury shares in the same year (€ –2.9 million). The costs for the capital increase for contribution in kind of € 55 thousand were likewise booked to the capital reserve net of taxes, with no effect on income.

An amount of € 3.6 million was allocated to the capital reserve in 2010 following a capital increase for contribution in kind. The capital reserve also rose in 2010 as a result of the sale of treasury shares (€ 39 thousand).

25. RETAINED EARNINGS

€ '000	31/12/2014	31/12/2013
Retained earnings	61,017	61,000

The group's retained earnings include undistributed amounts from previous years as well as from the current year, and earnings adjustments from reconciliations to IFRS. The distributable profit to shareholders results from the commercial accounts of the parent company Hawesko Holding AG and totals € 12,044 thousand (previous year: € 15,094 thousand).

The Board of Management will propose to the Shareholders' Meeting that the unappropriated profit for the year be appropriated as follows: Payment of a regular dividend of € 1.30 per no par value share on the capital stock of € 13,709 thousand.

In 2012 the financial liability (€ 19,369 thousand) that could arise through the exercise of a put option by the original shareholders of *Wein & Vinos GmbH* was booked income-neutrally against retained earnings. The changes in value of € 2,385 thousand (previous year: € 3,379 thousand) that have occurred since the initial consolidation date of 2 January 2012 are reported in the financial result.

The individual components of the equity and its development in the years 2013 and 2014 are shown in the consolidated statement of movements in equity on page 71.

26. OTHER RESERVES

The changes in equity totalling € –132 thousand (previous year: € –64 thousand) include translation differences from the translation of the functional currency of foreign group companies, the revaluation component from the retirement obligation and the reserve for the cash flow hedges. These are reported in the consolidated financial statements directly under the other result. No taxes on income are due on the translation differences of € 2 thousand. The revaluation component for provisions for pensions includes changes in value of € –191 thousand in the year under review (previous year: € –2 thousand), less deferred taxes of € 56 thousand (previous year: € 1 thousand). Also, the fair values of the derivatives in the amount of € –77 thousand (previous year: € –169 thousand) were reported under the other result: in connection with this, deferred tax assets of € 27 thousand (previous year: € 54 thousand) were written back.

27. NON-CONTROLLING INTERESTS

The non-controlling interests in the consolidated balance sheet relate to minority interests in the equity and net earnings of the group companies that are consolidated in full (cf. details of consolidated companies).

In the following, combined financial information is provided for each subsidiary with a non-controlling interest that is material for the group:

COMBINED BALANCE SHEET

€ '000	*Wein & Vinos GmbH*		*Globalwine AG*	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Non-current assets	25,234	26,636	1,794	1,771
Current assets	7,694	10,134	8,128	8,413
ASSETS	**32,928**	**36,770**	**9,922**	**10,184**
Shareholders' equity	26,918	29,029	–1,672	–892
Long-term provisions and liabilities	–	–	34	192
Short-term provisions and liabilities	6,010	7,741	11,560	10,884
SHAREHOLDERS' EQUITY AND LIABILITIES	**32,928**	**36,770**	**9,922**	**10,184**

COMBINED STATEMENT OF COMPREHENSIVE INCOME

€ '000	*Wein & Vinos GmbH*		*Globalwine AG*	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Total sales	39,849	36,739	18,688	17,944
Result from ordinary activities	1,551	2,735	–899	–17
Taxes on income	–456	–813	165	–0
Net income	1,095	1,922	–734	–17
Profit due to controlling interests	329	560	–154	–4
Outpayments to non-controlling interests	962	524	–	–

COMBINED CASH FLOW STATEMENT

€ '000	*Wein & Vinos GmbH*		*Globalwine AG*	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Net inflow of cash from current operations	2,117	5,083	583	38
Net cash employed for investing activities	–672	–1,154	–405	–3,513
Outflow/inflow of net cash for financing activities	–3,223	–1,756	–179	–647
Net decrease/increase in cash and cash equivalents	–1,778	2,173	–1	–4,122
Cash and cash equivalents at start of period	2,809	636	–7,481	–3,359
Cash and cash equivalents at end of period	1,031	2,809	–7,482	–7,481

The amounts stated above are the amounts before the elimination of intercompany balances.

28. PROVISIONS FOR PENSIONS

For old-age pension purposes, three (previous year: four) active employees and four (previous year: three) retired employees of the subsidiary *Jacques' Wein-Depot Wein-Einzelhandel GmbH* have an entitlement to supplementary retirement pay. A life-long retirement pension or disability pension and a pension for surviving dependants or orphans are granted. The total provision reported at the balance sheet date was calculated by an independent actuary according to the present value of an expectancy, in agreement with IAS 19.

Development in the present value of retirement benefit obligations in the year under review:

€ '000	2014	2013
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 01/01	873	850
Current service cost	8	12
Interest expense	29	29
Actuarial losses (+)/gains (–)	191	2
Payments made	–26	–20
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 31/12	**1,075**	**873**

The basic assumptions made in calculating the provisions for pensions are given below:

%	2014	2013
Discounting rate	2.0	3.4
Future increases in income	–	–
Pensions trend	1.0	1.0

The calculations are based on the basic biometric data (probability values for death and invalidity) according to the 2005 G reference tables by Dr Klaus Heubeck.

Outpayments of € 45 thousand (previous year: € 20 thousand) are expected for 2015.

A change in the actuarial interest rate of +50/−50 base points at 31 December 2014 assuming other factors remained constant would have had the following effect on the present value of the retirement benefit obligations:

€ '000	−50 *base points*	31/12/2014	+50 *base points*
Present value of retirement benefit obligations	1,146	1,075	1,011

The average term of the defined benefit obligation is 13 years (previous year: twelve years).

29. OTHER LONG-TERM PROVISIONS

€ '000	01/01/2014	*Drawn (D) Liquidated (L)*	*Allocated*	31/12/2014
Provisions for personnel	1,653	514 (D) 2 (L)	247	1,384

The provisions for personnel in the main comprise settlement obligations and partial retirement.

The partial retirement obligations are measured on the basis of actuarial calculations according to the block model, taking account of the 2005 G reference tables by Dr Klaus Heubeck. The actuarial interest rate is 4.53% (previous year: 4.88%). Based on the probable development in the key measurement factors, a salary trend of 2.5% (previous year: 2.5%) was assumed.

In 2014, the provisions for personnel increased by € 18 thousand as a result of the interest expense (previous year: € 11 thousand).

30. BORROWINGS

€ '000	31/12/2014	31/12/2013
Banks	15,055	19,921
Finance lease	1,872	2,245
	16,927	**22,166**
Of which with a maturity of		
– *up to 1 year*	14,461	14,591
– *1 to 5 years*	2,260	7,041
– *over 5 years*	206	534

The Hawesko Group has secured credit facilities as indicated in the following table, to enable it to raise short-term loans (with a maturity of less than one year):

Maturity € '000	*Credit facility* **2014**	*Credit facility* **2013**
Unlimited	28,000	28,000

The interest rates of short-term loans raised in 2014 were between 1.00% and 1.58% (previous year: between 1.03% and 1.25%).

Of the amounts due to banks, € 975 thousand has a maturity of one to five years (previous year: € 5,703 thousand), and € 14,080 thousand a maturity of up to one year (previous year: € 14,218 thousand).

The reconciliation with the finance lease liabilities at 31 December 2014 is as follows:

€ '000	*Maturity up to 1 year*	*Maturity over 1 and up to 5 years*	*Maturity over 5 years*	*Total*
Minimum lease payments	486	1,510	212	**2,208**
Interest component	105	225	6	**336**
Principal repaid	381	1,285	206	**1,872**

The reconciliation with the finance lease liabilities at 31 December 2013 is as follows:

€ '000	*Maturity up to 1 year*	*Maturity over 1 and up to 5 years*	*Maturity over 5 years*	*Total*
Minimum lease payments	503	1,640	567	**2,710**
Interest component	130	302	33	**465**
Principal repaid	373	1,338	534	**2,245**

The leased object here is the distance-selling logistics centre in Tornesch, near Hamburg, which has been leased for a total period of 22.5 years. There exists a purchase option for the property at the end of the contract's term. The lease has been classified as a financial lease, as the present value of the minimum lease payments in essence corresponds to the fair value of the distance-selling logistics centre at the time of formation of the contract. The present value was calculated using effective interest rates ranging from 5.5% to 7%, depending on the contract.

Hawesko met all obligations for the payment of interest and principal in the year under review, as in the previous year.

The following tables indicate the anticipated (undiscounted) interest and principal payments for financial liabilities and for derivative financial instruments with a positive and negative fair value:

€ '000	Carrying amount 31/12/2014	Cash flows 2015			Cash flows 2016			Cash flows 2017–2019			Cash flows > 2019		
		Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal
FINANCIAL LIABILITIES													
Due to banks	15,055	–	-66	-14,059	–	-7	-996	–	–	–	–	–	–
Finance lease liabilities	1,872	-105	–	-381	-85	–	-314	-140	–	-971	-6	–	-206
Other financial liabilities	10,165	–	–	–	–	–	–	–	–	-10,165	–	–	–
Other non-interest-bearing liabilities	65,815	–	–	-65,815	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	77	-151	53	–	-22	7	–	–	–	–	–	–	–

The schedule does not show plan figures; it only shows financial instruments held at 31 December 2014 and for which contractual agreements on payments exist.

€ '000	Carrying amount 31/12/2013	Cash flows 2014			Cash flows 2015			Cash flows 2016–2018			Cash flows > 2018		
		Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal
FINANCIAL LIABILITIES													
Due to banks	19,921	–	-147	-14,195	–	-71	-4,726	–	-11	-1,000	–	–	–
Finance lease liabilities	2,245	-130	–	-373	-105	–	-381	-197	–	-957	-33	–	-534
Other financial liabilities	12,550	–	–	–	–	–	–	–	–	-12,550	–	–	–
Other non-interest-bearing liabilities	67,730	–	–	-67,730	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	169	-304	132	–	-151	71	–	-22	11	–	–	–	–

31. OTHER LIABILITIES

€ '000	31/12/2014	31/12/2013
Of which other financial liabilities	76,121	80,458
– *Minority interest in the capital of unincorporated subsidiaries*	64	9
– *Trade payables*	65,815	67,730
– *Other financial liabilities*	10,242	12,719
Of which non-financial liabilities	7,127	10,696
– *Income taxes payable*	532	1,533
– *Advances received for 2014*	–	6,575
– *Advances received for 2015*	5,366	2,588
– *Advances received for 2016*	1,229	–
	83,248	**91,154**
Of which with a maturity of		
– *up to 1 year*	71,777	75,847
– *1 to 5 years*	11,471	15,307
– *over 5 years*	–	–

The minority interest in the capital of unincorporated subsidiaries comprises the actual or possible settlement obligations and the interests in the net earnings of the group companies consolidated in full.

