



**HAWESKO**

HOLDING AG

**THE NO. 1 FOR PREMIUM WINES**

**SHAPING  
THE FUTURE** ANNUAL REPORT **2018**

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# 524

million € sales

---

*Growth +3.4%*

# 28

million € EBIT

---

# 1.30

€ dividend

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*per share, stable distribution*

**“THE BEST  
WAY TO  
PREDICT  
THE FUTURE  
IS TO  
INVENT IT.”**

(ALAN KAY)





# FOCUSED. UNITED. GROWING.

VOGELVINS

CWD

CHAMPAGNER & WEIN  
DISTRIBUTIONSGESELLSCHAFT



*Deutschwein Classics*

We love and live for wine. In all manner of ways. Because all retail and B2B brands of the Hawesko Group are specialists, and unique in character: whether with regard to the USPs of their products, their distribution channels, their customer groups or the way they reach their customers – our group companies have all found their own, distinctive way of celebrating the subject of wine with abundant passion. So the diversity of our Hawesko Group reflects the diversity of the wine market. Taken individually, each group company is already strong – and together we are even stronger!

*Selection*  
*Alexander von Essen.*



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# A BRIEF LOOK BACK

A long, hot summer hampered business – yet we still managed to expand internationally, assert our strong market position and make further progress towards optimising our logistics sustainably and introducing new E-commerce solutions: there was quite a lot going on in 2018.

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Dear shareholders,

The sustainability of a business model is ultimately always revealed when the external factors are not so favourable. Bearing in mind that our important wine market in Germany saw a decline in volume for the fifth year in a row and was flat in terms of value, our model showed its true colours: the group grew yet again, with sales of € 524 million. This meant we were able to continue a long-standing trend and maintain our market position.

We can now look back on 21 years of uninterrupted growth as a publicly listed company. We are moving forward methodically and adhering to our multi-pronged growth strategy with a long-term focus: our aim is intrinsic organic growth for the companies of the Hawesko Group, along with targeted acquisitions to expand the group. We achieved both of these in



*"We are in close contact with customers, hardly anyone knows the market as well and as thoroughly as we do. That gives us a vital competitive edge for maintaining our profitable growth."*

THORSTEN HERMELINK

2018. We registered 0.7% organic growth in Germany. In terms of acquisitions, the takeover of Austria's market leader for high-quality wines, *Wein & Co.*, ideally enhances our European orientation and provided an extra sales lift in the fourth quarter. This move increased the sales share of international business from 9% to 11% in 2018, with a projected share of approx. 15% over the full year.

## **2018: A MAGNIFICENT SUMMER – JUST NOT FOR THE WINE TRADE**

Almost all of Europe enjoyed a long, hot summer – wine-growing regions included. That was good for the wine producers, whose grapes ripened in a plump, healthy state, enabling them to bring in a generally big harvest. We are delighted at this fantastic vintage, which will undoubtedly be an exceptional one thanks to the many hours of sunlight and will become a source of satisfaction to us in the current financial year.

But that summer was exceptionally poor for the wine trade: long spells of high temperatures above 30° up until the end of September reduced wine consumption. For extended periods, summer drinks such as spritzers, iced tea and water were given preference over wine. On top of that, wine consumers significantly delayed their autumn purchases. After all, who is going to think about finding the right full-bodied red wine to go with a wild boar roast while sunning themselves on the patio?

## **RETURN TO NORMAL IN FOURTH QUARTER**

All this made a dent in sales and earnings for the wine sector in the third quarter, ourselves included. It is scant consolation to know that this summer lull affected the entire trade. The downturn in the third quarter occasioned us to adjust our forecasts for the year, which we announced to the public in an ad hoc statement on 19 October 2018. Although demand returned to normal again in the fourth quarter, it did not suffice to compensate entirely for the setback in the previous quarter. We therefore did not achieve our adjusted sales target.

Unfortunately the difficult second half also impacted the Hawesko share price. From the year-high of € 55 in June 2018, it slipped to around € 36 by the start of April 2019. We continue to conduct our investor relations activities at a high level and are convinced the capital market will reward the Hawesko Group's unique position, in one of the most attractive segments for sophisticated lifestyle, with a rebound in trading prices.

We achieved our revised earnings target with group EBIT of € 28.1 million, excluding a non-recurring cost. Even if the Hawesko Group grew more slowly than expected in 2018 due to weather factors, the Board of Management and Supervisory Board believe there is no cause to depart from our substantially continuity-led dividend policy in view of the strong free cash flow of € 20.2 million. At the 2019 Shareholders' Meeting we will therefore be proposing to you, our shareholders, that a dividend of € 1.30 per share again be distributed for the 2018 financial year. The distribution will consequently represent approximately 59% of the adjusted consolidated earnings of € 2.19 per share.

## **STRATEGIC DIGITAL AND TECHNOLOGY MEASURES**

Looking to the future, progress was made with key strategic issues in the 2018 financial year. We took concrete steps in a number of areas: first, to start setting up a logistics system for all the group distribution brands; second, to implement a harmonised digital commerce platform (back-end software). And last but not least, third, to create the basis for uniform data analysis (data warehouse) for the entire group. All this with the goal of serving our customers even better and more efficiently, while at the same time binding them more closely to the brand world of the Hawesko Group.

The establishment of these corporate platforms, which provide all group distribution brands with efficient corporate services, is fundamentally important if we are to continue to guarantee the



*"2018 was not easy for us because of the long, hot summer. But we still achieved a healthy increase in free cash flow, underscoring our financial strength."*

RAIMUND HACKENBERGER

USP of the Hawesko Group as Europe's biggest, most innovative and most profitable wine trading group in the premium segment. Because group-wide back office functions will make us even better placed to adapt continually to the ever-changing requirements of the market. The challenge of these market dynamics is not merely to take the correct action, but to do so at the right pace. We want to enable the group companies' internal organisations to meet the growing demands of the market at any time.

For those reasons, the development of the concepts addressed in the past year will be a gradual process spread over a number of years. The creation of the group-wide data warehouse at *Vinos*, *HAWESKO* and *Carl Tesdorpf Weinhandel* was already launched in 2018. Our aim is to complete its implementation by the end of the current financial year. It will be rolled out to include *Jacques'* in 2020.



"On top of expanding our retail presence, our Retail segment achieved positive like-for-like sales development for the 13th year in a row."

ALEXANDER BORWITZKY

#### **ALIGNING THE WAREHOUSE STRUCTURE WITH NEW MARKET REQUIREMENTS**

Expanding online trade is driving up our customers' expectations with regard to speed of delivery and reliability. Then there is an increasingly important sense of ecological awareness - both among customers and within the company itself. For historical reasons we have a non-central structure - four different warehouses in geographically less than optimal locations - that needs improving if we are to tackle these challenges.

Thanks to a new warehouse location in southern central Germany, in future we will be in a position to deliver to customers across Germany within just one day. At the same time, we will substantially cut the miles clocked up by inbound deliveries from winemakers in southern Europe and Germany.

We aim to relocate the logistics for the B2B brand unit to the new warehouse location by the third quarter of 2019, with other brands following over the years 2019 to 2021.

Nobody can predict the future precisely. But thanks to ever better data, we are getting faster at identifying trends in online shopping and in customers' buying behaviour. We are currently noticing, for example, that people are increasingly buying wine in smaller quantities and for a specific occasion – such as a weekend barbecue party. So they are keeping lower amounts in stock. There is in fact a similar pattern in the catering trade. It is therefore crucially important to respond swiftly and cost-effectively to changing customer behaviour. Put another way, we are focusing even more effectively on meeting the increasingly individual needs of our customers.

### **INVESTING IN AN EVEN BETTER SERVICE FOR OUR CUSTOMERS**

In short, our plans for the coming years place a clear focus on greater efficiency and flexibility, given the rather muted development in consumer behaviour expected at a time of rapid market changes. We have already launched a comprehensive drive to ready ourselves for these challenges. In addition to adjusting the warehouse structure, which calls for only low capital investment, we are adopting a deeper approach to the question of digital transformation – especially in E-commerce. For the period 2018 to 2021, above and beyond maintenance and replacement investment we have earmarked an additional investment volume of € 15 million for this purpose.

The Hawesko Group's strong cash flow will enable us to finance this programme from internally generated funds. Notwithstanding that, we will remain on the lookout for attractive opportunities to extend our market position through acquisitions. In other words, we are seeking both organic and acquisitions-led growth for the future. The general direction is clear: to broaden our target groups and achieve a sustained improvement in our profitability. For the current financial year of 2019, including *Wein & Co.*, we expect sales growth of around 7–9% compared with 2018. Our anticipated profit margin, or EBIT margin, is in the range of 5.0 to 5.7%.

### **BOARD OF MANAGEMENT STRUCTURE STREAMLINED**

This focus on greater efficiency and flexibility also extends to the Board of Management. We have therefore recently made changes in that area, too, to flatten out the hierarchies and therefore speed up decision-making paths. We have opted to move away from the legacy structure of a Board of Management that mirrors the segments. The managing directors of the subsidiaries, who report directly to the Board of Management, now hold greater responsibility and enjoy more autonomy. From now on, the Hawesko Group can therefore be run by three instead of the previous four Board of Management members.

### **OUR VISION FOR THE FUTURE**

One thing has not changed: our ambition to build on our market position as Europe's biggest, most innovative and most profitable wine trading group in the premium segment. Bearing in mind the major challenges of digitalisation and shifts in customer behaviour, we started to perform the groundwork for this successful future early on.

We look forward to moving forward with this exciting process over the coming years, hand in hand with our team. Always on the foundations of solid financing, which allows sustained action, and with a value-enhancing business strategy that will enable you, our shareholders to participate long-term in our corporate success.

Kind regards,

Thorsten  
Hermelink

Alexander  
Borwitzky

Raimund  
Hackenberger



# ON THE PRODUCTS OF NATURE. AND HUMAN NATURE.

The mere descriptions of its colour and density are enough to fill books. Countless words are used for its aroma – before we even get to its taste. Drinking wine evokes feelings, brings people together and creates unforgettable moments. Wine is red, white or rosé, light or heavy and full-bodied – but never digital. Let's keep it that way. After all, such a handmade, emotional and pleasurable product is the biggest asset a company could wish for. It offers abundant scope for bringing it to the customer in memorable style.

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## THE FOCUS ALWAYS ON THE CUSTOMER

And that is precisely what we have been doing since 1996, since the heady early days of E-commerce. Because we were already one of the first wine traders to revolutionise the market all those years ago, and redefined the benchmark by venturing into E-commerce. Success then, as now, rested on being able to answer one question: how, in the digital world, do you promote a product that can only really achieve its full impact through sensory responses? And the answer to that question has not changed: by focusing squarely on the customers and their requirements online - we make them personalised recommendations, enrich them with knowledge, entertain them and invite them along every channel to enjoy the product wine for real. We are aided in this by innovative technologies, which get faster by the year. Whether through virtual reality or smart apps that suggest the right food for a wine or vice-versa, many new opportunities are opening up.

But at the very end of this value chain are the customers, who can enjoy a wine with all their senses - believing in good faith that they have chosen the right one. We are proud that we can deliver on this promise.



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# ELEVATING ONLINE SHOPPING FOR WINE INTO AN EXPERIENCE

The biggest range. The best price. The most information possible. And right now please! The new form of freedom and convenience that online customers expect today demands peak performance from the E-commerce companies of the Hawesko Group. How are they equipped for these new requirements of customers?



**H**ave you ordered anything on the Internet this week? A glance at the statistics reveals it is realistic to assume so: around 29% of Germans state that they make online purchases at least once a week – tendency rising.

Whether dinner delivered to your door, a new pair of sneakers or your favourite wine, when you go shopping digitally, you want at least as much choice, information and convenience as in a physical shop.

**SETTING THE BENCHMARK FOR AN ONLINE WINE SHOPPING EXPERIENCE**

As Germany’s leading online wine trader, our brands such as *HAWESKO*, *Vinos* and *WirWinzer* have been responding effectively to such developments for years. We started focusing on a lasting bond with the customer early on: through an exceptional combination of expertise in wine and digital media, plus a relish for innovation, we have created online shopping experiences that thrill customers and keep them returning. Attractive taster packages, thematically structured offers or feature articles such as online magazines and blogs inspire customers beyond the wine range itself – and set the scene for a stimulating shopping experience. The next phase will soon follow: with the development of innovative wine-specific customer guidance and advice concepts, every time a customer visits each website we will take them on a journey that is even more likely to culminate in them placing an order.

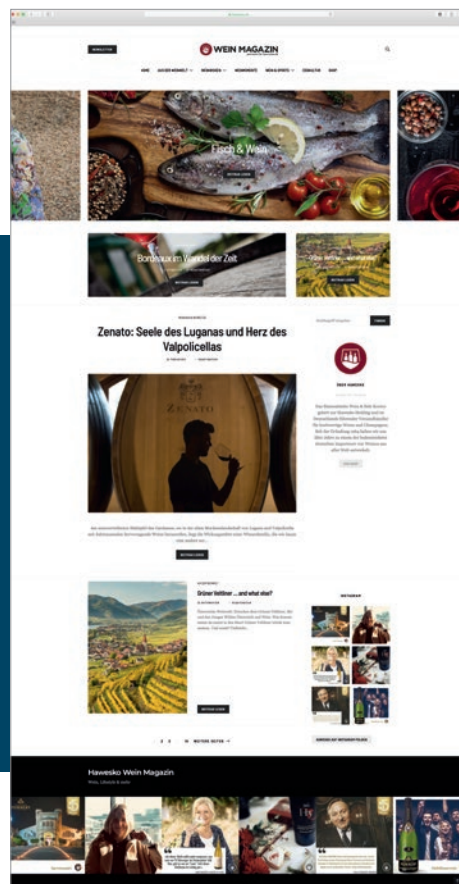
*The digital wine magazine from HAWESKO provides inspiration for the reader in the shape of entertaining stories and background knowledge.*

**29%**

*of Germans go shopping online every week*

**INVESTING IN NEW TECHNOLOGIES: DATA THE KEY TO SUCCESS**

We will also make even better use of the scope for data-led personalised offerings, while of course complying with our privacy policy. Every website visit still offers “untapped” potential for data points that we, as the market leader, can monitor and turn into a tailor-made offer with the help of new technologies: what is the customer interested in? How can we facilitate or supplement their search? We can answer these and many other questions much more effectively by investing extensively in new E-commerce technologies right across the group. By giving the customer a tailor-made proposal, we are making the ordering process much simpler. At the same time we will be improving our central logistics so we can reach the customer much more efficiently and quickly.



*\*Source: Statista.de*

*In progress in 2019:  
the development of central platforms that  
serve all group retail and B2B brands,  
including coordinated group logistics,  
a digital commerce platform and central  
data analysis (data warehouse).*

OVER **1.6**

**MILLION**  
ACTIVE CUSTOMERS

**PEAK  
PERFORMANCE  
DELIVERED  
CENTRALLY  
FOR THE GROUP**

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# DIGITAL COMMERCE PLATFORM

Jacques'

HAWESKO  
Hessisches Wein und Sekt Zentrum

**22,000**

WINES  
IN THE RANGE

**76**

MILLION  
BOTTLES SOLD

# IMMEASUR- ABLY GOOD: THE JACQUES' SUCCESS MODEL

Finding inspiration online or together with friends. Ordering straight away or first having a taste at the store. Taking it with you there and then, or having heavy cases of wine delivered conveniently to your door. This near-perfect customer journey concept is what has been captivating *Jacques'* customers for many years. And the best part: in future, it will all become a touch more personal.

**T**he Internet offers many and varied ways of finding an exciting wine. But you can only be truly confirmed in your choice if you can actually taste it. Precisely that is the *Jacques'* recipe for success. Under the motto of "My Personal Taste", a network of now 313 stores throughout Germany always places the customer at the heart of things: the wine lover can experience their favourites with all their senses in a relaxed atmosphere, whatever their level of wine knowledge and experience. One big plus point from the customer's perspective is that genuinely every wine can be tasted without commitment and new discoveries can be made, backed by expert advice. This approach successfully combines the analogue customer experience with the digital world, to create an immeasurably good omnichannel.