The advances received in the year in progress are in respect of subscription payments collected from customers for wines which are to be delivered in 2015 and 2016.

The advances received include liabilities with a maturity of between one and five years totalling € 1,229 thousand (previous year: € 2,588 thousand).

The other financial liabilities include the liability that could arise through the exercise of a put option by the original shareholders of *Wein & Vinos GmbH*. Its value at 31 December 2014 is € 10,165 thousand (previous year: € 12,550 thousand). This line item in addition contains the market values of the interest rate derivatives of € 77 thousand (previous year: € 169 thousand).

32. OTHER LIABILITIES

The other liabilities are composed of the following:

€ '000	31/12/2014	31/12/2013
Of which other financial liabilities	8,158	9,164
– *Liabilities to employees*	4,647	5,797
– *Liabilities to other company members*	0	2
– *Due to affiliated companies*	116	106
– *Miscellaneous*	3,395	3,259
Of which non-financial liabilities	14,608	16,235
– *Sales tax and other taxes*	10,326	12,176
– *Customer bonuses*	3,908	3,773
– *Liabilities in respect of social insurance*	374	286
	22,766	**25,399**

The amounts due to affiliated companies are in respect of the following companies:

€ '000	31/12/2014	31/12/2013
C.C.F. Fischer GmbH	18	19
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	56	46
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	39	38
Global Wines, s.r.o., Prague (Czech Republic)	3	3
	116	**106**

The other liabilities include liabilities with a maturity of between one and five years totalling € 1 thousand (previous year: € 1 thousand). There no longer exist any other liabilities with a maturity of over five years, as in the previous year.

33. DEFERRED TAX LIABILITIES

The deferred tax liabilities are the result of temporary differences between the valuations in the fiscally relevant balance sheets and the carrying amounts in the consolidated balance sheet. The reported deferred tax liabilities relate to temporary differences in asset values in the following balance sheet items:

€ '000	31/12/2014	31/12/2013
DEFERRED TAXES		
Fixed assets	4,349	4,864
Inventories	586	732
Trade receivables	89	116
Other assets	62	95
Offset against deferred tax assets	−4,385	−4,879
Change in tax rate	–	9
	701	**937**

Pursuant to IAS 12.39 (b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 397 thousand (previous year: € 405 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

34. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, stated amounts and fair values by classification category, 2014:

€ '000	Classi-fication category acc. to IAS 39	Carrying amount 31/12/2014	Stated amount in balance sheet acc. to IAS 39				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2014
			Acquisi-tion cost	Amortised cost	Fair value in equity	Fair value through profit and loss		
ASSETS								
Cash	LaR	10,858	–	10,858	–	–	–	10,858
Trade receivables	LaR	44,508	–	44,508	–	–	–	44,508
Receivables and other assets								
– *Financial assets*	LaR	1,594	–	1,594	–	–	–	1,594
Non-current financial assets								
– *Other loans*	LaR	49	–	49	–	–	–	49
– *Available for sale financial assets*	AfS	185	185	–	–	–	–	185
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	64	–	64	–	–	–	n/a
Trade payables	FLAC	65,815	–	65,815	–	–	–	65,815
Due to banks	FLAC	15,055	–	15,055	–	–	–	15,055
Finance lease liabilities	n/a	1,872	–	–	–	–	1,872	2,169
Other liabilities								
– *Miscellaneous financial liabilities*	FLAC	10,165	–	10,165	–	–	–	10,165
– *Derivatives with hedging relationship*	n/a	77	–	–	77	–	–	77
Miscellaneous liabilities								
– *Financial liabilities*	FLAC	8,158	–	8,158	–	–	–	8,158
Of which aggregated by classification category acc. to IAS 39:								
– *Loans and receivables (LaR)*		57,009	–	57,009	–	–	–	57,009
– *Available for sale financial assets (AfS)*		185	185	–	–	–	–	185
– *Financial liabilities measured at amortised cost (FLAC)*		99,193	–	99,193	–	–	–	99,193

Carrying amounts, stated amounts and fair values by classification category, 2013:

€ '000	Classi-fication category acc. to IAS 39	Carrying amount 31/12/2013	Stated amount in balance sheet acc. to IAS 39: Acquisi-tion cost	Amortised cost	Fair value in equity	Fair value through profit and loss	Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2013
ASSETS								
Cash	LaR	18,760	–	18,760	–	–	–	18,760
Trade receivables	LaR	48,485	–	48,485	–	–	–	48,485
Receivables and other assets								
– *Financial assets*	LaR	1,575	–	1,575	–	–	–	1,575
Non-current financial assets								
– *Other loans*	LaR	51	–	51	–	–	–	51
– *Available for sale financial assets*	AfS	185	185	–	–	–	–	185
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	9	–	9	–	–	–	n/a
Trade payables	FLAC	67,730	–	67,730	–	–	–	67,730
Due to banks	FLAC	19,921	–	19,921	–	–	–	19,921
Finance lease liabilities	n/a	2,245	–	–	–	–	2,245	2,800
Other liabilities								
– *Miscellaneous financial liabilities*	FLAC	12,550	–	12,550	–	–	–	12,550
– *Derivatives with hedging relationship*	n/a	169	–	–	169	–	–	169
Miscellaneous liabilities								
– *Financial liabilities*	FLAC	9,164	–	9,164	–	–	–	9,164
Of which aggregated by classification category acc. to IAS 39:								
– *Loans and receivables (LaR)*		68,871	–	68,871	–	–	–	68,871
– *Available for sale financial assets (AfS)*		185	185	–	–	–	–	185
– *Financial liabilities measured at amortised cost (FLAC)*		109,365	–	109,365	–	–	–	109,365

The following table shows the classification of the financial assets and liabilities that are to be measured at fair value pursuant to IFRS 13 into the three distinct levels of the fair value hierarchy.

These comprise derivatives with a hedging relationship on the one hand. On the other hand the put option of the original shareholders of *Wein & Vinos GmbH* as well as the variable purchase price component in the previous year are reported at fair value (cf. also Note 31).

	31/12/2014				31/12/2013			
€ '000	*Level 1*	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
ASSETS	–	–	–	–	–	–	–	–
SHAREHOLDERS' EQUITY AND LIABILITIES								
Derivatives with hedging relationship	–	77	–	77	–	169	–	169
Financial liabilities measured at amortised cost (FLAC)	–	–	10,165	10,165	–	–	12,550	12,550

There were no transfers between Level 1 and Level 2, nor between Level 2 and Level 3, in the year under review.

Level 1: On the first level of the fair value hierarchy, fair values are determined on the basis of publicly quoted market prices.

Level 2: If no active market for a financial instrument exists, the fair value is determined using valuation models. The valuation models use as wide a scope of data from the market as possible, and as little company-specific data as possible.

Level 3: The valuation models used at this level are also based on parameters not observed in the market.

The cash, trade receivables and other receivables have predominantly short maturity dates. The carrying amounts at the reporting date are therefore approximately the same as the fair value.

The fair value of the other long-term receivables and of the other loans with maturity dates of more than one year corresponds to the present values of the payments associated with the assets, taking into account the respective current interest parameters.

The financial assets available for sale (AfS) include shares in affiliated companies and participations, the fair values of which could not be reliably determined and have therefore been reported at cost.

Trade liabilities and other liabilities have predominantly short maturity dates, with the result that the reported values are approximately the same as the fair value.

The fair values of amounts due to banks and finance lease liabilities are determined on the basis of the applicable yield curve.

The minority interest in the capital of unincorporated subsidiaries is recognised at amortised cost, which corresponds to the value of the current settlement obligation in each case.

The fair values of the financial derivatives relate to their liquidation (redemption) value at the balance sheet date.

There is currently no intention to dispose of financial assets.

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2014 (rounding differences are possible):

€ '000	*Put option*	*Variable purchase price component*	*Total*
01 JANUARY 2014	**12,550**	**–**	**12,550**
Change	–2,385	–	–2,385
31 DECEMBER 2014	**10,165**	**–**	**10,165**

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2013 (rounding differences are possible):

€ '000	*Put option*	*Variable purchase price component*	*Total*
01 JANUARY 2013	**15,929**	**57**	**15,986**
Change	–3,379	–57	–3,436
31 DECEMBER 2013	**12,550**	**–**	**12,550**

In the 2012 financial year an expected value for the variable purchase price component was calculated taking into account the future average EBIT of the company, along with a standard deviation. The variable component would have been due on 30 June 2014. This liability was released through profit and loss in the previous year because the conditions for payment were not met.

A pre-agreed valuation schedule which is based on the future average EBIT and a multiplier is applied to the put option. Because the right to deliver the 30% share in *Wein & Vinos GmbH* only takes effect from November 2016, this liability is in addition discounted. A discounting rate of 4.55% (previous year: 4.55%) was applied in 2014.

A change in the future average EBIT would have had the following effect on the fair value of the put option at 31 December 2014:

€ '000	*–1,000*	31/12/2014	*+1,000*
Fair value of put option	9,000	10,165	12,635

NET EARNINGS BY CLASSIFICATION CATEGORY 2014

		From subsequent measurement					
€ '000	*From interest*	*At fair value*	*At amortised cost*	*Currency translation*	*Impairment*	*From disposal*	*Net earnings* 2014
Loans and receivables (LaR)	108	–	–	–	–24	–	84
Available for sale financial assets (AfS)	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	–1,135	–	2,331	–75	–	–	1,121
TOTAL	**–1,027**	**–**	**2,331**	**–75**	**–24**	**–**	**1,205**

NET EARNINGS BY CLASSIFICATION CATEGORY 2013

€ '000	From interest	From subsequent measurement: At fair value	At amortised cost	Currency translation	Impairment	From disposal	Net earnings 2013
Loans and receivables (LaR)	143	–	–	–	–110	–	33
Available for sale financial assets (AfS)	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	–953	–	3,430	2	–	–	2,479
TOTAL	**–810**	**–**	**3,430**	**2**	**–110**	**–**	**2,512**

The interest from financial instruments is reported under the interest result (cf. also Note 13). The remaining components of net earnings are likewise reported by Hawesko Holding under the financial result, except for the impairment on trade receivables in the classification category loans and receivables, which is reported under miscellaneous other operating expenses. The income and expenses from currency translation for trade liabilities are included in the other operating income and other operating expenses.

The effects on earnings of the financial instruments held for trading are dictated exclusively by the market and are not based on changes in non-payment risks, as they are conducted solely with counterparties whose creditworthiness is not open to question.

Other Particulars

35. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The following contingencies and financial obligations in respect of third parties existed on 31 December 2014:

€ '000	31/12/2014	31/12/2013
Advance payments outstanding	1,246	1,351

Obligations relating to advance payments outstanding for subscriptions received at 31 December 2014 were settled at the start of 2015.

The minimum total for non-discounted future lease and rental payments amounts to € 18,943 thousand (previous year: € 15,820 thousand). The global obligations for lease and tenancy agreements are due as follows:

€ '000	31/12/2014	31/12/2013
Up to 1 year	9,914	9,197
Over 1 year, up to 5 years	6,443	3,741
Over 5 years	2,586	2,882
	18,943	**15,820**

The other financial obligations from tenancy and lease agreements mainly relate to rented shop premises for the specialist retailing of wine, and a piece of land classified as an operating lease. There exists a purchase option for the property at the end of the contract's term. See also Note 12 for the expense from tenancy and lease agreements in 2014.

Contingent liabilities: litigation risks

In connection with the winding-up of the subsidiary *Le Monde des Grands Bordeaux Château Classic SARL*, in liquidation, the minority interest is raising claims amounting to around € 2.5 million. Proceedings are already pending for a claim of approx. € 26 thousand. The company rejects the claim as a whole. Nor have there yet been any moves to launch official proceedings for the € 2.5 million sum. A provision totalling € 0.6 million (previous year: € 0.5 million) has been created for the costs arising in this connection. The company believes that the claims of the level indicated are not enforceable, with the result that no further provisions are necessary.

36. RISK MANAGEMENT AND FINANCIAL DERIVATIVES

Principles of risk management

With regard to its assets, liabilities and planned transactions, the Hawesko Group is exposed in particular to risks from changes in interest rates and, to a very minor degree, risks from exchange rate movements. The aim of its financial risk management is to limit these market risks by finance-oriented activities. Selected derivative hedging instruments are used for this purpose. As a fundamental principle, however, protection is only obtained for those risks that affect the group's cash flow.

The derivative financial instruments used are currency options, forward exchange transactions and interest rate derivatives. To reduce the non-payment risk, such transactions are concluded only with banks of excellent financial standing. Their use is in essence restricted to the hedging of operative business.

The basic principles of financial policy are laid down on a regular basis by the Board of Management and monitored by the Supervisory Board. Implementation of the financial policy and ongoing risk management are the duty of Group Accounts. Transactions require the prior approval of the Board of Management, which is moreover regularly informed of the extent and volume of current risk exposures.

Exchange risks arise essentially as a result of business operations and are rated as low. As in the previous year, no forward exchange transactions were recognised at the reporting date.

The *interest rate risk* principally takes the form of movements in the short-term Eurocurrency market interest rates. In order to minimise the impact of interest rate fluctuations in this region, the Board of Management regularly specifies the desired mix of fixed and variable-rate financial liabilities and uses appropriate interest rate derivatives for this purpose.

If there is no close hedging relationship in connection with the underlying transactions in the case of the interest rate derivatives due to the lack of matched maturities between, and high variation in the levels of use of underlying and hedging transactions, they are measured at fair value, with gains or losses from the change in fair value recognised in profit and loss through the interest result.

If the hedging relationship between the underlying and hedging transactions is considered effective (cash flow hedge), measurement is likewise at fair value, with changes in the fair value recognised income-neutrally in the other result.

The obligations and entitlement from the measurement of interest rate derivatives are shown under other financial liabilities and other financial assets.

Interest rate risks are represented by means of sensitivity analyses pursuant to IFRS 7. These show the effects of changes in market rates on interest payments, interest income and expense, other earnings components and possibly also equity.

The interest rate sensitivity analyses are based on the following assumptions: changes in the market rates of fixed-interest primary financial instruments only affect earnings if those instruments are measured at fair value. All fixed-interest financial instruments measured at amortised cost are consequently not exposed to interest rate risks as defined by IFRS 7.

Changes in the market rates affect the interest result for primary, variable-rate financial instruments, the interest payments on which are not designated as underlying transactions in the context of cash flow hedges for interest rate risks, and are consequently included in the calculation of the earnings-related sensitivities.

Changes in the market rates of interest rate derivatives which are not bound up in a hedging relationship pursuant to IAS 39 affect the other financial result and are therefore taken into account in the earnings-related sensitivities.

If market interest rates had hypothetically risen or fallen by 100 base points respectively (parallel shift in interest curves) while other variables remained unchanged, earnings before taxes would have been € 0.2 million lower or € 0.2 million higher (previous year: € 0.2 million lower or € 0.2 million higher). The effects would be reflected in the interest result.

The *credit and non-payment risk* of financial assets from business operations (essentially trade receivables) corresponds to no more than the amounts shown on the assets side and is well diversified thanks to the large number of individual receivables from customers. The non-payment risk is in addition reflected by means of individual and general allowances for uncollectable receivables. The individual allowances for uncollectable receivables are determined by writing down individual receivables by a given percentage in accordance with their non-payment risk. For general allowances for uncollectable receivables, overdue schedules are drawn up and a percentage loan loss allowance is recognised for the receivables total. Advance payments are to some extent protected by bank guarantees.

In the financing area, transactions are concluded only with counterparties with a top credit rating.

There is no evidence of a *liquidity risk,* i.e. insufficient financial resources to pay off obligations (cf. Note 30).

Hedges/derivative financial instruments

In 2012 interest rate derivatives were taken out to hedge against the interest rate risk in connection with the financing of the purchase price for *Wein & Vinos GmbH.*

The interest rate derivatives (swaps) for financing the purchase price for *Wein & Vinos GmbH* is a cash flow hedge exhibiting 100% retrospective effectiveness. The maturities, interest payments and capital repayments reflect the underlying transaction (bank loan). Measurement is at fair value, with changes in the fair value recognised income-neutrally in the other result.

The following table shows the reported fair values of the derivative financial instruments.

	Nominal volume		*Fair value*	
€ '000	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Interest hedging transactions with a negative market value at the reporting date	5,750	10,500	–77	–169

The fair values relate to the liquidation (redemption) value of the financial derivatives at the balance sheet date. The terms to maturity of the interest hedging transactions are one and two years.

37. CAPITAL MANAGEMENT

The overriding aim of capital management by the group is to ensure that the ability to repay debts and financial substance of the group is preserved in the future.

Another objective of the group involves permanently keeping the capital structure at a level that will continue to guarantee it a bank rating of "investment grade" standard. To assure this and in order to continue paying a dividend in keeping with the earnings per share, it is necessary to continue generating an adequate free cash flow. The sustained optimisation of working capital is and will remain a priority target.

The capital structure is managed on the basis of the net debt or net liquidity position. This is defined as the sum of amounts due to banks, finance leases and provisions for pensions, less cash. Net debt amounted to € 7,144 thousand at 31 December 2014 (previous year: net debt € 4,279 thousand).

In this connection the banks require certain covenants to be met. These concern e.g. certain equity ratios or the relationship between earnings and the financial result. Neither were there any payment delays nor were any covenants breached in the year under review.

ROCE is a further important indicator for capital management. This is the rate of return, expressed as the operating result (EBIT) divided by the average capital employed, in other words by the balance sheet total (for the group) plus capitalised lease commitments less interest-free liabilities and provisions, as well as cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) of consistently at least 16% is the aim. A rate of return of 14.6% was achieved in the year under review (previous year: 16.0%).

38. EMPLOYEES

The average number of employees was as follows:

GROUP

	2014	2013
Commercial and industrial employees	900	904
Apprentices	25	21
	925	**925**

The average number of employees at the joint venture accounted for using the equity method was 22 in the 2014 financial year (previous year: 23).

39. NOTES TO THE CASH FLOW STATEMENT

The cash flow statement acc. to IAS 7 was calculated using the indirect method with regard to the net cash inflow from current operations, and comprises the stages “current operations”, “investing activities” and “financing activities”. The cash flow statement begins with the accounting profit. For reasons of materiality, the taxes paid have been allocated in full to current operations.

The cash outflows from interest payments and dividends have been allocated to financing activities. The cash outflows from financing activities include interest payments made totalling € 1,232 thousand and interest payments received totalling € 101 thousand. The cash inflows from current operations of € 19,337 thousand (previous year: € 31,060 thousand) include the changes in cash and cash equivalents from operating activities. In the previous year, the cash flow from investing activities included the acquisition of *Vogel Vins SA* at € 2.5 million. Cash and cash equivalents comprise cheques, cash on hand as well as cash in banks and amounts due to banks at any time.

The composition of cash and cash equivalents is as follows:

€ ’000	2014	2013	*Change*
Cash in banking accounts and cash on hand	10,858	18,760	–7,902
Due to banks (current accounts)	–	–	–
Cash and cash equivalents at end of period	10,858	18,760	–7,902

40. SEGMENT REPORTING

In agreement with the rules of IFRS 8, individual data from the annual financial statements is broken down by operating segment and, in agreement with the internal reporting arrangements of the Hawesko Group, the operating segments are organised according to sales form and customer group. Segment assets, segment investment and external sales are in addition categorised by region in the secondary reporting format. The regions shown are those in which the Hawesko Group operates.