#### SIGNIFICANT LOCATION DEVELOPMENTS

Alongside its steady expansion into new locations, *Jacques'* achieved up to 50% sales growth even at long-established locations. This development is specifically being encouraged through operational support for the stores that are run by independent sales agents, enhanced partner qualification programmes and professional customer event formats. Investment in new technologies such as online tills and customer relationship management systems (CRM systems) moreover paves the way for outstanding customer support across all channels by providing an optimum level of personalisation. The high penetration of the customer loyalty programme is an ideal basis for taking *Jacques'* growth to the next level.

# 313

**Stores**  
8 newly opened in 2018

# +4%

sales growth

# 90%

**sales penetration**  
for the customer loyalty programme

# NEW TO THE HAWESKO GROUP: WEIN & CO.

Our look across the border to Austria is highly promising: the complete takeover of *Wein & Co.*, the leading supplier of high-quality wines and champagnes in Austria with sales of around € 40 million, has brought a first-rate partner into the Hawesko Group.



*This Wein & Co. branch in Vienna appeals to customers with its wide range and the scope for tastings on site.*

**W**ith this move, we have created an excellent basis for the group's planned internationalisation. Our group has succeeded in acquiring a real gem in *Wein & Co.* The Vienna-based company has emerged as Austria's clear market leader, with a notably successful fine wine concept. *Wein & Co.* already generates some 25% of its trading volume through its highly effective online shop.

The 20 branches throughout Austria – seven of them with a wine bar attached – reach around 120,000 active regular customers. *Wein & Co.* is already a brand that enjoys immense charisma, and carries all relevant Austrian winemakers and wines in its range alongside international premium wines. By reinforcing the customer experience in the branch – seeing, smelling and tasting wine – and integrating modern technologies, Austria's leading multichannel wine purveyor has plans to strike out internationally in a few years.

# B2B: OUR PARTNERS FOR TOP GASTRONOMY

You've almost certainly never wondered how the wine you drink in your favourite restaurant comes to be there. The most important thing is that it's there. We take care of it all, as partner to gastronomy and resellers – and offer benefits such as an excellent range, sales expertise and high-performance ordering and delivery processes.

**A** visit to a good restaurant or top-class wine bar is one of the nicest facets of the analogue world. The food is cooked over a real flame, real wine is poured into a real glass, and the ambiance is perfect for face-to-face meetings. But behind the scenes, once again innovative solutions and technologies make all the difference – and these have been our forte for many years.

## BIGGEST SALES FORCE IN THE SECTOR

The field service team of the Hawesko Group's B2B division is one of the biggest in the sector. It sells the premium wines of partners that we largely represent on an exclusive basis, to our long-established partners in gastronomy and the specialist trade throughout Germany, Austria, Switzerland and the Czech Republic – and provides easily the best expertise for on-trade sales of the best wines. Expertise that continues to expand thanks to the daily, in-depth dialogue with top restaurateurs and prestigious retailers, and will become even more valuable in light of the plans to move into digital services.



# 224

representatives  
*Biggest field service team in the trade*

# +8.4%

increase in sales over 2-year  
period – 2016 to 2018

**IN PERSON AT THE CUSTOMER.  
ON THE INTERNET.  
AVAILABLE ALWAYS AND EVERYWHERE.**

These new services revolve around a B2B-oriented web shop and mobile solution that will enable our established customers to send us repeat orders at any time and with just a few clicks. The field service will also be able to use it to prepare for visits efficiently and individually, and optimise the advice they then provide there. This is our solution for getting goods to the customer even faster and making life as simple and care-free as possible for our business clients. This is what we believe constitutes exceptionally high service availability and a wine marketing approach that makes a difference.

# 70%

of customers on average have  
been with us for more than 5 years

# TODAY GOOD. TOMORROW EVEN BETTER.

## SEVEN GOOD REASONS FOR HAWESKO SHARES

### **1 WE ARE PROFITING FROM THE TREND TOWARDS HIGHER QUALITY**

Outstanding products and service of very high calibre are our credo. That is why we have been concentrating for a great many years on premium-class wines from around the world. We currently hold exclusive distribution rights for over 4,000 wines, including many of the world's best-known labels. We continually update and develop this exceptional range, for example by maintaining an ongoing, lively dialogue between our highly experienced buyers and the producers. This dialogue benefits the latter because we are able to keep them informed about current market developments and future trends. They include many of the most highly-regarded wine-makers from the world's top wine-growing regions, and their products are moreover usually in limited supply. Together with them, we build a unique relationship of trust that is mutually beneficial. Because trust is the best basis for retaining access to the best wines around. This strategy also enables us to keep up with the long-term consumer trend towards rising expectations and higher quality awareness.

### **2 WE SET THE BENCHMARK IN THE WORLD OF WINE**

We want enjoyment of good wine to start with the process of selecting it; our customers should feel perfectly comfortable choosing from the range of 22,000 wines that our various group brands have to offer. So that is why we attach huge importance to giving expert advice and building trust as we accompany them on their journey through the world of wine. Our suppliers profit from our expert, differentiated marketing approach to their sophisticated goods, which is in marked contrast to out-price mass marketing. Our multiple-award-winning quality standards set the benchmark in our industry.

### **3 WE HAVE INCREASED OUR LEAD FOR PREMIUM WINES IN GERMANY**

With a volume of around two billion euros, Germany is one of the world's biggest markets for wines priced above five euros per bottle. Over the years, our decades-long presence in the premium market and having served more than two million wine-loving customers gives us a strong position that we continue to nurture and develop – not least because it allows us to give our producers unique access to this attractive target group.

### **4 WE ARE GROWING INTERNATIONALLY**

Building on our strong position in the domestic market, we are systematically stepping up our activities outside Germany and are always actively looking for attractive business opportunities abroad, too. In 2018 we already achieved 11% of our sales outside Germany: in Austria, Sweden and Switzerland. These markets have a combined sales volume of five billion euros – largely at the premium end.

### **5 WE CONTINUE TO BUILD ON OUR STRONG MARKET POSITION**

Every year since the turn of the millennium, we have been reinforcing the group's strong market position and have outstripped the performance of the overall wine market in our home market Germany in just about every year.

We estimate that the group's market share in the high-end market segment for bottles priced above five euros has now grown to approx. 25–26%.

### **6 TO KEEP THINGS THAT WAY, WE ARE TARGETING INVESTMENT AT CUTTING-EDGE TECHNOLOGIES**

In the age of the Internet, customers do not merely require higher quality and better service; they also insist on attractive prices, product availability at all times and ultra-quick delivery – whatever quantity they are ordering, by whatever distribution channel. That is as true of private customers as it is of business clients. We have already been effective at rising to such challenges. To keep our customers satisfied with our service and products, we are investing specifically in technologies that give us scope to meet increasingly sophisticated customer needs both now and in the future.

### **7 PARTICIPATING IN HAWESKO'S ONGOING SUCCESS THROUGH ITS SHARES AND PROFITING FROM THE MARKET TRENDS IN THE INTERNATIONAL WINE BUSINESS**

The shareholders of Hawesko Holding AG consequently have every prospect of participating in this attractive outlook: on the one hand by receiving a suitable dividend as their share of the ongoing success of the Hawesko Group. And on the other hand, we aim to bring to the modern lifestyle every facet of the wonderful world of premium wine enjoyment, with our top service, top quality and top technology! Our sights remain firmly on our strategic aim of creating the biggest, most successful and most profitable trading group of premium wines in Europe.



# FINANCIAL INFORMATION

*of Hawesko Holding Aktiengesellschaft for the 2018 financial year*

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# COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

*of Hawesko Holding Aktiengesellschaft for the 2018 financial year*

## COMPANY PROFILE

### **AN ARRAY OF STRONG BRANDS - ONE TOP-PERFORMING PREMIUM WINE TRADING GROUP**

The Hawesko Group specialises in trading quality wines at the superior and premium end of the market. In 2018 it posted sales of around € 524 million, with 89% of the total achieved in Germany (previous year: 91%). The group has several subsidiaries in other European countries. It comprises a holding company that functions as the superordinate, central unit, and performs management tasks in the areas of corporate strategy, central financing and central cash management, as well as risk management. There are three operational brand units, or segments: Retail (specialist wine-shop retail segment), E-commerce (distance-selling segment) and B2B (wholesale/distribution segment). Retail and E-commerce reach end customers along a variety of sales channels, while the B2B brand unit supplies the catering trade and retailers. All three brand units enjoy leading positions in Germany within their respective markets. The group structure is characterised by a balance between non-central units and corporate functions. Key factors behind the company's success include long-standing, trust-based relationships with top wine producers all over the

world. There are agreements in place which secure the group companies the exclusive distribution rights for Germany for many renowned wines and vineyards. There are in addition business relationships with a large proportion of consumers in Germany who are interested in high-class wine.

### **A NATIONWIDE PRESENCE AND AN ATTRACTIVE INTERNATIONAL POSITION**

The group management and the management of the E-commerce brand unit (distance-selling segment) are based in Hamburg. The subsidiary *Vinos* is sited in Berlin, and *WirWinzer* in Munich. The Retail brand unit (specialist wine-shop retail segment) comprises the *Jacques' Wein-Depot* brand, based in Düsseldorf, and – since 1 October 2018 – *Wein & Co.* sited in Vösendorf, Austria. *Jacques' Wein-Depot* with 313 outlets throughout Germany and *Wein & Co.* with 20 branches covering all of Austria each hold the position of leader in their respective home markets. The management of the B2B brand unit (wholesale/distribution segment) is located in Bonn. From there, it coordinates the group's B2B activities in Germany. There are in addition B2B subsidiaries in Austria and Switzerland.

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

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

- *Sales growth:* 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. Our goal is to continuously increase the market share of the Hawesko group.
- *Profit margin:* The EBIT margin is to be increased to 7% over the long term.
- *ROCE:* The return on capital employed (before tax) should always be at least 16%.
- *Free cash flow:* A liquidity surplus is to be generated from business operations so that adequate financial resources are available for capital expenditure and for paying appropriate dividends. This indicator is considered primarily at group level on the basis of the cash pooling agreements with the principal subsidiaries.

The goal of economic management within the Hawesko Group is profitable growth alongside a systematic, sustained rise in corporate value. The development in sales and earnings therefore supplies important benchmarks for the internal management system. The sales performance is gauged on the basis of the year-on-year growth rate. Improving it is a high priority. The earnings performance is assessed using the profit indicator EBIT (earnings before interest and taxes) and the EBIT margin, along with their development. These two indicators reflect the short-term operating performance of the group and of the individual segments. In setup or reorientation phases they may depart temporarily from the benchmark.

The return on capital employed (ROCE) is an ongoing method of measuring how profitably 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 raised on the capital market (see under "Financial position") in every segment of the group. The group therefore reasserts that it will only invest 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 indicator, free cash flow is used as a liquidity-oriented indicator. This ensures that adequate financial resources will continue to be available for day-to-day business operations and future growth, and that an appropriate dividend for earnings per share can continue to be paid. The sustained optimisation of working capital and effective investment management will perform a crucial role here.

No non-financial performance indicators are used in the management of the group.

## EMPLOYEES

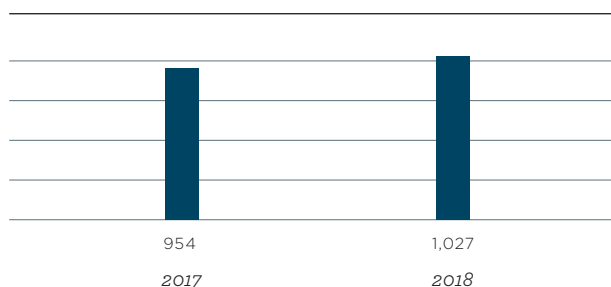
The group employed an average of 1,027 people in the 2018 financial year, predominantly in Germany. Excluding the employees of *Wein & Co.*, the total was 962 (previous year: 954). Women make up 51% of the group's workforce (previous year: 49%), and the figure for its management is 26% (2017: 25%). The target for the proportion of women among the management is 25% by 30 June 2022, and was therefore already achieved in 2018.

Expenditure on training and advancement measures in the year under review amounted to € 0.4 million, as in the previous year.

On 31 December 2018, 443 (prior-year reporting date: 404) employees of the group belonged to the pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

Further information on employee matters is provided in the separate Corporate Social Responsibility Report ([www.hawesko-holding.com/en/corporate-governance](http://www.hawesko-holding.com/en/corporate-governance)).

**EMPLOYEES**  
Annual average



**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 € 0.4 million in 2018 (previous year: € 0.2 million).

**PARTICULARITIES OF THE WINE TRADE IN RESPECT OF THE 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 database, which covers a substantial portion of the people in Germany and Austria who are interested in high-quality wines. Expertise in warehousing and transport logistics specialising in the product wine equally constitutes a major advantage.

In the Retail and E-commerce brand units in Germany, Austria and Sweden, 1.6 million end customers were served in 2018 (2017: 1.5 million), before the customers

of *Wein & Co.* are taken into account. The average spend of those customers during the past year was € 204 (previous year: € 214) net. In the fourth quarter of 2018 the total was swelled by around 63,000 paying customers of *Wein & Co.* The customer base of the wholesale segment comprises approx. 16,000 customers (previous year: 16,000), predominantly in Germany; they comprise grocery retailers, specialist wine retailers and the catering branch.

Long-established relations with vintners from all over the world are another important success factor. In addition, exclusive distribution rights for relevant brands in the individual sales markets are of significance. The Hawesko Group holds the distribution rights for Germany for such producers as Marchesi Antinori, Domaines Barons de Rothschild (Lafite), Louis Jadot, Penfolds, Taittinger and Torres.

As a trading group specialising solely in the wine trade, the Hawesko Group also possesses many years of expertise in wine logistics. All logistics processes and facilities are geared entirely towards the warehousing and shipping of wine. The employees' many years of experience moreover assure expert handling of the wine – a sensitive natural product – that the group sells. The group's distance-selling logistics are based around a fully climate-controlled delivery centre at Tornesch with suitably tailored and optimised processes, to provide the logistics services for the E-commerce brand unit. The logistics for the *Wein Wolf Group* were equally handled from there in the year under review. In 2019, the plan is to relocate the B2B logistics to a warehouse meeting the requirements of the Hawesko Group and operated by an external provider, situated in the centre of Germany. The retail brand unit already uses third-party services.

Information on environmental matters is provided in the separate Corporate Social Responsibility Report ([www.hawesko-holding.com/en/corporate-governance](http://www.hawesko-holding.com/en/corporate-governance)).



## ECONOMIC REPORT

### GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

#### *German economy expands in 2018 but lower growth rates in second half*

From an economic viewpoint the defining characteristics of 2018 were a strong first half and a weak second half, in which price-adjusted gross domestic product (GDP) actually fell by 0.2%. According to the Federal Statistical Office, average GDP growth for the year was 1.4% in 2018 compared with the previous year. This indicates a slowdown compared with 2017, when the growth rate was 2.2%. Alongside capital expenditure, like last year consumer spending was the major driver of the economy. Price-adjusted consumer spending was up 1.0% (previous year: 1.8%).

The consumer confidence index compiled by Gesellschaft für Konsumforschung (GfK) started January 2018 at just under eleven points and softened to 10.4 points over the course of the year. GfK nevertheless expects consumer spending in Germany to remain at its current high level. It notes in that connection that the risks of Brexit or escalating trade conflicts with the USA could have an adverse effect.