External sales in the "Rest of Europe" segment (excluding Germany) of € 50,379 thousand comprise the countries Switzerland (50%), Austria (26%), Sweden (18%) and France (6%). The total external sales outside Germany amounted to 11% (previous year: 12%).

Segment assets and segment investment are fundamentally allocated on the basis of the location of the asset in question; external sales are allocated on the basis of each customer.

The segments comprise the following areas:

- The segment for specialist wine-shop retailing (*Jacques' Wein-Depot*) sells wine via a network of retail outlets which are run by independent agency partners. The specialist wine-shop retail segment also includes *Jacques-IT GmbH, Viniversitaet Die Weinschule GmbH* and *Multi-Weinmarkt GmbH*.
- The wholesale segment groups together business activities with retailers; wines and champagnes are sold both by distance selling (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein Wolf Group*). The wholesale segment operates in the Swiss wine market through *Globalwine AG* and *Vogel Vins SA.* In addition, *Sélection de Bordeaux SARL* also belongs to the wholesale segment, as well as the company *Le Monde des Grands Bordeaux Château Classic SARL*, which is currently being wound up.
- The distance-selling segment comprises wine and champagne distance selling, with activities focused on the consumer. This segment also includes gifts business for corporate and private customers, based on a special catalogue. The distance-selling division includes the companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Wein & Vinos GmbH, Carl Tesdorpf GmbH, The Wine Company Hawesko GmbH* and *Weinlet.de GmbH*.
- The miscellaneous segment includes Hawesko Holding AG and *IWL Internationale Wein Logistik GmbH,* as well as the former general-partner limited-liability company of the renamed firm *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH.*

The segment data has been calculated in the following way:

- Internal sales indicate the sales between segments. The transfer prices for intra-group sales are calculated on the basis of market prices.
- The segment result is defined as earnings before interest, taxes and any deduction for minority interest (EBIT).
- The segment assets are the sum of non-current and current assets required for current operations, excluding consolidating items within the segment and any income tax claims.
- The segment debts are the operating debts (provisions and interest-free liabilities), excluding consolidating items within the segment and income tax liabilities.
- The elimination of intra-group balances that is to be performed within a segment and the capital consolidation data (goodwill and goodwill impairment) are allocated to the respective segments.
- In the previous year, the miscellaneous segment included non-cash income from write-ups to fixed assets in the amount of € 0.7 million.
- There are no other significant non-cash income and expenses in the specialist wine-shop retail, wholesale and distance-selling segments.

SEGMENT REPORTING

€ '000	*Specialist wine-shop retail* 2014	2013	*Wholesale* 2014	2013	*Distance selling* 2014	2013
SALES REVENUES	**137,767**	**131,556**	**185,821**	**192,684**	**172,216**	**165,676**
External	137,767	131,556	177,730	184,237	157,275	149,347
Internal	–	–	8,091	8,447	14,941	16,329
OTHER INCOME	**9,776**	**9,360**	**7,868**	**8,135**	**3,450**	**3,408**
External	9,776	9,360	7,795	8,039	2,060	1,971
Internal	–	–	73	96	1,390	1,437
EBITDA	**16,779**	**15,642**	**6,662**	**4,405**	**12,004**	**13,752**
DEPRECIATION AND AMORTISATION	**1,535**	**1,646**	**1,607**	**1,902**	**3,033**	**2,609**
EBIT	**15,244**	**13,996**	**5,055**	**2,503**	**8,971**	**11,143**
FINANCIAL RESULT	**–31**	**–29**	**–634**	**–419**	**–275**	**–268**
Financial income	8	9	77	113	19	16
Financial expense	–39	–38	–842	–784	–294	–284
Investment result	–	–	131	252	–	–
RESULT FOR SEGMENTS BEFORE TAXES	**15,213**	**13,967**	**4,421**	**2,084**	**8,696**	**10,875**
TAXES ON INCOME	**–**	**–**	**–**	**–**	**–**	**–**
CONSOLIDATED NET INCOME	**–**	**–**	**–**	**–**	**–**	**–**
SEGMENT ASSETS	**40,429**	**40,288**	**103,497**	**110,348**	**71,206**	**77,085**
SEGMENT DEBTS	**24,333**	**25,580**	**42,809**	**50,206**	**30,748**	**34,508**
INVESTMENT	**1,538**	**1,281**	**1,344**	**1,556**	**2,261**	**2,173**

GEOGRAPHICAL SEGMENTATION

BREAKDOWN OF SALES BY REGION

€ '000	*Group, consolidated* 2014	2013
Germany	420,888	408,922
Rest of Europe	50,379	52,415
Other	1,523	3,835
	472,790	**465,172**

Miscellaneous		*Total*		*Reconciliation/consolidation*		*Group, consolidated*	
2014	2013	2014	2013	2014	2013	2014	2013
21,919	**20,543**	**517,723**	**510,459**	**−44,933**	**−45,287**	**472,790**	**465,172**
18	32	472,790	465,172	–	–	472,790	465,172
21,901	20,511	44,933	45,287	−44,933	−45,287	–	–
1,833	**2,695**	**22,927**	**23,598**	**−2,859**	**−2,965**	**20,068**	**20,633**
437	1,263	20,068	20,633	–	–	20,068	20,633
1,396	1,432	2,859	2,965	−2,859	−2,965	–	–
−8,551	**−4,427**	**26,894**	**29,372**	**−4**	**11**	**26,890**	**29,383**
665	**669**	**6,840**	**6,826**	**–**	**–**	**6,840**	**6,826**
−9,216	**−5,096**	**20,054**	**22,546**	**−4**	**11**	**20,050**	**22,557**
2,245	**3,436**	**1,305**	**2,720**	**–**	**–**	**1,305**	**2,720**
3,349	4,454	3,453	4,592	−960	−1,013	2,493	3,579
−1,104	−1,018	−2,279	−2,124	960	1,013	−1,319	−1,111
–	–	131	252	–	–	131	252
−6,971	**−1,660**	**21,359**	**25,266**	**−4**	**11**	**21,355**	**25,277**
–	**–**	**–**	**–**	**−6,524**	**−8,951**	**−6,524**	**−8,951**
–	**–**	**–**	**–**	**–**	**–**	**14,831**	**16,326**
189,587	**194,006**	**404,719**	**421,727**	**−187,504**	**−187,453**	**217,215**	**234,274**
21,336	**24,107**	**119,226**	**134,401**	**6,875**	**7,781**	**126,101**	**142,182**
222	**151**	**5,365**	**5,161**	**–**	**–**	**5,365**	**5,161**

INFORMATION BY REGION

€ '000	*Investment* 2014	*Investment* 2013	*Non-current assets* 2014	*Non-current assets* 2013
Germany	4,723	4,669	56,237	59,452
Rest of Europe	642	492	4,108	5,285
GROUP, CONSOLIDATED	**5,365**	**5,161**	**60,345**	**64,737**

41. APPLICATION OF THE EXEMPTION RULES OF SECTION 264B OF GERMAN COMMERCIAL CODE FOR UNINCORPORATED FIRMS

The group companies *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG, Wein Wolf Holding GmbH & Co. KG, Wein Wolf Import GmbH & Co. Verwaltungs KG, Wein Wolf Import GmbH & Co. Vertriebs KG, Weinland Ariane Abayan GmbH & Co. KG* and *Deutschwein Classics GmbH & Co. KG* make use of the exemption rules of Section 264b of German Commercial Code for the year under review. The consolidated financial statements are published in the electronic Federal Gazette.

42. APPLICATION OF THE EXEMPTION RULES OF SECTION 264 (3) OF GERMAN COMMERCIAL CODE FOR INCORPORATED FIRMS

The group companies *IWL Internationale Wein Logistik GmbH, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* make use of the exemption rules of Section 264 (3) of German Commercial Code for the year under review. The consolidated financial statements are published in the electronic Federal Gazette.

43. APPLICATION OF THE EXEMPTION RULES OF SECTION 291 (1) OF GERMAN COMMERCIAL CODE FOR SUBGROUPS

The subgroups of *Wein Wolf Holding GmbH & Co. KG, Wein Wolf Import GmbH & Co. Vertriebs KG, Weinland Ariane Abayan GmbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* exercise the exemption rules of Section 291 (1) of German Commercial Code in the year under review, because they have been included in the exempting consolidated financial statements of Hawesko Holding AG. The consolidated financial statements are published in the electronic Federal Gazette.

44. DECLARATION OF COMPLIANCE

The Declaration of Compliance with the German Corporate Governance Code, as specified under Section 161 of German Stock Corporation Law, was submitted on 27 March 2014 and is made permanently available on the Internet at www.hawesko-holding.com.

45. RELATED PARTY DISCLOSURES

In accordance with IAS 24, the following details of relationships with related parties are disclosed:

The Board of Management and Supervisory Board are to be regarded as related parties pursuant to IAS 24.9. During the period under review, there were business relationships between the Supervisory Board or Board of Management and the companies included in the consolidated financial statements.

The members of the Supervisory Board were paid the following total remuneration for their activities in the 2014 financial year (previous year in brackets):

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Dr Joh. Christian Jacobs (since 16/06/2014)	20	5	23	–	48
	(–)	(–)	(–)	(–)	(–)
Prof Dr Dr Dres h c Franz Jürgen Säcker (until 16/06/2014)	17	4	21	5	47
	(46)	(8)	(42)	(–)	(96)
Gunnar Heinemann	27	6	20	–	53
	(34)	(6)	(22)	(–)	(62)
Thomas R Fischer	18	4	14	–	36
	(23)	(4)	(19)	(–)	(46)
Elisabeth Kamper (until 17/06/2013)	–	–	–	–	–
	(11)	(2)	(2)	(–)	(15)
Detlev Meyer	18	4	15	–	37
	(23)	(4)	(18)	(–)	(45)
Prof Dr-Ing Wolfgang Reitzle (since 01/08/2014)	8	2	7	–	17
	(–)	(–)	(–)	(–)	(–)
Kim-Eva Wempe	18	4	13	–	35
	(23)	(4)	(12)	(–)	(39)
TOTAL	**126**	**29**	**113**	**5**	**273**
	(160)	(28)	(115)	(–)	(303)

During the financial year there moreover existed business ties with Detlev Meyer, who holds a 29.5% interest in Hawesko Holding AG through Tocos Beteiligung GmbH as at 31 December 2014. In the financial year, goods to the value of € 112 thousand were sold to PIUS WEINWELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence. In addition sales of € 24 thousand were generated with WeinArt, in which Tocos Beteiligung GmbH holds a 50% interest.

In addition, sales of € 180 thousand were realised in 2014 with Gebr. Heinemann KG, of which Gunnar Heinemann is a managing partner. Equally, sales of € 213 thousand were realised with Gerhard D. Wempe KG, of which Kim-Eva Wempe is managing partner.

The members of the Board of Management were paid the following total remuneration for their activities in the 2014 financial year (previous year in brackets):

€ '000	*Fixed*	*Variable*	*Total*
Alexander Margaritoff	1,142	115	1,257
	(982)	(684)	(1,666)
Bernd Hoolmans	450	315	765
	(450)	(304)	(754)
Bernd G Siebdrat	482	60	542
	(482)	(120)	(602)
Ulrich Zimmermann	310	50	360
	(310)	(75)	(385)
TOTAL	**2,384**	**540**	**2,924**
	(2,224)	(1,183)	(3,407)

Individual members of the Board of Management were in addition granted non-cash benefits of insignificant value.

In the previous year, remuneration totalling € 3,407 thousand was paid to the Board of Management, comprising € 2,224 thousand in fixed pay and € 1,183 thousand in variable components.

The Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay; a provision totalling € 247 thousand (previous year: € 186 thousand) was recognised for this commitment at 31 December 2014. In addition his leave of absence from 31 December 2014 while continuing to draw his pay until 31 July 2015 has been agreed; a provision amounting to € 0.5 million was created for this purpose in the previous year. The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay, having reached the age of 65. The company paid an amount of € 30 thousand (previous year: € 30 thousand) into a benevolent fund for this commitment in the year under review, including € 20 thousand from salary conversion.

There existed no loans to members of the Board of Management or Supervisory Board in the 2014 financial year.

The balance sheet includes provisions for obligations in respect of the Board of Management and Supervisory Board totalling € 1,283 thousand (previous year: € 1,957 thousand).

At 31 December 2014, the Supervisory Board held 2,650,278 (previous year: 2,650,495) and the Board of Management 2,781,420 (previous year: 2,876,901) shares – directly and indirectly – in Hawesko Holding AG, including 2,700,000 (previous year: 2,698,000) held directly and indirectly by the Chairman of the Board of Management.

Apart from the circumstances mentioned, there were no other significant business relations with the Board of Management and Supervisory Board in the year under review.

There are no materially significant supply relationships with non-consolidated affiliated companies.

46. EXPENDITURE ON AUDITOR'S FEES

The expenditure on auditor's fees was made up as follows:

€ '000	2014	2013
Audit of financial statements	361	345
Other services	15	9
TOTAL	**376**	**354**

47. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following events occurred after the balance sheet date:

There was a change in the share ownership after the balance sheet date. At the time of preparation of the financial statements, the Supervisory Board holds 7,092,876 shares – directly and indirectly – and the Board of Management holds no shares in Hawesko Holding AG. Further remarks are provided in the Report on post-balance sheet date events in the Management Report.

Hamburg, 25 March 2015

The Board of Management

Alexander Margaritoff	Alexander Borwitzky
Nikolas von Haugwitz	Bernd Hoolmans
Bernd G Siebdrat	Ulrich Zimmermann

Declaration of the Legal Representatives

Statement i. a. w. Section 37y of the German Securities Trading Law (WpHG)

We affirm that, to the best of our knowledge and in accordance with the principles to be applied of proper consolidated reporting, the consolidated financial statements convey a true and fair view of the actual financial position, cash flows and profit or loss of the group, the consolidated management report, wich has been combined with the parent company report, depicts a true and fair view of the course of business including the net operating profit and situation of the group and the material opportunities and risks of the anticipated development of the group are described.

Hamburg, 25 March 2015

The Board of Management

Alexander Margaritoff	Alexander Borwitzky
Nikolas von Haugwitz	Bernd Hoolmans
Bernd G Siebdrat	Ulrich Zimmermann

Independent Auditor's Report

We have examined the consolidated financial statements of Hawesko Holding Aktiengesellschaft, Hamburg – comprising the balance sheet, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity and cash flow and the Notes to the consolidated financial statements – as well as the group management report, which has been combined with the parent company report – for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and group management report in accordance with IFRS as applied in the European Union, as well as with the applicable commercial regulations pursuant to Section 315a, Paragraph 1 of the German Commercial Code, is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW: German Institute of Auditors), in particular Section 317 of the German Commercial Code. These standards require that we plan and perform the audit so that we can assess with reasonable assurance whether the documentation is free of any misstatements and violations which materially affect the representation of the net worth, financial position, financial performance and cash flows provided by the consolidated financial statements, in compliance with the applicable accounting regulations, and by the combined group management report. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible errors are taken into account in the determination of audit procedures. The effectiveness of the internal accounting control system as well as evidence supporting the figures and disclosures in the consolidated financial statements and group management report are evaluated primarily on a test basis. The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the consolidated group, the accounting and consolidation principles used and significant estimates made by the legal representatives of the group as well as an appraisal of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our evaluation.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as applied in the European Union, as well as with the applicable commercial regulations pursuant to Section 315a, Paragraph 1 of the German Commercial Code, and provide a true and fair view of the net worth, financial position and financial performance of the group. The combined management report is consistent with the consolidated financial statements and overall provides a true and fair view of the position of the group as well as of the opportunities and risks of future development.

Hamburg, 26 March 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Matthias Kirschke	ppa. Vinzent Graf
Wirtschaftsprüfer	Wirtschaftsprüfer

List of Shareholdings

in accordance with Section 313 (2) of the German Commercial Code (HGB) at 31 December 2014

	Registered office	Equity € '000	Shareholding %	Net earnings 2014 € '000
A. DIRECT SHAREHOLDING				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	7,208 [1]
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	15,171 [1]
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	Hamburg	512	100	682
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	39	100	1
C.C.F. Fischer GmbH	Tornesch	17	100	–1
Wein Wolf Holding GmbH & Co. KG	Bonn	7,665	100	4,055
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	–275 [1]
Wein & Vinos GmbH	Berlin	3,526	70	2,527
Le Monde des Grands Bordeaux Château Classic SARL, in liquidation	Saint Christoly, Médoc (France)	–3,575	90	–1,536
Sélection de Bordeaux SARL	Strasbourg (France)	12	100	3
Globalwine AG	Zurich (Switzerland)	533	78.96	–227
B. INDIRECT SHAREHOLDING				
Shareholdings of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH: *Weinlet.de GmbH*	Hamburg	26	100	–220 [1]
Carl Tesdorpf GmbH	Lübeck	–971	97.5	47
The Wine Company Hawesko GmbH	Hamburg	–2,437	100	–92
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	23	100	–1
Shareholdings of Jacques' Wein-Depot Wein-Einzelhandel GmbH: *Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.*	Salzburg (Austria)	112	100	88
Viniversitaet Die Weinschule Gesellschaft mit beschränkter Haftung	Düsseldorf	25	100	44 [1]
Jacques-IT GmbH	Vaterstetten	25	100	129 [1]
Multi-Weinmarkt GmbH	Düsseldorf	25	100	–4 [1]

	Registered office	*Equity* € '000	*Share-holding* %	*Net earnings 2014* € '000
Shareholdings of Wein Wolf Holding GmbH & Co. KG:				
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	678	100	639
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	52	100	6
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	431	100	90
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	3,360	100	3,714
Wein Wolf Import GmbH	Bonn	34	100	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	36	100	1
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,419	100	234
Alexander Baron von Essen Weinhandels-gesellschaft mbH	Bonn	821	100 [3]	208
Global Eastern Wine Holding GmbH	Bonn	248	50	473
Shareholdings of Wein Wolf Import GmbH & Co. Vertriebs KG:				
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	1,831	100 [2]	2,537
Weinland Ariane Abayan Verwaltungsgesellschaft mbH	Hamburg	28	100	1
Deutschwein Classics GmbH & Co. KG	Bonn	209	90	115
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	32	90	1
Shareholding of Globalwine AG:				
Vogel Vins SA	Grandvaux (Switzerland)	4,175	70	–233
Shareholding of Global Eastern Wine Holding GmbH:				
Global Wines, s.r.o.	Prague (Czech Republic)	1,189	66.6	413

[1] *before profit/loss transfer*

[2] *of which 15% is held directly*

[3] *51% is held via Weinland Ariane Abayan GmbH & Co. KG*

Report of the Supervisory Board

Dear shareholders,

The Supervisory Board reports below on its activities in the 2014 financial year. The past year was a very eventful one with many extraordinary events that will undoubtedly go down in the history of the Hawesko Group, and will have a defining effect on the future course of the group. In terms of its business performance, the Hawesko Group achieved further growth – though there were various adverse factors: the Bordeaux vintage was less well-received than that of the previous year, and the closing-down of the subsidiary *Château Classic – Le Monde des Grands Bordeaux* had a detrimental effect. Contrast this with the two company anniversaries – 40 years of *Jacques'* and 50 years of *Hanseatisches Wein- und Sekt-Kontor* – both of which provided business momentum. However the development of *Wein & Vinos* and expansion in Switzerland are still not yet within the target corridor and hampered the earnings performance from operating business. Non-recurring costs unrelated to business operations were incurred for investigating strategic options for further expansion and in particular as a result of the takeover process in connection with the Tocos tender offer. In view of the new shareholder structure, it can safely be predicted that the strategic direction of the Hawesko Group will become even more sharply focused: it will place the emphasis on reinforcing its market position and securing sustained growth both in Germany and internationally.

INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2014 financial year the Supervisory Board performed the tasks for which it is responsible in accordance with the legal requirements and the articles of incorporation. It was kept informed about the situation of the company both at regular meetings and in meetings of its committees, supported the Board of Management in an advisory capacity, oversaw it throughout and passed all the necessary resolutions. Over and above its routine meetings, the Board of Management in addition reported to the Supervisory Board on other important matters. The regular oral and written reports submitted to the Supervisory Board pertained to the overall position of the company and current business developments as well as to the medium-term strategy of the company, including its investment, financial and earnings plans and management development. The focus of its deliberations was on the economic development of the group companies and the future direction of Hawesko Holding AG.