#### *German wine market*

According to figures from the German Wine Institute, the German wine market showed a mixed development in 2018: although consumer purchases declined by 3.3% from the previous year in terms of volume, in terms of value they were up 0.7%. The average price for the conventional 0.75 l bottle at food retailers climbed to € 2.32. On the other hand markedly higher prices are achieved in direct sales and from distribution by specialist and online retailers. Wines of German origin sell for an average of € 5.10 for the customary 0.75 l bottle – a moderate increase on the previous year.

### BUSINESS PERFORMANCE AND FINANCIAL PERFORMANCE

#### *Overall statement on 2018 business performance and economic situation*

The Hawesko Group was able to increase its sales by 3.4% to € 524.3 million – despite the more difficult economic environment in the second half of 2018. Even disregarding the acquisition of *Wein & Co.*, the group achieved a slight increase in sales of 0.7%. The group thus reasserted its market position. EBIT came to € 27.7 million, including the effects amounting to € -0.4 million of the initial consolidation of *Wein & Co.* with effect from 1 October 2018.

Compared with the previous year the consolidated balance sheet reveals a 11.3% increase in the balance sheet total to € 289.0 million, along with an equity ratio of 39% (previous year: 40%). Net debt owed at the balance sheet date amounts to € 14.8 million, compared with € 11.0 million one year earlier.

The cash flow from current operations improved from € 13.9 million in the previous year to € 26.1 million. The free cash flow climbed from € 6.2 million in the previous year to € 20.2 million; these figures do not contain the net cash outflow of € 3.4 million for the acquisitions *WeinArt* and *Grand Cru Select* in the previous year, and of € 9.5 million for the acquisition of *Wein & Co.* in the year under review.

Overall, the Board of Management assesses the economic situation of the group as good.

The Board of Management had expected sales to be up approximately 3% on the previous year (€ 507.0 million) without acquisitions, whereas in actual fact that sales figure was 0.7% up on the previous year at € 510.5 million. The long, hot summer as well as consumer reticence in December 2018 were contributory factors. The initial

consolidation of the acquisition *Wein & Co.*, coupled with organic growth, led to an overall increase in sales of 3.4% year on year.

EBIT came to € 27.7 million, including the effects amounting to € -0.4 million of the initial consolidation of *Wein & Co.* with effect from 1 October 2018, and consequently failed to reach the expected range of € 32-33 million. The main reasons were a below-par sales performance as well as higher costs from growth initiatives.

Alternative performance indicators that are not all governed by IFRS are used in the following in analysing the net worth, financial position and financial performance. The indicators used by Hawesko Holding AG are:

<i>Definition</i>		
Sales	Sales revenues	<b>2018:</b> € 524.3 million <b>2017:</b> € 507.0 million
EBIT	Operating result	<b>2018:</b> € 27.7 million <b>2017:</b> € 30.4 million
EBIT margin	EBIT divided by sales revenues	<b>2018:</b> 5.3% <b>2017:</b> 6.0%
ROCE	EBIT divided by capital employed; see ROCE calculation below	<b>2018:</b> 17% <b>2017:</b> 20%
Free cash flow	See "Liquidity analysis" below	<b>2018:</b> € 20.2 million <b>2017:</b> € 6.2 million in each case excluding acquisitions

*Rounding differences possible*

The following targets and long-term rate of return targets for 2018 were declared in the 2017 Annual Report. The table below indicates to what extent they were achieved or not achieved.

	<i>Objective</i>	<b>2018</b>	<i>Attained</i>
Sales	Organic sales growth of approx. 3% compared with the previous year (€ 507 million)	€ 510.5 million (+0.7%, in Germany +0.7%)	-
	Stronger growth than the German wine market (2018: +0.7%)		-
EBIT	Operating result (EBIT) € 32-33 million	€ 27.7 million (including non-recurring effects of € -0.4 million)	-
EBIT margin	Long-term margin of 7% of sales or, for 2018, approx. 6.2% of sales	5.3%	-
ROCE	Achieving the long-term minimum target return (16%) or, for 2018, approx. 20%	17%	✓ -
Free cash flow	Free cash flow in the order of € 16-18 million before acquisition	€ 20.2 million excluding acquisition	✓

## Financial performance

### *2018: sales increased in more difficult market, EBIT down on previous year*

The net sales of the Hawesko Group in 2018 were increased by 3.4% from € 507.0 million to € 524.3 million, including *Wein & Co.* from October 1, 2018. Within this figure, online sales over the B2C segments were € 98.8 million including *Wein & Co.* and just above the previous year's figure of € 98.6 million, excluding *Wein & Co.* online sales were € 96.3 million. Wines from France accounted for a total of 26% of sales (previous year: 24%), Italian products for 27% (previous year: 30%), Spanish wines for 18% (previous year: 20%) and German products for around 11% (previous year: 11%). About 89% of sales were generated within Germany, with year-on-year growth reaching 0.7% domestically. The sales volume amounted to 76 million bottles including *Wein & Co.*, or 75 million bottles excluding *Wein & Co.* (previous year: 74 million).

A positive impetus for the organic consolidated sales performance came mainly from expansion as well as from a continuing high level of customer activity at *Jacques' Wein-Depot*. In the B2B segment, sales stayed at the prior-year level following on from the high sales increase by the Italy specialist *Weinland Ariane Abayan* in the previous year. In the E-commerce segment, sales were below the prior-year level.

Business from wines on subscription – also called “en primeur” – influences sales in the year in which it is shipped, and 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, sales of € 6.9 million were realised upon shipping of the 2015 vintage (previous year: € 4.2 million for the 2014 vintage).

The gross profit margin, calculated from sales revenues less the cost of purchased goods, was increased to 42.6% in the year under review (previous year: 42.0%). This development is above all attributable to the first-time adoption of the new financial reporting standard IFRS 15 - Revenue from Contracts with Customers, which in particular lays down new rules for the realisation of sales revenues at *WirWinzer* under the marketplace model, and to some extent reallocates these at lower values as commission. Without this negative effect, the gross profit margin would have been marginally lower. An elevated sales share for low-price white wines affected the gross profit margin negatively across all the group's business units as a result of the long, hot summer as well as the first-time consolidation of *Wein & Co.*

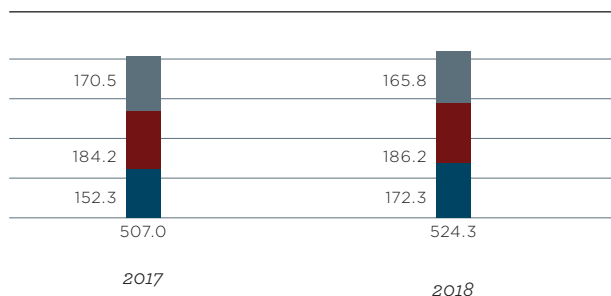
Personnel costs comprised wages and salaries as well as statutory, collectively negotiated and voluntary social contributions. In the year under review this item rose to € 59.4 million, up 3.6% on the previous year (€ 57.3 million) roughly in proportion to sales. The personnel expenses ratio for the 2018 financial year thus remained unchanged year on year at 11.3%.

Advertising expenses amounted to € 41.8 million (previous year: € 40.0 million); the level in proportion to sales consequently rose slightly to 8.0% compared with the previous year (7.9%). The advertising expenses include outlay for the acquisition of new customers and the reactivation of inactive customers. This outlay is designed to broaden the business basis of the group year by year: 345,000 new customers were recruited for the end consumer segments in 2018 (previous year: 340,000).

The delivery costs for the group rose from € 22.9 million to € 24.8 million. The delivery costs ratio increased to 4.7% (previous year: 4.5%) as a result of price increases at logistics service providers and smaller average shipment volumes per delivery.

#### SALES BY SEGMENT

€ million

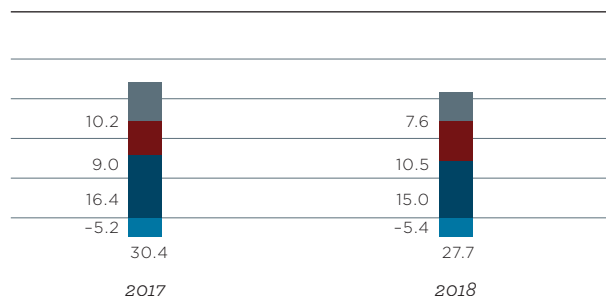


- E-commerce
- B2B
- Retail

Rounding differences possible

#### GROUP EBIT BY SEGMENT

€ million



- E-commerce
- B2B
- Retail
- Costs of the holding company, other, and consolidating items

*Group EBIT eroded by non-recurring charges and adverse second half*

The operating result (EBIT) of the Hawesko Group amounted to € 27.7 million in the year under review (previous year: € 30.4 million), including non-recurring charges from the negative result for the quarter of

*Wein & Co.* in the amount of € 0.4 million. The decline in EBIT is attributable to the year-on-year fall in sales in the third quarter – caused by the long, hot summer –, to the absence of a final burst to Christmas business and, in part, to higher costs. The latter had arisen in connection with growth projects.

<b>DEVELOPMENT IN EARNINGS</b>				
€ million	2015	2016	2017	2018
EBIT	20.1	29.6	30.4	27.7
- Year-on-year change	+0.4%	+47.1%	+2.7%	-8.9%
- EBIT margin	4.2%	6.2%	6.0%	5.3%
EBT (earnings before taxes)	19.0	28.3	28.8	30.5
- Year-on-year change	-10.8%	+48.8%	+1.6%	+6.0%
- EBT margin	4.0%	5.9%	5.7%	5.8%
<b>CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS</b>				
	12.2	18.5	18.5	22.0
- Year-on-year change	-17.7%	+51.8%	-0.4%	+18.9%
- Net margin	2.6%	3.9%	3.6%	4.2%

<b>COST STRUCTURE</b>				
as % of sales	2015	2016	2017	2018
	As reported 12.5%	As reported 11.7%		
Personnel costs	Adjusted: 11.2%	Adjusted: 11.3%	11.3%	11.3%
Advertising costs	8.2%	8.2%	7.9%	8.0%
Delivery costs	4.4%	4.6%	4.5%	4.7%
Other operating income and expenses (balance)	10.8%	10.3%	10.7%	11.8%
Depreciation and amortisation	1.5%	1.5%	1.6%	1.6%
<b>TOTAL</b>	<b>37.4%</b>	<b>36.3%</b>	<b>36.0%</b>	<b>37.4%</b>

<b>EBIT MARGINS</b>				
as % of sales	2015	2016	2017	2018
Retail excluding <i>Wein &amp; Co.</i> including <i>Wein &amp; Co.</i>	11.2%	11.2%	10.7%	9.7%
	-	-	-	8.7%
B2B	3.3%	4.5%	4.9%	5.6%
E-commerce	7.4%	5.8%	6.0%	4.6%

*Negative influence of EBIT performance on return on capital employed (ROCE)*

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

The indicator ROCE is calculated as follows in the Hawesko Group: EBIT (€ 27.7 million) divided by the average capital employed of € 165.8 million [(capital

employed in previous year + capital employed in current year) divided by 2]. The average capital employed is calculated from the balance sheet total (31 December 2018: € 289.0 million, 31 December 2017: € 259.7 million) plus capitalised lease commitments less interest-free liabilities including deferred tax assets and provisions as well as cash and cash equivalents.

<b>CALCULATION OF ROCE</b> € '000	<b>01/01-31/12</b> <b>2016</b>	<b>01/01-31/12</b> <b>2017</b>	<b>01/01-31/12</b> <b>2018</b>
<b>EBIT (OPERATING RESULT)</b>	<b>29,619</b>	<b>30,418</b>	<b>27,698</b>
Balance sheet total	231,288	259,734	289,006
less			
- Cash	13,581	10,736	25,073
- Deferred tax assets	2,506	2,211	3,339
- Interest-free liabilities	106,562	114,065	133,507
<b>SUBTOTAL</b>	<b>108,639</b>	<b>132,722</b>	<b>127,087</b>
plus: present value of off-balance-sheet lease commitments	33,649	34,874	36,894
Capital employed (reporting date current year)	142,288	167,596	163,981
Average capital employed (over the year)	<b>139,496</b>	<b>154,942</b>	<b>165,789</b>
ROCE	21.2%	19.6%	16.7%

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

<b>ROCE</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<i>Anticipated minimum return</i>
Retail (specialist wine-shop retail)	42%	40%	37%	28%	> 27%
B2B (wholesale/distribution)	11%	16%	18%	21%	> 17%
E-commerce (distance selling)	26%	19%	19%	14%	> 22%
Group	Adjusted: 20% Reported: 15%	21%	20%	17%	> 16%

*NB The adjusted figure excludes one-off consultancy costs*

### *Consolidated net income*

The financial result shows a net income of € 2.8 million (2017: expense of € 1.6 million). There was an income of € 2.4 million in the year under review (previous year: expense of € 1.9 million) from the subsequent measurement of financial liabilities at 31 December 2018 according to IFRS 9 for one put option partially exercised and one not yet exercised in respect of Hawesko Holding AG. The consolidated earnings before taxes for the 2018 financial year came to € 30.5 million, up 5.8% on the prior-year figure of € 28.8 million. The effective tax rate fell from 33.4% in the previous year to 24.9% in the year under review mainly as a result of tax-free income from subsequent measurement according to IFRS 9. Overall, the lower tax expense resulted in consolidated net income of € 22.9 million, which was 19.3% up on the prior-year figure of € 19.2 million.

The consolidated net income attributable to the shareholders of Hawesko Holding AG – excluding non-controlling interests – came to € 22.0 million (previous year: € 18.5 million). After adjustment for the result from the subsequent measurement of the put options according to IFRS 9 in the year under review and previous year, and for the non-recurring effects from the first-time consolidation of *Wein & Co.*, consolidated net income came to € 19.7 million – compared with a prior-year figure of € 20.4 million.

Reported earnings per share were € 2.45, up from € 2.06 in the previous year. After adjustment for the non-recurring effects from the first-time consolidation of *Wein & Co.* as well as subsequent measurement of the put options to IFRS 9, the figure would have been € 2.19, compared with € 2.27 for the previous year (also adjusted). The figures for both the year under review and the previous year are based on 8,983,403 shares.

## BUSINESS PERFORMANCE OF THE BRAND UNITS (SEGMENTS)

### *Retail (specialist wine-shop retail):*

*Jacques' continues to grow, Wein & Co. included from Q4*

The net sales of the Retail brand unit (*Jacques' Wein-Depot*, plus *Wein & Co.* from 1 October 2018) grew by 13.1% overall in the year under review and reached € 172.3 million. *Jacques'* alone achieved absolute sales growth of 4.1% to € 158.5 million. Like-for-like growth was 2.6%. *Jacques'* served 875,000 active customers in 2018. That is just over 3% more than in the previous year (847,000). *Jacques'* achieved sales growth for example by stepping up its advertising activities and through successful drives to retain, reactivate and acquire customers. The average spend at *Jacques'* showed a slight fall compared with the previous year. In 2018 *Jacques' Wein-Depot* acquired 126,000 new customers (previous year: 128,000).

At 31 December 2018 there were 313 *Jacques' Wein-Depot* outlets in Germany (previous year: 306); rental agreements for three further outlets had been taken out at the reporting date. There are no outlets outside Germany. Eight new shops were opened, and one was closed. At the reporting date for the year, *Wein & Co.* operated 20 locations in Austria, seven of which had a wine bar.

The operating result (EBIT) for the segment came to € 15.0 million for the period under review, including non-recurring charges of € 0.4 million from the acquisition of *Wein & Co.* (previous year: € 16.4 million). The year-on-year decrease in earnings for a comparable basis was attributable to follow-on costs for the renewal of IT systems, and to pre-opening costs.