The Supervisory Board held four ordinary and eight extraordinary meetings in the 2014 financial year to assure itself of the lawfulness and regularity of the company's management, and was prepared and supported through the meetings of the Audit and Investment Committee and of the Personnel and Nominating Committee. The topics of the reports and discussions of the Supervisory Board included the current trading position of the group, the principles of corporate governance and their implementation in the company, personnel matters, risk management within the group, and strategic business plans. The following individual topics were considered by the full board:

- The acquisitions policy and various acquisition projects
- The reaction and response to the tender offer from Tocos Beteiligung GmbH and the Supervisory Board member Detlev Meyer
- The convening of an Extraordinary Shareholders' Meeting
- Personnel matters as well as junior management concepts
- Challenges for the group organisation, in particular in the event of various acquisition plans being realised
- Proposals for election to the Supervisory Board
- The business development of newly acquired subsidiaries
- Business expansion in Switzerland
- Compliance within the Hawesko Group
- The three-year plan for the financial years 2015 to 2017
- The proposal that the Shareholders' Meeting of the company appoint PricewaterhouseCoopers AG as auditors of the consolidated and annual financial statements for the 2014 financial year

Pursuant to Section 8 of the articles of incorporation, an individual investment project involving a sum of more than € 2.5 million, the acquisition of other companies and the disposal of investments in companies with a value of more than € 0.5 million require the prior consent of the Supervisory Board. This must be given by a majority of two-thirds of the votes. In the 2014 financial year, following intensive consultations with the entire Supervisory Board as well as the Audit and Investment Committee, the Board of Management sought the consent of the Supervisory Board to an acquisition project. Following detailed examination this consent was declined by the Supervisory Board.

Under the reporting system, each month the Supervisory Board was sent the key financial data, and its trends compared with the target and prior-year figures and the market expectations were presented and explained in detail. The Supervisory Board has acknowledged these planning and accounting documents, considered them in depth and been able to assess their plausibility and appropriateness.

All members of the Supervisory Board were present at the Supervisory Board meetings that did not have the purpose of considering the tender offer (except that three apologies were received, once from one Supervisory Board member and twice from another member).

In accordance with a prior Supervisory Board resolution, the Supervisory Board members Thomas R Fischer and Detlev Meyer did not take part in the meetings at which the tender offer was discussed and decided upon. All of the remaining members took part in these meetings (except for three apologies received).

The annual financial statements prepared by the Board of Management, the consolidated financial statements and the combined management report of the group and the parent company for the 2014 financial year, including the bookkeeping, were examined by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 16 June 2014. The auditors did not find any cause for objection and issued their unqualified opinion. The Audit and Investment Committee simultaneously monitored the independence of the auditors and in this connection obtained the corresponding declaration.

The Board of Management submitted the annual and consolidated financial statements, the combined management report for the group and the parent company for the 2014 financial year, and the audit reports of the independent auditors on the examination of the annual and consolidated financial statements and the Board of Management's proposal on the appropriation of earnings to the Audit and Investment Committee for review. At its meeting on 17 March 2015, the committee considered the financial statements of the affiliated companies and discussed them in the presence of the auditors. The annual financial statements and the consolidated financial statements of Hawesko Holding AG as well as the auditors' audit reports were examined by the whole Supervisory Board at its meeting on 26 March 2015. Based on the conclusions of its examination, the Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2014 pursuant to Section 171 of the German Stock Corporation Act. The annual financial statements are thus approved in accordance with Section 172 of the German Stock Corporation Act.

The Supervisory Board endorses the proposal of the Board of Management to use the unappropriated profit for the 2014 financial year for the distribution of a dividend of € 1.30 per no par value share.

SUPERVISORY BOARD COMMITTEES

The Audit and Investment Committee met four times in 2014, and the Personnel and Nominating Committee five times.

WORK OF THE AUDIT AND INVESTMENT COMMITTEE

The Audit and Investment Committee met before the publication of each quarterly financial report and discussed these pursuant to Article 7.1.2 of the German Corporate Governance Code. On 14 March 2014 the committee discussed the accounts of the subsidiaries in the presence of the auditors. On 5 May 2014 a possible acquisition project was discussed. The meeting on 1 August 2014 was earmarked for the timetable for an acquisition project and for the corporation tax correction to the dividends paid in 2012 and 2013. On 3 November 2014 the priorities for the 2014 audit of the financial statements were determined and the structure of the interim reports was discussed.

WORK OF THE PERSONNEL AND NOMINATING COMMITTEE

At its meeting on 24 January 2014 the Personnel and Nominating Committee considered the management and direction of *Jacques' Wein-Depot Wein-Einzelhandel GmbH*. On 4 March 2014 it addressed the topic of management development at *Wein & Vinos GmbH* and in the wholesale segment. On 27 March 2014 it agreed to appoint Alexander Borwitzky as Board of Management member for the specialist wine-shop retail segment and considered other personnel matters within the Supervisory Board, which were again the subject matter of a meeting on 5 May 2014. On 10 December 2014 the committee agreed on the appointment of Nikolas von Haugwitz as Board of Management member for the distance-selling segment and on the appointment of two additional directors for *Wein & Vinos GmbH*.

CORPORATE GOVERNANCE

On 27 March 2014 the Board of Management and Supervisory Board submitted the annual Declaration of Compliance in respect of the German Corporate Governance Code. The Declaration of Compliance approved today pursuant to Section 161 of German Stock Corporation Law is published separately in the annual report as part of the Corporate Governance Declaration along with disclosures on the principles of corporate management and the description of the modus operandi of the Board of Management and Supervisory Board (see page 126); the document is also available on the Internet at www.hawesko-holding.com. The Supervisory Board assessed its efficiency in a self-evaluation process.

SUPERVISORY BOARD MEETINGS AFTER 31 DECEMBER 2014

Following the tender offer from Tocos Beteiligung GmbH, the Supervisory Board met three times in January 2015 and once in February 2015. The Personnel and Nominating Committee met in February 2015. The topics for discussion were in connection with the tender offer and in particular the decision of the Chairman of the Board of Management, Alexander Margaritoff, to accept the offer from Tocos Beteiligung GmbH in respect of the shares he held in Hawesko Holding AG, within the context of the tender offer. In addition, the announcement of Alexander Margaritoff to step down as Chairman of the Board of Management and from all other offices within the Hawesko Group was discussed.

CHANGES IN THE COMPOSITION OF THE EXECUTIVE BODIES

Board of Management

Alexander Margaritoff has announced that he will withdraw from the Hawesko Group with effect from 30 April 2015. He has belonged to the company founded by his father since 1 July 1981. Over the past 34 years he has accomplished a huge amount and transformed a family-run wine mail-order firm employing a handful of people into a group of companies with almost 1,000 employees and generating sales of almost half a billion euros in Germany and internationally. Over that time he has earned high regard as head of the company, wine connoisseur and dependable business partner not just among his employees, suppliers and customers – throughout the entire wine trade his name, along with that of Hawesko, has acquired a distinctive cachet. With his charm, his passion for the product wine and his sound specialist knowledge, he has succeeded in building up outstanding ties with many of the world's leading vineyards, vintners and winemakers, which he has nurtured over many years. His departure leaves a huge gap. The Supervisory Board expressly and wholeheartedly thanks him for the past 34 years! The search for a suitable successor to Alexander Margaritoff has already begun. To that end, the Supervisory Board has devised and embarked upon a clearly structured process.

With effect from 1 January 2015, Alexander Borwitzky and Nikolas von Haugwitz were appointed as members of the Board of Management. Mr Borwitzky succeeds Bernd Hoolmans, who retired at the end of 2014, as Board of Management member with responsibility for the specialist wine-shop retail area. The Supervisory Board sincerely thanks Mr Hoolmans for over 20 years of exemplary service on behalf of *Jacques' Wein-Depot*.

Mr von Haugwitz will represent the distance-selling segment on the Board of Management in future. The composition of the board now fulfils a long-standing resolution of the Supervisory Board, according to which each of the three operating segments should have a separate representative on the group board. The Board of Management consequently fundamentally has five members.

Supervisory Board

The Chairman of the Supervisory Board, Dr Joh. Christian Jacobs, gave up his seat on the Supervisory Board on 26 March 2015. In taking this step, Dr Jacobs opened the way to a composition of the Supervisory Board that more closely reflects the new ownership structure than previously. On the same day, Detlev Meyer was elected its new Chairman. The period for which Dr Jacobs chaired the Supervisory Board was short and dominated by special circumstances. The entire Supervisory Board extends its thanks to Dr Jacobs for his support for the company throughout that time.

With effect from 1 August 2014, Prof Dr-Ing Wolfgang Reitzle was appointed to the Supervisory Board by the Local Court of Hamburg. He fills the hitherto vacant sixth seat on the board and will stand for election at the next Shareholders' Meeting.

At the last Shareholders' Meeting, Prof Dr Dr Dres h c Franz Jürgen Säcker did not stand for re-election to the Supervisory Board after many years on the board, and consequently retired from the Supervisory Board with effect from 17 June 2014. Following the resignation of Dr Jacobs, he was initially appointed as an ordinary member by the Local Court of Hamburg and will stand for election at the next Shareholders' Meeting.

Conflicts of interest

With the exception of the conflicts of interest concerning the Supervisory Board members Thomas R Fischer and Detlev Meyer from the tender offer, the Chairman has not been notified of any conflicts of interest.

The Supervisory Board extends its thanks to the Board of Management, the directors of the affiliated companies, the employee council and all employees of Hawesko Holding AG's affiliated companies, the *Jacques' Wein-Depot* agency partners and the distribution partners in the wholesale division for their commitment and hard work.

Hamburg, 26 March 2015

The Supervisory Board

Dr Joh. Christian Jacobs
Chairman

Corporate Governance Declaration and Corporate Governance Report

CORPORATE GOVERNANCE

Hawesko Holding AG is committed to responsible corporate management and supervision directed towards increasing the value of the company. The transparency of the company's principles as well as the presentation of its ongoing development are to be assured in order to create, maintain and strengthen confidence in the company among customers, business partners and shareholders.