ROCE for the segment declined to 28% (previous year: 37%). The indicator was adversely affected in the year under review by the first-time consolidation

of *Wein & Co.*, partly through the one-off burden on earnings and partly through the increase in capital employed for the segment

### *B2B (wholesale/distribution):*

*Sales performance muted – efficiency and profitability of core business improved*

The B2B area enjoyed fundamentally steady demand within core business. This continued to be underpinned principally by the favourable economic situation in Germany. Nevertheless, the long, hot summer temporarily reduced demand especially in the third quarter, and domestic business lacked major stimuli such as the *Abayan* anniversary celebrations in the previous year. The net sales of the B2B segment for the year under review were up 1.1% on the previous year, at € 186.2 million (€ 184.2 million). While *Weinland Ariane Abayan* was unable to match the previous year's level, the continuing trend towards German wines at *Deutschwein Classics* and lively business at *WeinArt* each translated into higher sales. International business (Switzerland and Austria) of € 34.9 million represented a slight increase in sales of 1.0% compared with the previous year (€ 34.5 million), and the combined sales of *Globalwine* and *Vogelwines* denominated in Swiss francs showed an increase of 5.6%.

The EBIT earned by all B2B brands came to € 10.5 million and was therefore well above the figure for the previous year (€ 9.0 million). Despite the decline in sales, optimised cost management for domestic business produced a higher EBIT than in the previous year. International business was slightly down on the previous year.

The EBIT margin for the segment rose by 0.7 percentage points overall compared with the previous year and reached 5.6%.

ROCE for the wholesale segment rose from 18% to 21% as a result of the improved earnings and a reduction in capital employed.



### *E-commerce (distance selling):*

#### *Weaker sales for HAWESKO and Vinos, sales improvement at Carl Tesdorpf*

In the E-commerce brand unit (distance selling), 2018 sales of € 165.8 million were below the previous year's level (€ 170.5 million). At *HAWESKO* the decline of 1.8% to € 92.7 million was triggered by excessively hot weather in the third quarter as well as lower sales in December. At *Vinos*, sales were down 4% at € 46.1 million, in the absence of the extra anniversary incentives that had bolstered the previous year's sales, and also because of the hot summer weather in the third quarter. *Carl Tesdorpf* succeeded in increasing sales by 11% year on year both through its core business and from higher deliveries of Bordeaux subscription wines sold in advance. Sales by *The Wine Company* (distance selling to Sweden) after translation into euros declined by just under 2% compared with the previous year. *WirWinzer* saw a decline in reported sales from € 6.0 million in the previous year to € 3.9 million in the year under review as a result of first-time adoption of the IFRS 15 financial reporting standard. Although business for *WirWinzer* was good, with 1.45 million bottles sold or brokered in 2018 compared with 1.0 million bottles in the previous year, under the new IFRS 15 rules only commission from agency business may be realized as sales, in a change from the previous year.

The measures to acquire new customers were again a success: 219,000 new customers were acquired (previous year: 211,000). The figures do not include the customary annual migration. At 31 December 2018 the E-commerce brand unit therefore had 853,000 active customers on its books, in other words those defined as someone who has placed at least one order in the past 24 months (the figure at the prior-year reporting date was 840,000).

Online sales in the E-commerce brand unit remained at 55% of segment sales, as in the previous year.

The operating result (EBIT) for the brand unit came to € 7.6 million in the year under review; a result of € 10.2 million had been achieved in the previous year. The main reasons for the reduction were lower earnings at *HAWESKO* and *Vinos* attributable to lower sales in the second half (see above). The online platform *WirWinzer* is in the start-up phase and – as is typical in that phase – was not yet profitable in the year under review. *Carl Tesdorpf Weinhandel* improved its operating result compared with the previous year; *The Wine Company* (mail-order business to Sweden) maintained its result broadly at the prior-year level.

The lower result meant ROCE for the E-commerce brand unit declined from 19% in the previous year to 14% in the year under review.

#### *Lower operating result (EBIT) for logistics*

The subsidiary *IWL Internationale Wein-Logistik* in Tornesch complements the distance-selling and wholesale activities through its logistics services. In the period under review, the operating result (EBIT) came to € -0.3 million (previous year: € -0.1 million).

#### *Holding-company costs*

The reported costs for the holding company and consolidating items in the group amounted to € 5.1 million for 2018 (previous year: € 5.0 million).

## FINANCIAL POSITION

### *Principles and aims of financial management*

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

### *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-term bank loans, finance leases and the cash flow from current operations. At 31 December 2018 the cash resources of the group comprised cash amounting to € 25.1 million (previous year: € 10.7 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 € 65.0 million. At the reporting date these credit facilities were 31% utilised. The Hawesko Group reported short-term and long-term borrowings amounting to € 38.8 million at 31 December 2018

(previous year: € 20.6 million). Of this total, € 24.7 million (€ 20.1 million) is due within the next twelve months. The increase arose from the financing of the acquisition of *Wein & Co.* and the growth projects, as well as the later repayment of short-term loans compared to the previous year, only at the start of 2019. 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 assured adequate cash levels at all times during the year under review. The long-term borrowings included liabilities for financing the acquisition of *Wein & Co.* of € 12.0 million, as well as finance lease liabilities of € 0.2 million.

According to internal calculations, the costs of the equity and borrowed capital made available to the group are currently 4.7%. They comprise the weighted costs of the equity capital of 5.8% on the one hand, and 1.9% for borrowed capital on the other. In calculating the cost of equity, the basis used is a long-term risk-free interest rate of 0.9% and a risk premium of 6.5% at a beta factor of 0.6.

<b>COMPOSITION OF BORROWINGS AT 31 DECEMBER 2018</b>	<i>Short-term € million</i>	<i>Short-term %</i>	<i>Long-term € million</i>	<i>Long-term %</i>	<i>Total € million</i>
Due to banks	24.4	63.7	13.9	36.3	38.3
Finance lease	0.3	60.0	0.2	40.0	0.5
<b>TOTAL</b>	<b>24.7</b>	<b>63.7</b>	<b>14.1</b>	<b>36.3</b>	<b>38.8</b>

*Rounding differences possible*

<b>COMPOSITION OF BORROWINGS AT 31 DECEMBER 2017</b>	<i>Short-term € million</i>	<i>Short-term %</i>	<i>Long-term € million</i>	<i>Long-term %</i>	<i>Total € million</i>
Due to banks	19.7	100.0	-	-	19.7
Finance lease	0.3	38.6	0.5	61.4	0.9
<b>TOTAL</b>	<b>20.1</b>	<b>97.6</b>	<b>0.5</b>	<b>2.4</b>	<b>20.6</b>

*Rounding differences possible*

The short-term loans mainly consist of rolling borrowings denominated in euros and Swiss francs, in each case with a maturity of between one and three months. Please refer to the Notes to the consolidated financial statements for the terms of the borrowings and details of the finance leases.

At 31 December 2018 there was net debt of € 14.8 million (previous year: € 11.0 million). The increase was attributable to the payment for the acquisition of *Wein & Co.*

The following table shows the development in the net debt owed:

€ million	<b>2018</b>	<b>2017</b>
Due to banks	38.3	19.7
+ Finance leases	0.5	0.9
+ Provisions for pensions	1.1	1.1
<b>= GROSS DEBT OWED</b>	<b>39.8</b>	<b>21.7</b>
- Cash	-25.1	-10.7
<b>= NET DEBT OWED</b>	<b>14.8</b>	<b>11.0</b>

*Rounding differences possible*

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

## Investment

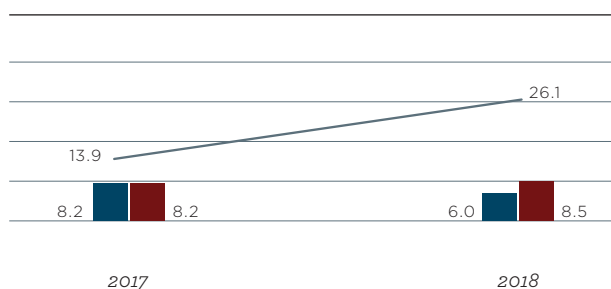
The Hawesko Group invested € 14.9 million in the year under review, including for the acquisition of *Wein & Co.* Aside from the acquisition of *Wein & Co.*, the group invested € 6.0 million of this sum in intangible assets and property plant and equipment (previous year: € 8.2 million). This amount, relative to sales, resulted in an investment ratio of 1.1% (previous year: 1.6%).

The investments in intangible assets came to € 3.4 million (previous year: € 4.3 million) and were attributable to the optimisation of online business (including for the modernisation of the ERP software in the Retail brand unit, the online shops in the E-commerce brand unit and the group BI software at Hawesko Holding).

Investments in property, plant and equipment in 2018 totalled € 2.6 million (previous year: € 3.9 million). The Retail brand unit accounted for a sizeable portion of this amount, at just under € 1.5 million (previous year: € 1.7 million), which was incurred in connection with the expansion and modernisation of individual locations. Other investments in property, plant and equipment – for replacement and expansion investment – came to just under € 0.8 million (€ 1.0 million) in the B2B segment and to just under € 0.4 million (€ 1.0 million) in E-commerce. In the previous year, the miscellaneous segment had additionally invested just under € 0.3 million in property, plant and equipment.

### INVESTMENTS/DEPRECIATION/CASH FLOW

€ million



- Investments
- Depreciation and amortisation
- Cash flow from current operations

## Liquidity analysis

CONSOLIDATED CASH FLOW € million	2018	2017
Cash flow from current operations	+26.1	+13.9
Cash flow from investing activities	-14.9	-10.5
Cash flow from financing activities	+3.0	-6.2

The cash flow from current operations almost doubled, from € 13.9 million in the previous year to € 26.1 million in the year under review. Especially the reduced working capital led to the rise in this indicator.

The year under review saw the cash flow from investing activities change from a prior-year € -10.5 million to € -14.9 million. The cash flow from investing activities in 2018 showed cash outflows for property, plant and equipment and intangible assets of € 5.5 million (previous year: € 7.4 million). The investments in intangible assets in both the year under review (€ 2.9 million) and the previous year (€ 4.3 million) were mainly for optimising the online business. Capital expenditure on property, plant and equipment in the year under review (€ 2.6 million) was mainly for the expansion and modernisation of retail outlets in the Retail brand unit, as well as for group-wide expansion and replacement investment (previous year: € 3.9 million).

The free cash flow excluding acquisitions (total of cash flows from current operations and investing activities less interest paid) rose from € 6.2 million to € 20.2 million. Free cash flow including acquisitions previous came to € 10.7 million (previous year: € 2.8 million). The increase was the result of the higher cash flow from current operations.

The cash flow from financing activities mainly reflected the payment of dividends (€ -11.7 million unchanged from previous year) as well as the raising of short-term loans.

## NET WORTH

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2018		2017	
	€ million	% of balance sheet total	€ million	% of balance sheet total
<b>NON-CURRENT ASSETS</b>				
Intangible assets	57.1	20%	41.9	16%
Property, plant and equipment	21.2	7%	20.5	8%
Investments accounted for using the equity method	3.2	1%	3.4	1%
Other financial assets	0.1	0%	0.1	0%
Deferred tax	3.3	1%	2.2	1%
Other non-current assets	5.7	2%	7.4	3%
	<b>90.8</b>	<b>31%</b>	<b>75.6</b>	<b>29%</b>
<b>CURRENT ASSETS</b>				
Inventories	111.9	39%	110.8	43%
Trade receivables	48.8	17%	52.0	20%
Cash and other current assets	37.5	13%	21.4	8%
	<b>198.2</b>	<b>69%</b>	<b>184.1</b>	<b>71%</b>
<b>BALANCE SHEET TOTAL</b>	<b>289.0</b>	<b>100%</b>	<b>259.7</b>	<b>100%</b>

Rounding differences possible

The balance sheet total for the group came to € 289.0 million in 2018 (previous year: € 259.7 million). This represents an increase of 11.3%.

Intangible assets rose as a result of the first-time consolidation of *Wein & Co.* and the optimisation of Internet business. The long-term advance payments for inventories were below the prior-year figure (under “Other”) because demand for the 2017 Bordeaux vintage was down on that for the previous 2016 vintage. The portion of advance payments for the 2016 Bordeaux vintage that was still long-term in 2017 was reclassified as scheduled to the corresponding short-term item because the wines in question will be delivered in the coming twelve months.

Current assets rose from € 184.1 million to € 198.2 million, in the first instance because of the enlarged group of consolidated companies. Current advance payments on inventories remained at the previous year's level because demand for the 2016 Bordeaux vintage was roughly on a par with demand for the previous 2015 vintage. Trade receivables fell from € 52.0 million in the previous year to € 48.4 million in the year under review, mainly as a result of lower orders received for year-end business compared with the previous year. Cash rose in part from the first-time consolidation of *Wein & Co.* and in part from the later repayment of short-term loans compared to the previous year, at the start of 2019.

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET - EQUITY AND LIABILITIES	2018		2017	
	€ million	% of balance sheet total	€ million	% of balance sheet total
<b>SHAREHOLDERS' EQUITY</b>				
Subscribed capital of Hawesko Holding AG	13.7	5%	13.7	5%
Capital reserve	10.1	3%	10.1	4%
Retained earnings	85.5	30%	71.2	27%
Other reserves	-0.2	-0%	-0.1	-0%
<b>EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG</b>	<b>109.1</b>	<b>38%</b>	<b>94.8</b>	<b>37%</b>
Non-controlling interests	3.5	1%	9.9	4%
	<b>112.5</b>	<b>39%</b>	<b>104.8</b>	<b>40%</b>
<b>LONG-TERM PROVISIONS AND LIABILITIES</b>				
Provisions	2.8	1%	1.8	1%
Borrowings	14.1	5%	0.5	0%
Remaining non-current liabilities and deferred tax liabilities	13.7	5%	12.4	5%
	<b>30.5</b>	<b>11%</b>	<b>14.8</b>	<b>6%</b>
<b>SHORT-TERM LIABILITIES</b>				
Minority interest in the capital of unincorporated subsidiaries	0.3	0%	0.2	0%
Borrowings	24.7	9%	20.1	8%
Trade payables	65.6	23%	64.4	25%
Remaining current liabilities	55.4	18%	55.4	21%
	<b>146.0</b>	<b>50%</b>	<b>140.2</b>	<b>54%</b>
<b>BALANCE SHEET TOTAL</b>	<b>289.0</b>	<b>100%</b>	<b>259.7</b>	<b>100%</b>

*Rounding differences possible*

Consolidated equity amounted to € 112.5 million, compared with € 104.8 million in the previous year. Retained earnings rose to € 85.5 million compared with € 71.2 million at the prior-year reporting date. This stemmed principally from the creation of provisions from the previous year's unappropriated profit. The equity ratio (prior to distribution) represented 39% of the balance sheet total (previous year: 40%). Non-controlling interests declined as a result of a change in the shareholders' agreement for *Vinos*.

Long-term provisions and liabilities rose to € 30.5 million (previous year: € 14.8 million). The main reason for the significant increase in long-term borrowings was the financing of the growth-led acquisition of *Wein & Co*. The remaining portion of the non-current liabilities and deferred taxes rose from € 12.4 million in the previous year to € 13.7 million at the reporting date for the year. This item includes the liability that could arise for the exercise of a put option by the minority interest in *WirWinzer*, in which a majority

was acquired in the year under review of 2016. The reason for the rise is in particular a change in the shareholders' agreement with the original shareholders of *Vinos*, which led to both a current and non-current liability in anticipation of partial exercise of the put option in January 2019. In the previous year, the put option had been recognised in entirety as a current liability. Within the remaining non-current liabilities, the advances received for Bordeaux subscriptions fell in the year under review. This was because of lower demand for the 2017 vintage than for the 2016 vintage, which was reported under this item in the previous year.

Short-term liabilities grew by € 5.8 million to € 146.0 million – in the first instance because of the enlarged group of consolidated companies. Short-term borrowings climbed from € 20.1 million to € 24.7 million. This change was attributable to the later repayment of short-term loans compared to the previous year, only at the start of 2019. Trade payables were year on year only slightly higher, despite the acquisition at the end of the year. The portion of advances received from customers for the 2016 Bordeaux vintage that was still non-current in 2017 was transferred to a corresponding current item in 2018 because the wines will be shipped within the next twelve months. The increase reported was attributable to quality-based differences in wine vintages and therefore to higher customer demand. The remaining current liabilities were lower than in the previous year, in particular as a result of a change in the shareholders' agreement with the original shareholders of *Vinos*, which led to both a current and non-current liability in anticipation of partial exercise of the put option in January 2019. In the previous year, the put option had been recognised in entirety as a current liability.

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 Retail segment, the *Jacques' Wein-Depot* and *Wein & Co.* 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 2018. The minimum total for non-discounted future lease and rental payments amounts to € 72.7 million (previous year: € 49.9 million). Obligations amounting to € 1.2 million (31 December 2017: € 1.9 million) from outstanding advances received for subscriptions on the books at 31 December 2018 were settled at the start of 2019.

#### *Share price development and capital measures*

The price development of Hawesko shares is influenced by the development of the stock market as a whole, as well as by company and industry-specific factors. 2018 was on the whole a year of losses for the stock markets. While the Dow Jones was down seven percent, the DAX shed all of 18 percent. This meant it had a weaker year than the eurozone's leading index, the EURO STOXX 50, which yielded by 15 percent. The causes of the weak trading prices worldwide are mainly political in origin: while the increased protectionism of the US administration and associated fears of growing barriers to trade such as import tariffs or even import bans for the USA had an adverse impact worldwide, European stock markets also suffered from the growing uncertainty surrounding the United Kingdom's forthcoming exit from the EU.

The marked slowdown in growth as the second half of the year progressed gave German share prices a further savaging. On top of this, increasing numbers of German businesses issued profit warnings in the second half of 2018. The DAX ended the year at a three-year low. There was a somewhat different pattern to the SDAX small-cap index, which reached its highs mid-way through the year, then suffered substantial losses in value from September and closed the year 22 percent down.

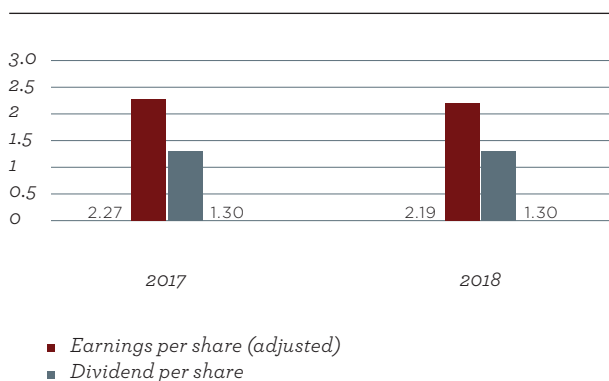
Hawesko Holding shares started 2018 on € 51.00 (XETRA) then exhibited a sideways shift until mid-May. As has often been seen in the past, the shares then staged something of a rally ahead of the Shareholders' Meeting. The year-high of € 55 was reached on 11 June. From then on, market forces steadily dragged the trading price down. Following portfolio switching by some institutional investors, the trading price of Hawesko shares fell back to € 42 in early October. On the other hand the adjusted annual forecast for 2018 announced on 19 October had only little impact on the trading price, which oscillated around € 42 until almost the end of the year. The year-end price for 2018 was then € 41. In the new year, the weak trading prices initially continued into March.

The intention is to position the shares of Hawesko Holding on the stock market as dividend-paying stock. The distribution ratio will reflect on the one hand an appropriate payout to shareholders from the profit performance and on the other hand the desire to strengthen the group's self-financing capability for its further growth, its strategic development and its long-term future.

As in the previous year, the total number of shares was 8,983,403 throughout 2018. No capital measures were carried out.

#### KEY DATA PER SHARE

in €





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## REPORT ON POST- BALANCE SHEET DATE EVENTS

No 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 Hawesko Group for 2018 occurred after the end of the year under review. Please refer in this connection to the appropriate passage in Note 48 to the consolidated financial statements. Board of Management member Nikolas von Haugwitz was given leave of absence with effect from 1 April 2019.

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# EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS REPORT

## REPORT ON EXPECTED DEVELOPMENTS

### *Direction of the Hawesko Group in the next financial year*

New priorities are being defined for the business policy of the group: the hitherto distinctly non-central management approach will be replaced with new structures and the activities of the subsidiaries will be coordinated more effectively. The brands of the group are to be supported more assertively, their development will be dovetailed into the overall group and an overarching management approach will be adopted. Central services will be expanded and bundled on effective platforms. This will include for example the central coordination of logistics, a shared digital commerce platform and a group-wide data warehouse. The measures will relieve the brands of these functions, allowing them to focus more on their core business. This will pave the way for the group to consolidate and build on its already strong market position in Germany.

### *General economic situation*

#### *Anticipated future developments in economy as a whole*

The International Monetary Fund (IMF) believes the global economy will continue to grow in 2019, albeit with reduced momentum. The IMF expects global real growth of 3.5% (previous year: 3.7%). It expressly draws attention to the many existing – especially political – risks. The dwindling growth momentum is attributed essentially to lower expectations for the eurozone, and especially Germany. It anticipates growth there of only 1.3% in 2019, compared with 1.5% in the previous year. At the end of January the Federal Ministry for Economic Affairs adjusted its real

growth expectations to just 1.0%. This would extend Germany's cyclical upturn into its tenth year. Domestic demand is expected to continue acting as a mainstay, though the declining momentum in equipment investment will take the wind out of the domestic economy's sails to some degree. Furthermore, the ministry believes export trade's negative impact in 2019 will be even stronger than in the previous year. However Germany will continue to present a mixed picture, and developments will therefore be difficult to predict. While the ifo business climate index for January and February showed figures last seen at the end of 2014 and signalling protracted economic weakness, the GfK consumer confidence index reflected continuing high consumer confidence in view of the consistently robust labour market, with its growing skills shortage, along with the associated expectation of further rises in pay. Despite dwindling economic expectations among consumers, their income expectations consequently held up at a high level in February. The picture is similar regarding their propensity to buy. Again in 2019, the German domestic economy is likely to be kept going by consumer spending.

The Hawesko Board of Management echoes the above expectations for the German economy and especially for consumer behaviour. It anticipates that the economic trend will remain on the whole positive throughout 2019 in Germany, which is of key importance as its domestic market. The wine market, too, should profit from continuing robust consumer spending.

*Global wine market in 2018:  
very large harvest leads to production surplus*

The International Organisation of Vine and Wine (OIV) estimates wine production in 2018 at 279 million hectolitres; this would indicate an increase of around 13% compared with 2017. On the other hand world-wide wine consumption is estimated at 244 million hectolitres, unchanged from the previous year's level. When industrial consumption is added to this figure (at a long-term average of approx. 30 million hectolitres), there is a slight demand shortfall worldwide.

*Future situation in the trade*

Despite economic uncertainty, the German wine market should be bolstered by continuing consumer spending in 2019. It should be possible to maintain the current high level in the premium segment. The Hawesko Board of Management expects that already long-established trends in the upscale market segment will continue and be aided by demographic change. As in many other industries, the significance of online business is steadily growing in the wine trade, too. In other countries in Central Europe, the trends in wine consumption being observed fundamentally resemble the pattern in Germany.

The existing quality trends will moreover continue in 2019 and will define the market: there is growing professionalism in the world of wine, consumers are becoming increasingly discerning, and Europe will remain a focal area of global wine consumption. Outside Europe, there are already signs that wine consumption is rising – a development that is moreover set to continue. The consequence of this is that the virtues that the Hawesko Group has carefully nurtured over many decades are more important than ever as unique selling propositions in the marketplace: its extensive range of top-class wines, knowledgeable handling of the product wine, experience in specialised warehousing and shipping logistics as well as the ability to keep enthusing customers with high service commitment and quality to the benefit of customers are key to the group brands' high recognition in the wine market.

*Anticipated financial performance*

The Board of Management of the Hawesko Group continues to strive for sustained, long-term, profitable growth. The following estimates take account of the consolidation of *Wein & Co.* for a first full financial year. In addition, they reflect only to a limited extent the effects of adopting the financial reporting standard IFRS 16, which applies new rules for the accounting treatment of leases; please refer in this connection to the appropriate passage in Note 3 to the consolidated financial statements. The Board of Management expects the group to achieve approximately 7–9% sales growth in the 2019 financial year. Growth of the Retail brand unit (specialist wine-shop retail) including *Wein & Co.* should be in the range of +18–20%. The E-commerce brand unit (distance selling) is expected to grow by between 3% and 4%, while the B2B brand unit (wholesale) is forecast to expand by around +2%.

The group EBIT margin is expected to be in the range of 5.0–5.7% in 2019 (2018: 5.3%). For the Retail brand unit, the target EBIT margin is expected in the order of 8% including *Wein & Co.* (2018: 8.7%), while the forecast for E-commerce anticipates an EBIT margin of just below 6% (2018: 4.6%) and for B2B of around 6% (2018: 5.6%).

The Board of Management estimates that, under IFRS 16 rules, the financial result for 2019 will show a net expense in the order of just below three million euros. The profit due to non-controlling interests will reach an anticipated level of € 0.1–0.2 million. The consolidated net income after taxes and non-controlling interests expressed as net profit margin is estimated to reach approx. 3.0–3.6%. The Board of Management anticipates a free cash flow for 2019 of around € 12–16 million, compared with € 20.2 million in 2018 (figures for both years excluding acquisitions). It expects ROCE for 2019 to be broadly in line with the previous year (17%).

As usual, the Board of Management will promptly communicate its expectations and the outlook for the future in the next quarterly reports and the interim report.

### *Anticipated financial position*

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

Net debt at 31 December 2018 was € 14.8 million. The Board of Management expects to see this rise at the 2019 reporting date.

Capital expenditure on property, plant and equipment and intangible assets in the 2019 financial year is likely to exceed the level of 2018 (€ 6.1 million) by € 2.0-2.5 million. Alongside the planned investment spending on the continuing digital transformation and IT, capital expenditure is earmarked for modernisation and expansion in the Retail brand unit, and for expansion and replacement investment in the B2B and E-commerce units.

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. As before, the Hawesko Group has 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 performance, the Board of Management considers a steady upward development in the Hawesko Group to remain realistic. Sales growth is being given greater priority and ranks alongside improving the EBIT margin. The Board of Management 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.

## **RISK REPORT**

### *Risk management system*

The core tasks of the Board of Management of Hawesko Holding include the strategic management of the group. Based on intensive observation of the competitive environment, changes and developments to 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 over the long term.

In the context of its activities in its sales markets, the Hawesko Group is exposed to the fundamental 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 moreover undergoing continuous refinement. The early identification of risks is of major significance and is normally achieved by means of an early warning system implemented group-wide. Its binding principles are laid down in a risk management guideline.

The RMS for the Hawesko Group covers all subsidiaries; 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 identical 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. In addition, it serves as the basis for assuring 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 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. Further notes on the risk management system are given in the Risk Report.

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 enables 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 examined 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 financial reporting standards are carried out and documented by the "Corporate Finance" central department. The internal and external data required for the Notes to the consolidated financial statements and for the 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 risks explained below. 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 following diagram. The losses stated are a net view of the impact on EBIT:

#### *Public debate on alcohol and advertising bans or restrictions*

For quite some time the European Union has been debating whether to restrict the advertising of alcoholic beverages throughout the EU; in Sweden the discussion intensified in autumn 2016. 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.

Loss (€ million)	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 bis ≤1)	C	C	B	B	A
	5) Very low (bis 0.25)	C	C	C	C	B
	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)	
	Probability (%)					

### *Dependence on the business cycle*

The Hawesko Group generated approx. 89% of its sales in the Federal Republic of Germany in 2018. 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 around three-quarters of those sales.

The risk from *dependence on the business cycle* is classified as an A risk with a 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 it can never exclude them entirely.

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 laboratories of the Hawesko subsidiaries. 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.

### *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 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*

The statutory requirements under data protection were adopted by the Hawesko Group and implemented in its business operations. Hawesko's Retail and E-commerce 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 compliance with the regulations concerning the storage of customer data on mass storage media. In addition there is regular optimisation of the internal processes (including with external expert support) and of the IT infrastructure.

The data protection area is closely intertwined with information security, a topic that is 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.

### *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 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 eurozone. However, imports are overwhelmingly from within the eurozone. 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.

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.

#### *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 2019 considering the prevailing economic environment. It currently expects consumption of high-end wines commanding a price of more than € 5.00 per bottle to remain stable over the year as a whole, or possibly to grow slightly.

The Hawesko Group enjoyed very healthy balance sheet ratios at the reporting date of 31 December 2018. 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 an occurrence 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 low (approx. 5-25%).

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 and also in respect of new sales channels 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.

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## LEGAL STRUCTURE OF THE GROUP AND INFORMATION REQUIRED UNDER TAKEOVER LAW

### REPORT PURSUANT TO SECTIONS 289A AND 315A OF GERMAN COMMERCIAL CODE (HGB) IN CONJUNCTION WITH SECTION 120 (3) SECOND SENTENCE OF THE GERMAN STOCK CORPORATION ACT:

#### CONCLUDING DECLARATION OF THE BOARD OF MANAGEMENT ON THE REPORT ON RELATED PARTIES

Tocos Beteiligung GmbH holds an interest of 72.6% in Hawesko Holding AG. This constitutes a dependent relationship.

No control or profit transfer agreement exists between Hawesko Holding AG and Tocos Beteiligung GmbH. The Board of Management of Hawesko Holding AG has therefore issued a dependency report on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act. At the end of the report, the Board of Management has made the following declaration: "We declare that, for transactions with affiliated companies listed in the report on related parties, Hawesko Holding AG, Hamburg, received appropriate consideration based on the circumstances known to us at the time those transactions were carried out. Other measures within the meaning of Section 312 of the German Stock Corporation Act have neither been taken nor omitted."

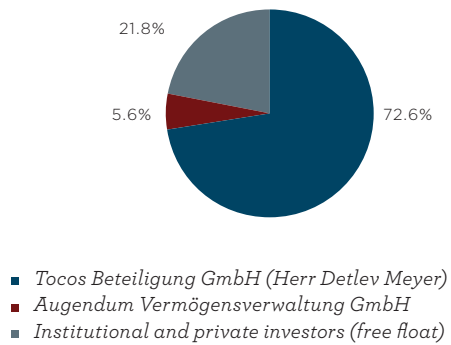
### LEGAL STRUCTURE OF THE GROUP

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,708,934.14 at the 2018 reporting date is divided into 8,983,403 no par value bearer shares, all carrying 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 18 June 2022 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.

## SHAREHOLDER STRUCTURE

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Since the change of control in 2015, Detlev Meyer has been the largest shareholder of Hawesko Holding AG via Tocos Beteiligung GmbH, with 72.6% of the shares; there then follows Michael Schiemann, with a 5.6% shareholding via Augendum Vermögensverwaltung GmbH. Both are resident in the Federal Republic of Germany. The remaining approx. 21.8% are held by institutional and private investors. There are no employee shares as defined in Sections 289 (1) No. 5, 315 (1) 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. 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 or Switzerland all have their place of incorporation within the European Union. No substantial factors that influence business need be mentioned.

The Hawesko Group is essentially divided into three business segments (cf. "Company profile").

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## 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. Until 31 March 2019 the Board of Management comprised four members, and since 1 April 2019 has comprised three members. It 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.

Under the four-member Board of Management, each brand unit of Hawesko Holding AG was led by one Board of Management member. That is no longer the case under the three-member Board of Management from 1 April 2019.

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 "Management system". 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 Sections 289f of the German Commercial Code and 315d of the 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 and can be accessed at [www.hawesko-holding.com](http://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. This remuneration system is applicable for all members of the Board of Management.