In this declaration, the Board of Management and Supervisory Board report on the principles of corporate management and on the modus operandi of the Board of Management and Supervisory Board pursuant to Article 3.10 of German Corporate Governance Code and Section 289a (1) of German Commercial Code.

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Board of Management and Supervisory Board monitor compliance with the German Corporate Governance Code and each year submit a Declaration of Compliance, both current and former versions of which can be called up on the Internet.

Pursuant to Section 161 of the German Stock Corporation Act, the Board of Management and Supervisory Board of publicly quoted stock corporations shall declare each year that the recommendations of the Government Commission on the German Corporate Governance Code, published in the official section of the electronic Federal Official Gazette by the Federal Ministry of Justice, have been and are complied with, as well as declare which of these recommendations have not been or will not be complied with.

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, considered aspects of corporate governance on several occasions in the 2014 financial year and jointly declare that since 27 March 2014 (date of submission of last Declaration of Compliance) the recommendations of the German Corporate Governance Code ("Code" or "GCGC") in the version dated 13 May 2013, and from its introduction in the version of the Code dated 24 June 2014, have been and are complied with, except in the following respects:

- *Article 5.4.6 of the Code:* The remuneration of the Supervisory Board members includes a performance-related component that is based on the unappropriated profit for the year in question. The Board of Management and Supervisory Board are of the opinion that this year-specific remuneration component appropriately reflects the consultative and supervisory function of the Supervisory Board. In addition, time-based determination of the variable remuneration more closely reflects in-year changes in the composition of the Supervisory Board as a result of the exit or arrival of new Supervisory Board members.
- *Article 7.1.2 of the Code:* The consolidated financial statements of the company will be published not within 90 days of the end of the financial year, but within approximately 120 days. This longer period is advisable to facilitate the publication of the consolidated financial statements and annual report together with a report on the first quarter of the current financial year.

RELEVANT DISCLOSURES ON THE PRINCIPLES OF CORPORATE MANAGEMENT, THE MODUS OPERANDI OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD, AND THE COMPOSITION AND MODUS OPERANDI OF THE SUPERVISORY BOARD COMMITTEES

Organisation and management

The Hawesko Group is organised non-centrally: as far as possible, decisions concerning business operations are taken and implemented by the individual subsidiaries. This organisational structure is useful because the wine trade depends to a great extent on exploiting personal contacts with both producers and customers. The parent company Hawesko Holding AG normally holds 100% or a majority of the shares in the subsidiaries, which are active predominantly in the wine trade. The significant operationally active incorporated firms within the consolidated companies – above all *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* – are integrated into the group by means of profit transfer agreements with the holding company. In the case of the subsidiaries where the shareholding is not 100%, the respective directors hold a minority interest. The parent company Hawesko Holding AG and the majority of the subsidiaries are domiciled in the Federal Republic of Germany. The subsidiaries not based in Germany are all domiciled in other European Union countries or in Switzerland.

The Hawesko Group is essentially divided into three largely independent business segments (cf. “Goals and Strategies” section in the combined management report).

The Board of Management uses EBIT* and ROCE* as the basis for its management approach. The target minimum rates of return are presented in the “Management system” section of the combined management report. The targets and the development of the individual segments on the basis of these benchmarks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies. By incorporating EBIT margins and the return on capital employed into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.

Shareholders and Shareholders’ Meeting

The shareholders of Hawesko Holding AG exercise their right to have a say in the running and supervision of the company through the Shareholders’ Meeting. All shares are no par value bearer shares equipped with identical rights and obligations. Every share in Hawesko Holding AG carries one vote. The principle of “one share, one vote” is taken to its logical conclusion, as there are no caps on the number of voting rights which may be held by one shareholder, nor any special voting rights. Every shareholder is entitled to take part in the Shareholders’ Meeting, to comment there on the individual agenda items and to demand information on matters concerning the company, to the extent that this is needed for the correct assessment of a matter being brought before the Shareholders’ Meeting. The Annual Shareholders’ Meeting is held within the first eight months of each financial year. Chairing of the Shareholders’ Meeting is the responsibility of the Supervisory Board Chairman or another member of the Supervisory Board nominated by the Chairman. The Shareholders’ Meeting fulfils all the tasks assigned to it by law. A resolution shall normally be carried by a simple majority or, in certain cases (e.g. for resolutions on capital measures and amendments to the articles of incorporation) by a majority of at least three-quarters of the capital stock represented.

The Supervisory Board member Detlev Meyer is the biggest shareholder of Hawesko Holding AG, holding 79.0% of the shares through Tocos Beteiligung GmbH. There then follows Michael Schiemann, with a 3.9% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 17% are held by institutional and private investors. There are no employee shares as defined in Sections 289 (4) No. 5 and 315 (4) No. 5 of German Commercial Code.

Supervisory Board

The Supervisory Board advises and oversees the Board of Management. On matters of importance and fundamental significance, the Board of Management requires the prior consent of the Supervisory Board by a two-thirds majority, in particular for carrying out individual investments of a value of more than € 2.5 million and for the acquisition of other companies or the disposal of investments in companies of a value of more than € 0.5 million. A reporting system informs the Supervisory Board members monthly of key financial data compared with the target and prior-year figures, and explains them. At least four ordinary meetings of the Supervisory Board as well as meetings of its committees take place each year.

According to the articles of incorporation the Supervisory Board comprises six members, elected by the Shareholders’ Meeting. It elects a Chairman and a Deputy from among its members. Declarations of intent by the Supervisory Board are issued by the Chairman or, if the Chairman is prevented from attending, by his Deputy. The Supervisory Board has a quorum if all members have been invited and at least half of the members take part in the vote. Resolutions of the Supervisory Board are carried by a simple voting majority, unless otherwise specified by law or in the articles of incorporation; in the event of a tied vote, a majority may resolve to conduct a fresh debate; otherwise a new vote must be held without delay. When voting anew on the same matter, the Chairman has two votes if the result is once again a tie.

* *EBIT = earnings before interest and taxes. It is an indicator of the company’s operating profitability.*

ROCE = return on capital employed. This is the ratio of EBIT to the average amount of capital employed and provides an indication of the return on the capital employed in the period under review.

The Supervisory Board has formed two committees that perform the functions assigned to them on behalf of the whole Supervisory Board. The committees are convened by their respective chairs and meet as often as is deemed necessary. There is currently a Personnel and Nominating Committee, and also an Audit and Investment Committee, each comprising three members. In proposing candidates to the Shareholders' Meeting for election, the Supervisory Board endeavours to consider not just the specialist and personal qualifications of the candidates, but also diversity aspects and in particular the appropriate representation of women in the work of the Supervisory Board, and will report on this.

Board of Management

The Board of Management is independently responsible for the running of the company and represents it in transactions with third parties. It coordinates the strategic direction of the group with the Supervisory Board and, in accordance with the legal requirements, informs the Supervisory Board regularly, promptly and comprehensively of all plans, business developments and risks that are of relevance to the company.

The Board of Management comprises five members and reaches its decisions by majority vote. Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group. The Board of Management members work together collegially and continually inform each other of important measures and events in their divisions. There are no subcommittees within the Board of Management.

Each business segment of Hawesko Holding AG is headed by a member of the Board of Management, who is responsible for the attainment of the segment targets and possesses authority to issue instructions within the segment.

When filling management functions in the company, the Board of Management strives for diversity, in particular through the suitable involvement of women.

Since 1 January 2011 a Compliance Code passed by the Board of Management and Supervisory Board has been in place for all Hawesko companies.

Financial reporting and auditing of financial statements

The consolidated financial statements have been prepared under IFRS since the 2000 financial year. Following their compilation by the Board of Management, the consolidated financial statements are examined by the independent auditors, and examined and approved by the Supervisory Board. The consolidated financial statements are made available to the public within 120 days of the end of the financial year.

The following was agreed with the independent auditors:

1. The Chairman of the Audit and Investment Committee shall be informed without delay if potential reasons for exclusion or conflicts of interest that cannot be rectified without delay come to light during the audit.

2. The independent auditor shall report on all findings and occurrences identified while conducting the audit of the financial statements that are of material significance for the work of the Supervisory Board.

3. If the independent auditor should, while conducting the audit of the financial statements, identify facts that have led to a misstatement in the Declaration of Compliance issued by the Board of Management and Supervisory Board in respect of the Corporate Governance Code (Section 161 of the German Stock Corporation Act), it shall note this in the audit report and inform the Chairman of the Supervisory Board of this.

Transparency

Hawesko Holding AG attaches high priority to the policy of providing uniform, comprehensive and timely information. The trading position and the results of the company are reported on through the annual report, the Annual Press Conference, in the Quarterly Financial Reports at 31 March and 30 September, and in the Interim Financial Report.

Further information is published in the form of press releases and ad hoc announcements in accordance with Section 15 of the German Securities Trading Act (WpHG). All such notices are available on the Internet.

Hawesko Holding AG has set up an insider register in accordance with Section 15b of the German Securities Trading Act. The individuals concerned have been informed of the statutory obligations and sanctions.

REMUNERATION REPORT

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in a separate section of the combined management report for the group and the parent company for 2014, as well as in the Notes to the consolidated financial statements and Notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

SHARES OF HAWESKO HOLDING AG IN THE OWNERSHIP OF MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

At 31 December 2014, the Supervisory Board held 2,650,278 (previous year: 2,650,495) and the Board of Management 2,781,420 (previous year: 2,876,901) shares – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,700,000 (previous year: 2,698,000) shares directly and indirectly.

After completion of the tender offer of Tocos Beteiligung GmbH on 2 March 2015, the Supervisory Board member Detlev Meyer indirectly holds 7,092,876 shares in Hawesko Holding AG. The remaining members of the Supervisory Board and of the Board of Management do not hold any shares in Hawesko Holding AG.