In 2018, 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 2018 is shown in the following tables:

BENEFITS GRANTED € '000	Thorsten Hermelink Chairman				Alexander Borwitzky Member				Raimund Hackenberger Member, from 01/03/2017			
	2017	2018	Min	Max	2017	2018	Min	Max	2017	2018	Min	Max
Fixed remuneration	450	450	450	450	240	310	310	310	250	300	300	300
Fringe benefits	5	12	5	12	11	11	11	11	8	11	11	11
<b>TOTAL</b>	<b>455</b>	<b>462</b>	<b>455</b>	<b>462</b>	<b>251</b>	<b>321</b>	<b>321</b>	<b>321</b>	<b>258</b>	<b>311</b>	<b>311</b>	<b>311</b>
One-year variable remuneration	-	-	-	-	-	-	-	-	-	-	-	-
<b>MULTI-YEAR VARIABLE REMUNERATION</b>												
for financial years 2016-2018	300	300	0	450	160	207	0	307	167	200	0	300
<b>TOTAL</b>	<b>755</b>	<b>762</b>	<b>462</b>	<b>912</b>	<b>411</b>	<b>528</b>	<b>321</b>	<b>628</b>	<b>425</b>	<b>511</b>	<b>311</b>	<b>611</b>
Benefit expense	1	1	1	1	1	1	1	1	1	1	1	1
<b>TOTAL REMUNERATION</b>	<b>756</b>	<b>763</b>	<b>463</b>	<b>913</b>	<b>412</b>	<b>529</b>	<b>322</b>	<b>629</b>	<b>426</b>	<b>512</b>	<b>312</b>	<b>612</b>

BENEFITS GRANTED € '000	<i>Nikolas von Haugwitz, Member, leave of absence from 01/04/2019</i>				<i>Bernd Siebdrat Member, until 31/12/2017</i>			
	2017	2018	Min	Max	2017	2018	Min	Max
Fixed remuneration	240	240	240	240	480	-	480	480
Fringe benefits	15	15	15	15	11	-	11	11
<b>TOTAL</b>	<b>255</b>	<b>255</b>	<b>255</b>	<b>255</b>	<b>491</b>	<b>-</b>	<b>491</b>	<b>491</b>
One-year variable remuneration	-	-	-	-	-	-	-	-
<b>MULTI-YEAR VARIABLE REMUNERATION</b>								
for financial years 2016-2018	160	160	0	260	320	-	0	480
<b>TOTAL</b>	<b>415</b>	<b>415</b>	<b>255</b>	<b>515</b>	<b>811</b>	<b>-</b>	<b>491</b>	<b>971</b>
Benefit expense	6	6	6	6	-	-	-	-
<b>TOTAL REMUNERATION</b>	<b>421</b>	<b>421</b>	<b>261</b>	<b>521</b>	<b>811</b>	<b>-</b>	<b>491</b>	<b>971</b>

BENEFITS PAID € '000	<i>Thorsten Hermelink Chairman</i>				<i>Alexander Borwitzky Member</i>				<i>Raimund Hackenberger Member, from 01/03/2017</i>			
	2017	2018	Min	Max	2017	2018	Min	Max	2017	2018	Min	Max
Fixed remuneration	450	450	-	-	240	310	-	-	250	300	-	-
Fringe benefits	5	12	-	-	11	11	-	-	8	11	-	-
<b>TOTAL</b>	<b>455</b>	<b>462</b>	<b>-</b>	<b>-</b>	<b>251</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>311</b>	<b>-</b>	<b>-</b>
One-year variable remuneration	-	-	-	-	-	-	-	-	-	-	-	-
<b>MULTI-YEAR VARIABLE REMUNERATION</b>												
for financial years 2016-2018	150	150	-	-	120	16	-	-	-	25	-	-
<b>TOTAL</b>	<b>605</b>	<b>612</b>	<b>-</b>	<b>-</b>	<b>371</b>	<b>337</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>336</b>	<b>-</b>	<b>-</b>
Benefit expense	-	-	-	-	-	1	-	-	-	1	-	-
<b>TOTAL REMUNERATION</b>	<b>605</b>	<b>612</b>	<b>-</b>	<b>-</b>	<b>371</b>	<b>338</b>	<b>-</b>	<b>-</b>	<b>258</b>	<b>337</b>	<b>-</b>	<b>-</b>

BENEFITS PAID € '000	<i>Nikolas von Haugwitz, Member, leave of absence from 01/04/2019</i>				<i>Bernd Siebdrat Member, until 31/12/2017</i>			
	2017	2018	Min	Max	2017	2018	Min	Max
Fixed remuneration	240	240	-	-	480	-	-	-
Fringe benefits	15	15	-	-	11	-	-	-
<b>TOTAL</b>	<b>255</b>	<b>255</b>	<b>-</b>	<b>-</b>	<b>491</b>	<b>-</b>	<b>-</b>	<b>-</b>
One-year variable remuneration	-	-	-	-	-	-	-	-
<b>MULTI-YEAR VARIABLE REMUNERATION</b>								
for financial years 2016-2018	100	52	-	-	180	-	-	-
<b>TOTAL</b>	<b>355</b>	<b>307</b>	<b>-</b>	<b>-</b>	<b>671</b>	<b>-</b>	<b>-</b>	<b>-</b>
Benefit expense	6	6	-	-	-	-	-	-
<b>TOTAL REMUNERATION</b>	<b>361</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>671</b>	<b>-</b>	<b>-</b>	<b>-</b>

The former Board of Management member Bernd Hoolmans receives a retirement pension; he was also assured an invalidity allowance. A provision totalling € 254 thousand (previous year: € 271 thousand) was recognised for this commitment at 31 December 2018. The Board of Management member Nikolas von Haugwitz given leave of absence from 1 April 2019 is entitled to supplementary retirement pay after reaching the age of 65. The company paid an amount of € 5 thousand into a benevolent fund for this commitment in the year under review. The Board of Management member Raimund Hackenberger took up office on 1 March 2017.

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 2018 is shown in the following table:

€ '000	<i>Variable remuneration</i>	<i>Fixed remuneration</i>	<i>Attendance fees</i>	<i>Remuneration for services rendered in person</i>	<i>Total</i>
Detlev Meyer	33	8	21	-	62
Thomas R. Fischer	25	6	16	-	47
Dr. Jörg Haas	17	4	8	-	29
Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker	17	4	8	-	29
Wilhelm Weil	17	4	6	-	27
Kim-Eva Wempe	17	4	6	-	27
<b>TOTAL</b>	<b>126</b>	<b>30</b>	<b>65</b>	<b>-</b>	<b>221</b>

The shares held by members of the Board of Management and Supervisory Board are likewise indicated in Note 46 to the consolidated financial statements. Pursuant to Section 17 of the Market Abuse Regulation, the members of the Board of Management and Supervisory Board are obliged to disclose significant acquisitions or disposals of shares in Hawesko Holding AG.



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## SUPPLEMENTARY INFORMATION ON HAWESKO HOLDING AG (TO GERMAN COMMERCIAL CODE)

### **OVERVIEW OF THE 2018 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 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 2018 to German Commercial Code*

€ '000	2018	2017
Other operating income	2,276	3,530
Personnel expenses		
a) Salaries	-3,984	-4,085
b) Social security and other employee benefits	-272	-235
Depreciation/amortisation of intangible fixed assets and tangible assets	-44	-64
Other operating expenses	-3,094	-4,167
Income from profit transfers	30,590	25,284
Investment income	5,073	8,263
Other interest and similar income	1,018	926
Expenses from losses absorbed	-472	-259
Interest and similar expenses	-419	-399
Income tax expense	-5,960	-5,755
<b>EARNINGS AFTER TAXES</b>	<b>24,713</b>	<b>23,039</b>
Other taxes	-2	-1
<b>NET INCOME</b>	<b>24,711</b>	<b>23,039</b>
Profit carryforward from previous year	753	894
Appropriation to other retained earnings	-13,000	-11,500
<b>ACCUMULATED PROFIT</b>	<b>12,464</b>	<b>12,432</b>

*Rounding differences possible*

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

The income from investments comprises mainly the profits of *Wein & Vinos GmbH*, *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *WeinArt Handelsgesellschaft mbH*.

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

On average over the 2018 financial year, Hawesko Holding AG had 22 (2017: 17) employees.

The net income for the year is € 24.7 million, compared with € 23.0 million in the previous year. The forecast of Hawesko Holding AG was achieved mainly thanks to the positive performance of its participating interests.

After addition of the profit carryforward from the previous year as well as an allocation to the other retained earnings, the company reports an unappropriated profit of € 12.5 million (previous year: € 12.4 million).

With regard to use of the unappropriated profit for 2018, the Board of Management proposes that a dividend of € 1.30 per share be distributed, in other words around € 11.7 million in total.

### *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

€ '000	31/12/2018	31/12/2017
<b>FIXED ASSETS</b>		
<b>INTANGIBLE ASSETS</b>		
Concessions acquired for consideration, industrial property rights and similar rights and values as well as licences to such rights and values	18	22
Advance payments	332	270
<b>TANGIBLE ASSETS</b>		
Land, equivalent rights and buildings, including buildings on third-party land	46	52
Other fixtures and fittings, tools and equipment	159	179
<b>FINANCIAL ASSETS</b>		
Shares in affiliated companies	124,643	108,936
Advance payments on shares in affiliated companies	-	-
Other loans	-	-
	<b>125,197</b>	<b>109,460</b>
<b>CURRENT ASSETS</b>		
<b>RECEIVABLES AND OTHER ASSETS</b>		
Due from affiliated companies	87,603	78,898
Other assets	5,080	5,543
<b>BANK ACCOUNTS IN CREDIT</b>	8,814	3,829
	<b>101,496</b>	<b>88,270</b>
<b>PREPAID EXPENSES</b>	93	43
	<b>226,786</b>	<b>197,772</b>

*Rounding differences possible*

The assets at the reporting date total € 226.8 million (previous year: € 197.8 million) and are made up predominantly of financial assets in the amount of € 124.6 million (previous year: € 108.9 million) along with receivables from affiliated companies in the amount of € 87.6 million (€ 78.9 million). As in the previous year, financial assets represent 55% of the balance sheet total.

€ '000	31/12/2018	31/12/2017
<b>SHAREHOLDERS' EQUITY</b>		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other retained earnings	91,938	78,938
Accumulated profit	12,464	12,432
	<b>182,178</b>	<b>169,146</b>
<b>PROVISIONS</b>		
Provisions for taxation	2,748	326
Other provisions	1,675	1,716
	<b>4,423</b>	<b>2,042</b>
<b>LIABILITIES</b>		
Due to banks	31,096	18,151
Trade payables	154	164
Due to affiliated companies	2,763	551
Other liabilities	5,228	6,587
	<b>39,241</b>	<b>25,453</b>
<b>DEFERRED TAX LIABILITIES</b>		
	944	1,130
	<b>226,786</b>	<b>197,772</b>

*Rounding differences possible*

The equity and liabilities side of the balance sheet comprises € 182.2 million in equity (prior-year reporting date: € 169.1 million) and provisions and liabilities of € 43.7 million (€ 27.5 million). Equity represents 80% of the balance sheet total (previous year: 86%).

## **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. With a stable financial result, the Board of Management anticipates a slight rise in net income.

## **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 289f of the German Commercial Code and Section 315d of the German Commercial Code is available to the public in the Annual Report and at [www.hawesko-holding.com](http://www.hawesko-holding.com).



# FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2018 financial year

## CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2018

€ '000	Notes	01/01- 31/12/2018	01/01- 31/12/2017
<b>SALES REVENUES FROM CONTRACTS WITH CUSTOMERS</b>	9.	<b>524,298</b>	<b>506,993</b>
Increase/decrease in finished goods inventories		169	-377
Other production for own assets capitalised	17.	496	776
Other operating income	10.	22,017	24,169
Cost of purchased goods		-301,015	-294,049
Personnel expenses	11.	-59,437	-57,348
Depreciation/amortisation and impairment	12.	-8,539	-8,155
Other operating expenses	13.	-150,291	-141,591
- Impairment losses from financial assets		-218	-
- Gains/(losses) from the retirement of financial assets measured at amortised cost		228	-
<b>OPERATING RESULT</b>		<b>27,698</b>	<b>30,418</b>
Interest income	14.	254	72
Interest expense	14.	-599	-675
Other financial result	14.	2,442	-1,893
Result from companies reported using the equity method	14.	707	849
<b>EARNINGS BEFORE TAXES</b>		<b>30,502</b>	<b>28,771</b>
Taxes on income	15.	-7,601	-9,600
<b>CONSOLIDATED NET INCOME</b>		<b>22,901</b>	<b>19,171</b>
of which attributable to the shareholders of Hawesko Holding AG		22,017	18,474
of which attributable to non-controlling interests		884	697
Earnings per share (basic = diluted) (€)	16.	2.45	2.06



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

for the period from 1 January to 31 December 2018

€ '000	<i>Notes</i>	<b>01/01- 31/12/2018</b>	<b>01/01- 31/12/2017</b>
<b>CONSOLIDATED NET INCOME</b>		<b>22,901</b>	<b>19,171</b>
<b>AMOUNTS THAT CANNOT BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE</b>		<b>8</b>	<b>-31</b>
- Actuarial gains and losses from defined benefit plans, including deferred tax		8	-31
<b>AMOUNTS THAT MAY BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE</b>		<b>-45</b>	<b>-20</b>
- Effective portion of the gains/losses from cash flow hedges, including deferred tax		-112	44
- Currency translation differences		67	-64
<b>OTHER RESULT</b>		<b>-37</b>	<b>-51</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>22,864</b>	<b>19,120</b>
of which attributable			
- to the shareholders of Hawesko Holding AG		21,912	18,555
- to non-controlling interests		952	565

## CONSOLIDATED BALANCE SHEET

at 31 December 2018

ASSETS € '000	Notes	31/12/18	31/12/17
<b>NON-CURRENT ASSETS</b>			
Intangible assets	17.	57,140	41,905
Property, plant and equipment	18.	21,237	20,533
Investments accounted for using the equity method	7.	3,222	3,402
Other financial assets	19.	138	138
Inventories and advance payments for inventories	21.	4,720	6,284
Receivables and other assets	22.	980	1,162
Deferred tax	20.	3,339	2,211
		<b>90,776</b>	<b>75,635</b>
<b>CURRENT ASSETS</b>			
Inventories and advance payments for inventories	21.	111,911	110,751
Contract assets*	22.	339	-
Trade receivables	22.	48,433	51,956
Receivables and other assets	22.	4,844	4,678
Accounts receivable from taxes on income	22.	7,630	5,978
Cash in banking accounts and cash on hand	23.	25,073	10,736
		<b>198,230</b>	<b>184,099</b>
		<b>289,006</b>	<b>259,734</b>

\*Reported separately for first time from 2018 financial year in accordance with IFRS 15

<b>EQUITY AND LIABILITIES</b> € '000	<i>Notes</i>	<b>31/12/18</b>	<b>31/12/17</b>
<b>SHAREHOLDERS' EQUITY</b>			
Subscribed capital of Hawesko Holding AG	24.	13,709	13,709
Capital reserve	25.	10,061	10,061
Retained earnings	26.	85,499	71,174
Other reserves	27.	-210	-105
<b>EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG</b>		<b>109,059</b>	<b>94,839</b>
Non-controlling interests	28.	3,464	9,949
		<b>112,523</b>	<b>104,788</b>
<b>LONG-TERM PROVISIONS AND LIABILITIES</b>			
Provisions for pensions	29.	1,055	1,124
Other long-term provisions	30.	1,726	648
Borrowings	31.	14,071	534
Advances received	32.	-	4,681
Contract liabilities*	32.	1,972	-
Other liabilities	33.	4,474	1
Other financial liabilities	32.	2,751	5,045
Deferred tax	34.	4,465	2,717
		<b>30,514</b>	<b>14,750</b>
<b>SHORT-TERM LIABILITIES</b>			
Minority interest in the capital of unincorporated subsidiaries	32.	295	230
Borrowings	31.	24,703	20,059
Advances received	32.	-	8,443
Trade payables	32.	65,577	64,430
Contract liabilities*	32.	18,498	-
Income taxes payable	32.	3,460	2,574
Other liabilities	33.	33,334	30,571
Other financial liabilities	33.	102	13,889
		<b>145,969</b>	<b>140,196</b>
		<b>289,006</b>	<b>259,734</b>

\*Reported separately for first time from 2018 financial year in accordance with IFRS 15

## CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2018

€ '000	Notes	01/01- 31/12/2018	01/01- 31/12/2017
Earnings before taxes	40.	30,502	28,771
+ Depreciation and amortisation of fixed assets		8,539	8,155
+/- Other non-cash expenses and income		-496	-776
+ Interest result	40.	-2,097	2,496
+/- Result from the disposal of fixed assets		-68	-107
+/- Result from companies reported using the equity method		-707	-849
+/- Dividend payments received from distributions by investments		861	710
+/- Change in inventories		6,724	-12,422
+/- Change in receivables and other assets		3,419	-4,509
+/- Change in provisions		1,021	-194
+/- Change in liabilities (excluding borrowings)		-15,100	1,009
+ Interest received		140	70
- Taxes on income paid out	40.	-6,654	-8,492
<b>= NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS</b>		<b>26,084</b>	<b>13,862</b>
- Acquisition of subsidiaries net of cash acquired		-9,494	-3,353
- Outpayments for property, plant and equipment and for intangible assets		-5,519	-7,446
+ Inpayments from the disposal of intangible and tangible assets		68	313
<b>= NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES</b>		<b>-14,945</b>	<b>-10,486</b>
- Outpayments for dividend		-11,678	-11,678
- Outpayments to non-controlling interests		-3,063	-1,462
- Payments of finance lease liabilities		-324	-66
+ Raising of short-term borrowings		4,968	7,505
+ Raising of medium and long-term borrowings		13,537	-
- Interest paid	40.	-454	-534
<b>= OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES</b>		<b>2,986</b>	<b>-6,235</b>
Effects of exchange rate changes on cash (up to 3 months to maturity)		212	14
<b>= NET DECREASE/INCREASE OF FUNDS</b>		<b>14,337</b>	<b>-2,845</b>
+ Funds at start of period		10,736	13,581
<b>= FUNDS AT END OF PERIOD</b>	40.	<b>25,073</b>	<b>10,736</b>

## CHANGES IN CONSOLIDATED EQUITY

for the period from 1 January 2017 to 31 December 2018

€ '000	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Ownership interest of Hawesko Holding AG shareholders	Non-controlling interests	Equity
				Balancing item from currency translation	Revaluation reserve for retirement benefit obligations	Reserve for cash flow hedges			
<b>POSITION AT 1 JANUARY 2017</b>	<b>13,709</b>	<b>10,061</b>	<b>64,111</b>	<b>35</b>	<b>-198</b>	<b>-23</b>	<b>87,695</b>	<b>6,699</b>	<b>94,394</b>
Put option of non-controlling interests	-	-	-	-	-	-	-	442	442
Change in group of consolidated companies	-	-	267	-	-	-	267	3,705	3,972
Dividends	-	-	-11,678	-	-	-	-11,678	-1,462	-13,140
Consolidated net income	-	-	18,474	-	-	-	18,474	697	19,171
Other result	-	-	-	68	-37	62	93	-132	-39
Deferred tax on other result	-	-	-	-	6	-18	-12	-	-12
<b>POSITION AT 31 DECEMBER 2017</b>	<b>13,709</b>	<b>10,061</b>	<b>71,174</b>	<b>103</b>	<b>-229</b>	<b>21</b>	<b>94,839</b>	<b>9,949</b>	<b>104,788</b>
IFRS 9 restatement	-	-	-300	-	-	-	-300	-	-300
IFRS 15 restatement	-	-	-118	-	-	-	-118	-	-118
<b>ADJUSTED POSITION AT 1 JANUARY 2018</b>	<b>13,709</b>	<b>10,061</b>	<b>70,756</b>	<b>103</b>	<b>-229</b>	<b>21</b>	<b>94,421</b>	<b>9,949</b>	<b>104,370</b>
Transactions with non-controlling interests	-	-	4,372	-	-	-	4,372	-4,372	-
Change in group of consolidated companies	-	-	32	-	-	-	32	-	32
Dividends	-	-	-11,678	-	-	-	-11,678	-3,065	-14,743
Consolidated net income	-	-	22,017	-	-	-	22,017	884	22,901
Other result	-	-	-	-1	25	-154	-130	68	-62
Deferred tax on other result	-	-	-	-	-17	42	25	-	25
<b>POSITION AT 31 DECEMBER 2018</b>	<b>13,709</b>	<b>10,061</b>	<b>85,499</b>	<b>102</b>	<b>-221</b>	<b>-91</b>	<b>109,059</b>	<b>3,464</b>	<b>112,523</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2018 financial year

## PRINCIPLES AND METHODS APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Hawesko Holding Aktiengesellschaft has its registered office in Hamburg, Germany (Address: Elbkaihaus, Grosse Elbstrasse 145d, 22767 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 operating subsidiaries under the corporate umbrella of Hawesko Holding AG are grouped into three segments: Retail (specialist wine-shop retail), B2B (wholesale/distribution) and E-commerce (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 315e (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, with the exception of *Wein & Co. Handelsges. mbH*, Austria, is 31 December 2018.

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 were released for publication after the consolidated financial statements were signed off by the Supervisory Board on 5 April 2019.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2018 of Hawesko Holding AG are published in the Federal Gazette. Copies of the annual financial statements and the combined management report 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:

- IFRS 9 “Financial Instruments” (for adoption from 1 January 2018, endorsed on 22 November 2016)
- IFRS 15 “Revenue from Contracts with Customers” (for adoption from 1 January 2018, endorsed on 22 September 2016)
- Clarification to IFRS 15 “Revenue from Contracts with Customers” (for adoption from 1 January 2018, endorsed on 31 October 2017)
- Amendments to IFRS 4 “Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts” (for adoption from 1 January 2018, endorsed on 3 November 2017)
- Amendments to IAS 40 “Transfers of Investment Property” (for adoption from 1 January 2018, endorsed on 14 March 2018)
- Annual Improvements 2014–2016 “Amendments to IFRS 1 and IAS 28” (for adoption from 1 January 2018, endorsed on 7 February 2018)
- Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions” (for adoption from 1 January 2018, endorsed on 26 February 2018)
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (for adoption from 1 January 2018, endorsed on 28 March 2018)

The standards, clarifications and interpretations, adoption of which is mandatory from 1 January 2018, in particular IFRS 9, Financial Instruments, and IFRS 15, IFRS 15 Revenue from Contracts with Customers, affected the net worth, financial position and financial performance of the group and are presented in the following. First-time adoption of all other modified accounting standards listed had no or no material influence on the presentation of the net worth, financial position and financial performance or on earnings per share.

### TRANSITION TO IFRS 9

Hawesko adopted *IFRS 9 – Financial Instruments* for the first time in the financial year beginning on 1 January 2018. Transition to the new standard is retrospective, but without adjustment of the reference figures. Instead, the difference between the previous carrying amount and the carrying amount at the start of the financial year is recognised in the opening balance sheet value of retained earnings.

IFRS 9 introduces a changed approach to the classification and measurement of financial assets. The basis for classification comprises the contractual cash flows and the business model according to which these are managed. Furthermore, the standard envisages a new risk provisioning model, according to which expected losses are also to be accounted for. In addition, IFRS 9 contains new rules on hedge accounting in order to provide more useful information on the risk management activities of enterprises where financial instruments are in use.

If cash flows for a financial asset comprise merely interest and capital payments and the business model involves holding the asset, subsequent measurement is performed at amortised cost. If the business model envisages a disposal, it is accounted for income-neutrally at fair value. Otherwise the financial asset is to be measured at fair value through profit or loss.

	Category under IAS 39*	Carrying amount 31/12/2017	Category under IFRS 9**	Carrying amount at 01/01/2018	Effect from first-time adoption of IFRS 9
<b>ASSETS</b>					
Cash	LaR	10,736	AC	10,736	-
Trade receivables	LaR	51,956	AC	51,656	-300
Receivables and other assets					
- Financial assets	LaR	1,363	AC	1,363	-
Financial assets					
- Available for sale financial assets	AfS	138	FVtPL	138	-
<b>EQUITY AND LIABILITIES</b>					
Minority interest in the capital of unincorporated subsidiaries	FLAC	230	AC	230	-
Trade payables	FLAC	64,430	AC	64,430	-
Due to banks	FLAC	19,725	AC	19,725	-
Finance lease liabilities	n.a.	868	n.a.	868	-
Sundry liabilities					
- Other financial liabilities	FLAC	9,726	AC	9,726	-
- Derivatives with hedging relationship	n.a.	-32	n.a.	-32	-
- Other liabilities					
- Financial liabilities	FLAC	13,539	AC	13,539	-

\*LaR - loans and receivables

FLAC - financial liabilities measured at amortised cost

AfS - available for sale

FVtPL - at fair value through profit or loss

n.a. - not assigned to any category

\*\*AC - amortised cost

FVtPL - at fair value through profit or loss

n.a. - not assigned to any category

Under IFRS 9, equity instruments are fundamentally classified at fair value. These assets were already measured at fair value under IAS 39. To that extent the change in classification has no financial impact.

As well as the classification rules for financial assets, the impairment model for these has changed. Financial assets that are not measured at fair value through profit or loss are consequently subject to new impairment rules. The model of expected credit losses to be

adopted comprises three stages through which the financial assets pass. It is specified there how the impairment is to be determined and the effective interest method is to be applied.

The standard envisages a simplified model for trade receivables. Because these are due short-term and there is consequently no material financing component for them, the impairment for these is already to be measured at the outset at the lifetime expected



credit loss. Additional impairment of € 300 thousand was therefore recognised at 1 January 2018. No additional impairment needed to be recognised for the remaining financial assets.

The rules on the classification of financial liabilities do not result in any changes. The above table also compares the individual measurement categories with the financial liabilities including their carrying amounts.

The changes that relate to hedge accounting result in simplifications in the evaluation of the effectiveness of hedges and the designation of underlying transactions and hedges. On the one hand the rigid distinction for determining ineffectiveness is dispensed with; on the other hand there is the option of hedging an aggregated risk position.

The new hedge accounting rules have been adopted since 1 January 2018. Hedges existing at that date are rolled over because they meet the conditions for designation under IFRS 9. No material changes arise from this.

## TRANSITION TO IFRS 15

The Hawesko Group adopted *IFRS 15 - Revenue from Contracts with Customers* as well as the *Clarifications to IFRS 15 - Revenue from Contracts with Customers* for the first time in the financial year beginning on 1 January 2018.

Transition to the new standard is retrospective, but without adjustment of the reference figures. Instead, the accumulated adjustment amount from first-time adoption is recognised in the opening balance sheet value of retained earnings. As a result, the comparative information for 2017 was not adjusted. In addition, the disclosure requirements under IFRS 15 in general were not applied to comparative information.

In connection with the adoption of IFRS 15, an adjusted measurement method for the determination and follow-up of returns was implemented, leading to an increase in the provision and a simultaneous reduction in the retained earnings at 1 January 2018 in the amount of € 118 thousand.

Contractually agreed but not yet completed contract items are to be recognised in the consolidated balance sheet as assets or liabilities (in each case current and non-current).

The contract liabilities in particular concern so-called subscription business, where customers make advance payments for wines that will only be delivered in future years. These subscription payments were previously reported under advances received (short and long-term) Since 2018 these have been reported as contract liabilities (current and non-current).

In addition, the obligations from customer bonus programmes and gift cards that were previously recognised under other liabilities or advances received were reclassified to current contract liabilities from 1 January 2018. Because the timing of fulfilment of these obligations is not within the company's control, under IFRS 15 they are recognised in entirety as current.

The obligations to customers from options to return goods are recognised in the amount of the expected refund liability within current financial liabilities, as a reduction in sales. For reasons of materiality the contract asset from the right to surrender the returns is not capitalised.

The following table summarises the effects of adoption of IFRS 15 on the items concerned in the consolidated balance sheet at 31 December 2018.

€ '000	31/12/2018 as reported	Subscription	Customer bonus	Gift cards	Sundry	31/12/2018 IAS 11/18
Contract liabilities	1,972	-1,972	-	-	-	-
Advances received	-	1,972	-	-	-	1,972
<b>LONG-TERM</b>	<b>1,972</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,972</b>
Advances received	-	8,190	-	2,851	-	11,041
Trade payables	65,577	-	-	-	125	65,702
Contract liabilities	18,498	-8,190	-4,829	-4,402	-1,077	-
Other liabilities	33,334	-	4,829	1,551	952	40,666
<b>SHORT-TERM</b>	<b>117,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,409</b>

The miscellaneous effects essentially concern returns as well as refunds for customers in the B2B area.

As a result of operating a marketplace, customer brokerage services in the E-commerce segment are to some extent considered commission business, in a departure from past practice. Direct supplies by the winemakers to end customers involve payment of a commission brokerage fee by the winemakers, who bear the inventory risk but not the bad debt risk.

Income from advertising measures constitutes income of the group companies for independent, definable advertising services agreed between the Hawesko Group and the winemakers. From 2018, these are recognised as sales revenues at the fair value of the advertising measures paid for.

The following table summarises the effects of adoption of IFRS 15 on the items concerned in the statement of income at 31 December 2018.

€ '000	2018 as reported	Income from ad- vertising measures	Brokerage business	2018 IAS 11/18
Sales revenues	524,298	-4,583	4,583	524,298
Other operating income	22,017	4,583	-	26,600
Cost of purchased goods	-301,015	-	-4,583	-305,598
<b>OPERATING RESULT</b>	<b>27,698</b>	<b>-</b>	<b>-</b>	<b>27,698</b>

For detailed information, please refer to the corresponding chapters 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 2018 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 2018:

- IFRS 16 “Financial Instruments” (for adoption from 1 January 2019, endorsed on 31 October 2017)
- Amendments to IFRS 9 “Financial Instruments – Prepayment Features with Negative Compensation” (for adoption from 1 January 2019, endorsed on 22 March 2018)
- IFRIC 23 “Uncertainty over Income Tax Treatments” (for adoption from 1 January 2019, endorsed on 23 October 2018)
- Amendments to IAS 28 (2011) “Investments in Associates and Joint Ventures” (for adoption from 1 January 2019, endorsed on 8 February 2019)
- Amendments to IAS 19 “Employee Benefits – Plan Amendment, Curtailment or Settlement” (for adoption from 1 January 2019, not yet endorsed)
- Annual Improvements 2015–2017 “Clarifications to IAS 12, IAS 23 and IFRS 3/11” (for adoption from 1 January 2019, not yet endorsed)
- Amendments to the references to the Conceptual Framework for Financial Reporting (for adoption from 1 January 2020, not yet endorsed)
- Amendments to IFRS 3 “Business Combinations” (for adoption from 1 January 2020, not yet endorsed)
- Amendments to IAS 1 and IAS 8 “Presentation of Financial Statements / Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material” (for adoption from 1 January 2020)
- IFRS 17 “Insurance Contracts” (for adoption from 1 January 2021, not yet endorsed)

It is planned to apply the standards and interpretations from the point in time when they become mandatory. With the exception of IFRS 16 (cf. next paragraph), the adoption of the aforementioned standards will probably have no material effect on the net worth, financial position and financial performance of the group. Insofar as permissible, adjustment of prior-year figures is dispensed with in accordance with the transitional provisions of the respective IFRS (in particular IFRS 16).

*IFRS 16* dispenses with the previous classification of leases as operating and finance leases and instead introduces a uniform lessee accounting model. Under this, the lessees must account for assets (for the right of use) and financial liabilities for rental payments with a term of more than twelve months. The Hawesko Group does not operate as lessor. As a result of adoption of the new standard from the mandatory adoption date of 1 January 2019, a changeover effect is expected largely on the way obligations from non-cancellable operating leases (in particular rented properties) are accounted for. All values in use are measured at the amount of the lease liabilities upon adoption.