Hamburg, 26 March 2015

The Supervisory Board The Board of Management

Board of Management and Supervisory Board

MEMBERS OF THE BOARD OF MANAGEMENT

Alexander Margaritoff, Chairman and Chief Executive Officer, Hamburg (until 30/04/2015)

Alexander Margaritoff (born 1952) graduated from the University of Sussex, England, with degrees in Economics (B.A.) and Contemporary European Studies (M.A.). In 1981 he joined the company *Hanseatisches Wein- und Sekt-Kontor.* As Chief Executive Officer he is responsible for the strategic focus of Hawesko Holding AG as well as all companies in which it has shareholdings.

Mr Margaritoff is a member of the Advisory Board of Deutsche Bank AG, Hamburg.

Alexander Borwitzky, Düsseldorf (since 01/01/2015)

Alexander Borwitzky (born 1968) completed his MBA at Nottingham University Business School in 1992. He subsequently held management positions in several international retail groups and has been one of the directors at *Jacques' Wein-Depot* since 2013. He has been in the Board of Management since January 2015, responsible for the stationary specialist wine-shop retail segment.

Nikolas von Haugwitz, Hamburg (since 01/01/2015)

Nikolas von Haugwitz (born 1968) graduated with a degree in Economics from the Free University of Berlin in 1996. Since 2003 he has held management positions at *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH,* and since 2008 he has been one of its directors. He is also managing director of *Carl Tesdorpf GmbH.* Since January 2015 he represents the distance-selling segment in the Board of Management.

Bernd Hoolmans, Düsseldorf (until 31/12/2014)

Bernd Hoolmans (born 1950) graduated in 1975 from the Justus Liebig University in Giessen with a degree in Economics. Mr Hoolmans joined *Jacques' Wein-Depot* as Managing Director in 1994. At Hawesko Holding AG, he is primarily responsible for the stationary specialist wine-shop retail segment.

Bernd G Siebdrat, Bonn

Bernd G Siebdrat (born 1956) is co-founder and managing director of *Wein Wolf Holding GmbH & Co. KG*, which was started in 1981 and became a subsidiary of Hawesko through its acquisition in 1999. His primary responsibility is the wholesale segment.

Ulrich Zimmermann, Chief Financial Officer, Hamburg

Ulrich Zimmermann (born 1962) graduated with a degree in Economics from the University of Karlsruhe in 1989. In 1998 he joined Hawesko Holding AG as Head of Finance and Group Controlling and was appointed an authorised signatory in 1999. As Chief Financial Officer he bears particular responsibility for these areas as well as for group logistics.

MEMBERS OF THE SUPERVISORY BOARD

Dr Joh. Christian Jacobs [1, 2]

(16/06/2014 – 26/03/2015)
Chairman
Lawyer, Partner of law firm Huth Dietrich Hahn, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

- Barry Callebaut Asia Pte. Ltd., Singapore;
- Hemro AG, Bachenbuelach, Switzerland;
- Neumann Gruppe GmbH, Hamburg;
- North Pacific Holding Pte. Ltd., Singapore;
- Skytower Pte. Ltd., Singapore

Professor Dr iur Dr rer pol Dres h c Franz Jürgen Säcker [1, 2]

(until 16/06/2014 and from 27/03/2015)
Chairman until 16/06/2014
Executive Director of the Institute for Energy and Regulatory Law Berlin e. V., Berlin

Detlev Meyer [2]

Chairman from 26/03/2015
Managing Director of Tocos Beteiligung GmbH, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

- Bianco Footwear A/S, Kolding, Denmark;
- Bianco International A/S Kolding, Denmark;
- Closed Holding GmbH, Hamburg;
- Hannover 96 Sales & Service GmbH & Co. KG, Hanover

Gunnar Heinemann [1]

Deputy Chairman until 26/03/2015
Former Managing Partner of Gebr. Heinemann KG, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

- Gebr. Heinemann SE & Co. KG, Hamburg;
- Travel Retail Norway A/S, Gardermoen, Norway

Thomas R Fischer [1]

Speaker of the Board of Management, Marcard, Stein & Co. AG, Hamburg, and Managing Director of Marcard Family Office Treuhand GmbH, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

- Bianco Footwear A/S, Kolding, Denmark;
- Bianco International A/S, Kolding, Denmark;
- HF Fonds IX. Unternehmensbeteiligungs-GmbH, Hanover;
- HF Fonds X. Unternehmensbeteiligungs-GmbH, Hanover

Prof Dr-Ing Wolfgang Reitzle [2]

(from 01/08/2014)
Deputy Chairman from 26/03/2015
Managing Partner of Visioning GbR, Munich

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

- Axel Springer SE, Berlin;
- Continental AG, Hanover;
- Holcim Ltd, Jona, Switzerland;
- Medical Park AG, Amerang

Kim-Eva Wempe [2]

General and Managing Partner of Gerhard D. Wempe KG, Hamburg

[1] *Member of the Audit and Investment Committee*
Thomas R Fischer is Chairman and complies with the regulatory requirements in accordance with Section 100 Para. 5 German Stock Corporation Law (AktG). Prof Dr Dr Dres Säcker was a member until 16/06/2014.

[2] *Member of the Personnel and Nominating Committee*
Prof Dr Dr Dres Säcker was a member and Chairman until 16/06/2014. From 16/06/2014 until 03/02/2015 Dr Joh. Christian Jacobs was Chairman. From 03/02/2015 Detlev Meyer is Chairman of the committee. From 26/03/2015 Prof Dr-Ing Reitzle is a member of the committee.

Imprint

PUBLISHED BY

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This annual report is published in German and English. In case of discrepancies, the German version shall prevail.

CONCEPT AND DESIGN

Impacct Communication GmbH
Hamburg
Germany
www.impacct.de

PHOTOGRAPHY

Wines: Dirk Uhlenbrock, Hamburg
c2/p. 1: Paul Bruins Photography/Getty Images
p. 2: Markus Bassler, Frankfurt
p. 6: Wolfgang Wilde, Hamburg
p. 8 –11: Hawesko Holding AG, Hamburg

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Key Financial Data of Hawesko Group

2005	2006	2007	2008	2009	2010	2011	2012
287.0	302.6	333.7	338.8	338.5	377.7	409.1	446.4
119.5	122.2	130.9	135.6	138.4	150.1	161.7	181.8
41.6%	40.4%	39.2%	40.0%	40.9%	39.7%	39.5%	40.7%
23.3	22.9	23.3	30.0	27.1	31.3	31.5	32.8
8.1%	7.6%	7.0%	8.9%	8.0%	8.3%	7.7%	7.3%
4.4	4.3	5.0	4.5	4.7	5.6	5.3	7.2
18.9	18.6	18.3	25.5	22.4	25.7	26.2	25.6
6.6%	6.1%	5.5%	7.5%	6.6%	6.8%	6.4%	5.7%
10.7	10.8	6.7	14.6	13.1	20.0	17.9	22.5
24.3	12.7	17.9	24.7	28.8	21.8	16.9	17.5
−5.2	−5.6	−2.6	−5.8	−7.1	+2.5	−4.1	−25.4
17.1	5.6	13.6	17.5	20.8	23.8	12.3	−8.9
−8.8	−7.6	−8.8	−10.6	−11.9	−15.7	−14.4	−14.8
56.6	57.3	48.9	44.7	46.5	52.6	47.6	65.9
106.0	114.5	127.7	125.4	127.1	149.2	168.8	170.0
61.6	64.9	62.6	66.6	70.2	77.8	81.1	74.9
37.9%	37.8%	35.4%	39.1%	40.5%	38.6%	37.5%	31.8%
162.6	171.9	176.6	170.1	173.6	201.8	216.4	235.8
94.9	99.8	103.9	102.9	103.1	101.8	105.7	140.3
11.5%	11.1%	10.5%	14.7%	13.0%	13.7%	12.5%	11.3%
19.9%	18.6%	17.6%	24.8%	21.7%	25.3%	24.8%	18.3%
1.22	1.23	0.76	1.67	1.48	2.24	1.99	2.51
0.70	0.85	1.00	1.20	1.35	1.50	1.60	1.65
0.30	–	–	–	–	0.25	–	–
1.00	0.85	1.00	1.20	1.35	1.75	1.60	1.65
8,797	8,806	8,805	8,742	8,835	8,915	8,983	8,983
16.75	20.40	22.70	19.43	23.00	29.42	35.23	40.06
148.0	180.2	200.5	171.7	203.4	264.3	316.5	359.9
566	551	609	614	657	696	739	835

€ million	2013	2014
Net sales	465.2	472.8
Gross profit	190.5	198.0
– as % of net sales	40.9%	41.9%
Operating result before depreciation (EBITDA)	29.4	26.9
– as % of net sales	6.3%	5.7%
Depreciation and amortisation	6.8	6.8
Operating result (EBIT)	22.6	20.1
– as % of net sales	4.8%	4.2%
Consolidated net income (after taxes and minority interests)	16.2	14.8
Cash flow from current operations	31.1	19.3
Cash flow from investing activities	–7.5	–5.1
Free cash flow	22.7	13.1
Proposed dividend distribution for the current year (parent company)	–14.8	–11.7
Non-current assets	64.7	60.3
Current assets	169.5	156.9
Equity less proposed dividend	77.3	79.4
– as % of balance sheet total	33.0%	36.6%
Total assets	234.3	217.2
Capital employed	140.8	137.5
Return on total assets	9.6%	8.9%
Return on capital employed	16.0%	14.6%
Earnings per share (€)	1.80	1.65
Regular dividend per share (€)	1.65	1.30
Bonus dividend payment (€)	–	–
Total dividend per share (€)	1.65	1.30
Total shares (average number outstanding in the year, ’000)	8,983	8,983
Year-end share price (€)	38.25	41.52
Market capitalisation at end of year	343.6	372.9
Total employees (average for year)	925	925

The comparative figures for the years 2010 and earlier have not been adjusted in accordance with IFRS 11 as this would involve an undue amount of work.

Financial Calendar

7 May 2015	Annual press conference Analyst conference Interim report at 31 March 2015
15 June 2015	Annual Shareholders' Meeting
6 August 2015	Half-year interim report
5 November 2015	Interim report at 30 September 2015
Early February 2016	Press release with preliminary figures for 2015
Early May 2016	Annual press conference Analyst conference Interim report at 31 March 2016



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