Disregarding the current and minor-value leases, which continue to be recognised as expense in the statement of income, the recognition of rights of use and lease liabilities in the amount of approx. € 98 million is expected at 1 January 2019. No pre-payments of leasing instalments for 2019 were made in 2018. It is in addition expected that adoption of the new rules will increase EBIT by around € 1.5 million and reduce profit after tax by approx. € 0.9 million. The rise in cash flow from operating activities and the decline in cash flow from financing activities is estimated at approx. € 12 million and € 16 million respectively on the basis of the current tenancy and lease agreements, because the repayment of capital required for the lease liabilities is classified as cash flow from financing activities.

There are no other standards that are not yet in force and would prospectively have a material influence on the group in the current or a future reporting period, and on foreseeable future transactions.

#### 4. CONSOLIDATION PRINCIPLES

The consolidated financial statements of Hawesko Holding AG include all significant domestic and foreign subsidiaries 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 is 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.

Joint ventures are accounted for in accordance with IFRS 11. That standard makes a distinction within joint arrangements between joint operations and joint ventures, depending on the contractual rights and obligations. 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:

<b>USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT</b>	
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-adjusted interest rate.

In the year under review, as in the previous year, no reductions for impairment were applied to internally produced intangible assets. There were no write-ups, 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 cost of production of acquired inventories is determined after deduction of discounts and price reductions. The net realisable value is determined as the estimated sales proceeds in the ordinary course of business, less the estimated costs required for disposal. The impairment of inventories is based on the expected unit sales as well as the development in market prices, in particular for premier wines. These criteria are influenced considerably by the vintage and place of origin of the wines, leading to fluctuations in impairment from year to year.

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, 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* are possible obligations that arise from past events and are disclosed in the notes if the requirements of IAS 37 are satisfied.

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 respective reporting-date 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.

Under IFRS 9, financial assets are divided into three categories:

- a) At amortised cost
- b) At fair value income-neutrally
- c) At fair value through profit or loss

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, lease liabilities and derivative financial liabilities.

*Shares in affiliated companies* that are not consolidated due to immateriality are measured at fair value. Value changes are recognised through profit or loss.

*Accounts receivable and other assets* are recognised at cost or amortised cost.

If the Hawesko Group has fulfilled its contractual obligations, a *contract asset* or a *receivable* is recognised. Receivables are recognised if the entitlement to receive consideration is no longer subject to any conditions. This normally occurs if the group is contractually entitled to invoice the customer. The contract assets substantially relate to the outstanding entitlements of the Hawesko Group from the participation of customers in a non-group customer loyalty programme.

The *trade receivables* concern amounts owed by customers for the goods sold in the normal course of business. These are classified entirely as current, in a reflection of their payment deadlines. The trade receivables are recognised in the amount of the unconditional consideration upon initial recognition and measured at amortised cost. In view of the short-term nature of the receivables, the carrying amount recognised after necessary impairment corresponds to the fair value.

*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* (excluding derivative liabilities) are measured at amortised cost.

*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.

A *contract liability* is an obligation of the group to a customer to deliver goods or provide services for which the customer has already given consideration in the form of advance payments. The contract liabilities include in particular liabilities from subscription business, customer bonus programmes and gift vouchers.

In subscription business, receipt of the customer's advance payments for future delivery of goods creates a contract liability that is realised as sales upon delivery to the customer.

In customer bonus programmes, customers can normally build up a bonus credit balance through regular purchases of wine and redeem it in subsequent transactions. The sales revenues for accumu-

lated bonuses are realised at the time of redemption. The basis for measurement of the bonus entitlements is a forward-looking consideration of redemption behaviour taking account of historical values. The price here is determined on the basis of the weighted redemption behaviour for individual markets and customer groups. The prices for measuring additions are recalculated each year and applied to all additions for that year. Utilisation is measured at the average rate for the bonus programme at the start of the year (equal to that of the previous year). Bonus entitlements not redeemed are realised through profit after the contractual expiry period.

The consideration received from the sale of gift vouchers is accounted for as a contract liability and realised as sales at time the vouchers are redeemed. Unredeemed gift vouchers are released through profit after the statutory expiry period. They are recognised under non-current or current contract liabilities, depending on the expected redemption behaviour. The group in essence recognises current contract liabilities because experience has shown that the timing of fulfilment of these obligations falls within the first 12 months after acquisition of the gift voucher by the customer.

*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.

*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 IFRS 9 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 IFRS 9 are satisfied, the fair value changes in terms of the hedged risk are recognised 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.

#### *Recognition of income and expense*

According to the provisions of IFRS 15, sales revenues are recognised at the point when the promised goods and services are transferred to the customer, i.e. when the group fulfils its performance obligation. Sales revenues are recognised in the amount that the Hawesko Group can expect in return for the transfer of the promised goods or services. The sales revenues are reduced by reductions in sales proceeds, taxes and fees. Discounts granted on total sales are assigned to the respective goods in proportion to their individual selling prices. On the other hand discounts granted only for certain articles are assigned only to those articles. Exclusively time-related, but no period-related, performance obligations are met within the group.

The right of return granted is reflected in that sales revenues are recognised merely in the amount for which return is not to be expected. To estimate the

returns rate, Hawesko Holding AG uses market-specific empirical data and adjusts it regularly.

In addition to the revenues from the sale of wine, the group generates some of its sales through incidental revenues. These concern especially advertising expense subsidies received from the suppliers, and income from brokerage commissions in the marketplace. Sales from these agreements is realised upon fulfilment of the performance obligation, in other words at the time the service is provided or the goods are delivered. Advertising expense subsidies are recognised under sales revenues if the advertising measures represent separately identifiable services and the supplier derives a benefit from the advertising measures independently of its delivered products.

*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 measurement and 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 for the cash-generating unit. Cash-generating units normally represent individual subsidiaries within the group. 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 at 31 December 2018 was € 26,856 thousand (previous year: € 18,721 thousand).

The measurement of *inventory* risks within inventories depends substantially on the assessment of future demand and of the time for which stocks of goods are held as a result, and in the case of special high-price wine segments (in particular Grand Crus) the estimate of future market price development. This estimate for high-price wines is made based on market price observations as well as discussions with specialist traders (in particular courtiers). The total impairment of inventories amounted to € 877 thousand at 31 December 2018 (previous year: € 524 thousand).

Impairment of *trade receivables* comprises the expected credit losses that are estimated from past experience. The total impairment of trade receivables amounted to € 1,124 thousand at 31 December 2018. In the previous year, impairment had amounted to € 806 thousand. In the year under review, an additional need for impairment of € 343 thousand arose at 1 January 2018 from the switch to the IFRS 9 measurement method. This was recognised income-neutrally at 1 January 2018.

*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 € 1,055 thousand at 31 December 2018 (previous year: € 1,124 thousand).

Provisions for *reconversion obligations* for installations in the catering outlets of the newly acquired retail company *Wein & Co.* are reported in the amount of the present value of the estimated future obligations. A corresponding amount in reconversion obligations is capitalised as a component of the cost of leasehold improvements. The estimated cash flows are discounted based on an appropriate discounting rate for the maturities and risks. Compounding is recognised in the statement of comprehensive income as interest expense in the period in which it occurs. The carrying amount of the long-term provisions for this item was € 357 thousand at 31 December 2018.

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 € 4,829 thousand at 31 December 2018 (previous year: € 4,440 thousand).

The other financial liabilities include a total of € 2,659 thousand (previous year: € 18,363 thousand) for the put option of the minority interest in one participation (previous year: two participations). The carrying amounts of these options are € 2,659 thousand (previous year: € 4,604 thousand) for the minority interest in *WirWinzer GmbH*, and € 0 thousand (previous year: € 13,760 thousand) for the minority interest in *Wein & Vinos GmbH*, because the purchase price was fixed as part of the notarised modification to the shareholders' agreement on 17 December 2018. The measurement of the option is based, among other things, on the expected EBIT for 2018 and for subsequent years for *WirWinzer GmbH*. From 2016 it was possible to exercise the option of the minority interest in *Wein & Vinos GmbH* annually and, for the first time in 2018, in the form of a "call option by Hawesko Holding AG". The option of the minority interest in *Wein & Vinos GmbH* was therefore recognised as short-term at the reporting date of the previous year. The put option of the minority interest in *WirWinzer GmbH* can be drawn for the first time in 2020 and is therefore recognised as a non-current option.

# 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 (previous year: 1) international joint venture, over which Hawesko Holding AG directly or indirectly ex-

ercised joint control. This is the smallest group of consolidated companies. In addition, the company is included in the consolidated financial statements of Tocos Beteiligung GmbH with registered office in Hamburg (as the largest group of consolidated companies).

<b>FULLY CONSOLIDATED SUBSIDIARIES</b>	<i>Registered office</i>	<i>Segment</i>	<i>Shareholding %</i>
<i>Alexander Baron von Essen Weinhandels GmbH</i>	Bonn	B2B	100.0
<i>CWD Champagner- und Wein-Distributionsgesellschaft mbH &amp; Co. KG</i>	Hamburg	B2B	100.0
<i>Deutschwein Classics GmbH &amp; Co. KG</i>	Bonn	B2B	90.0
<i>Gebr. Josef und Matthäus Ziegler GmbH</i>	Freudenberg	B2B	100.0
<i>Globalwine AG</i>	Zurich (Switzerland)	B2B	95.0
<i>Vogel Vins SA</i>	Grandvaux (Switzerland)	B2B	66.5
<i>Château Classic – Le Monde des Grands Bordeaux SARL (en liquidation)</i>	Bordeaux (France)	B2B	100.0
<i>Sélection de Bordeaux SARL</i>	Strasbourg (France)	B2B	100.0
<i>Wein Service Bonn GmbH</i>	Bonn	B2B	100.0
<i>Global Eastern Wine Holding GmbH</i>	Bonn	B2B	100.0
<i>Wein Wolf GmbH</i>	Bonn	B2B	100.0
<i>Wein Wolf Import GmbH &amp; Co. Vertriebs KG</i>	Salzburg (Austria)	B2B	100.0
<i>Weinland Ariane Abayan GmbH</i>	Hamburg	B2B	100.0
<i>Weinart Handelsgesellschaft mbH</i>	Geisenheim	B2B	51.0
<i>Grand Cru Select Weinhandelsgesellschaft mbH</i>	Rüdesheim	B2B	38.25
<i>Jacques' Wein-Depot Wein-Einzelhandel GmbH</i>	Düsseldorf	Retail	100.0
<i>Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.</i>	Salzburg (Austria)	Retail	100.0
<i>Wein &amp; Co. Handelsges. mbH</i>	Vösendorf (Austria)	Retail	100.0
<i>Carl Tesdorpf GmbH</i>	Lübeck	E-commerce	100.0
<i>Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH</i>	Hamburg	E-commerce	100.0
<i>The Wine Company Hawesko GmbH</i>	Hamburg	E-commerce	100.0
<i>Wein &amp; Vinos GmbH</i>	Berlin	E-commerce	70.0
<i>WirWinzer GmbH</i>	Munich	E-commerce	65.7
<i>IWL Internationale Wein Logistik GmbH</i>	Tornesch	Miscellaneous	100.0
<i>Wine Dock GmbH</i>	Hamburg	E-commerce	100.0

51% of the shares of *Weinart Handelsgesellschaft GmbH* were acquired with effect from 1 January 2017, thus also giving control over its subsidiary *Grand Cru Select Weinhandelsgesellschaft mbH* (despite a shareholding of only 38.25%).

With effect from 1 October 2018, 100% of the shares of *Wein & Co. Handelsges. mbH* in Austria were acquired.

Under IFRS 11, *Global Wines & Spirits s.r.o.*, Prague (Czech Republic) is classified as a joint venture because the shareholders exercise control jointly. It is accounted for using the equity method and is reported under the balance sheet item "Investments accounted for using the equity method":

	31/12/2018	31/12/2017
Carrying amount € '000	3,222	3,402
Share of capital in %	47.5	47.5

The joint venture comes under the B2B segment and is a partner 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 47.5% ownership interest (previous year: 47.5%).

SHARE OF ASSETS AND DEBTS € '000	31/12/2018	31/12/2017
Non-current assets	152	119
Current assets	3,670	4,342
<b>ASSETS</b>	<b>3,822</b>	<b>4,461</b>
Shareholders' equity	1,976	2,156
Short-term provisions and liabilities	1,846	2,305
<b>EQUITY AND LIABILITIES</b>	<b>3,822</b>	<b>4,461</b>

SHARE OF INCOME AND EXPENSES € '000	2018	2017
Sales revenues	9,112	9,092
Other operating income	873	1,054
Cost of materials	-6,793	-6,892
Personnel expenses	-805	-715
Depreciation and amortisation	-43	-38
Other operating expenses	-1,473	-1,473
<b>OPERATING RESULT</b>	<b>871</b>	<b>1,028</b>
Interest income	5	19
Interest expense	-	-
<b>RESULT FROM ORDINARY ACTIVITIES</b>	<b>876</b>	<b>1,047</b>
Taxes on income	-169	-198
<b>ACCUMULATED PROFIT FOR THE YEAR (CORRESPONDING TO COMPREHENSIVE INCOME)</b>	<b>707</b>	<b>849</b>

Distributions of € 861 thousand (previous year: € 710 thousand) were received in the year under review.

Reconciliation of the summary financial information as presented with the carrying amount of the investment in the consolidated financial statements:

€ '000	31/12/2018	31/12/2017
Net assets of the associate	1,976	2,156
Goodwill	1,260	1,260
Net income	707	849
Dividend payments received	-861	-710
Outpayment to original shareholders	-	-136
Effect from currency translation	140	-17
<b>CARRYING AMOUNT OF GROUP INVESTMENT</b>	<b>3,222</b>	<b>3,402</b>

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

<b>NON-CONSOLIDATED SUBSIDIARIES</b>	<i>Registered office</i>	<i>Shareholding %</i>	<i>Capital € '000</i>	<i>2018 net earnings in € '000</i>
<i>Weinland Ariane Abayan Verwaltungs GmbH</i>	Hamburg	100.0	26	-2
<i>Verwaltungsgesellschaft Wein Wolf Import GmbH</i>	Salzburg (Austria)	100.0	74	5
<i>Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.</i>	Hamburg	100.0	43	1
<i>Deutschwein Classics Verwaltungsgesellschaft mbH</i>	Bonn	90.0	36	1
<i>Weinart Handels- und Beteiligungsgesellschaft mbH</i>	Geisenheim	51.0	43	1*

\*Financial year from 01/04/2017 to 31/03/2018

## 8. MATERIAL CHANGES IN CONSOLIDATION

By notarised deed dated 27 July 2018 and with financial effect from 1 October 2018, Hawesko Holding AG acquired 100.0% of the shares of *Wein & Co. Handelsges. m.b.H* with registered office in Vösendorf (Austria). *Wein & Co. Handelsges. m.b.H.* is a leading purveyor of high-quality wines and champagnes in Austria. The concept targets premium lifestyle and connoisseurship through bars, culinaryistics and events. The company is part of the Retail segment (specialist wine-shop retail).

The acquisition costs for the shares came to € 9,826 thousand. The purchase price was paid on 1 October 2018. The company has raised a five-year loan for € 12 million, in part to finance payment of the purchase price.

Following on from the acquisition, property, plant and equipment with a fair value of € 2,319 thousand, inventories with a fair value of € 6,320 thousand, receivables with a fair value of € 2,432 thousand and credit balances with banks amounting to € 332 thousand were recognised.

This fair value was determined with the help of a fair value hierarchy of market-price, capital-value and cost-oriented methods. The principal input factors used in determining this fair value were an assumed discount rate of between 4.3% and 4.6% and an assumed long-term growth rate of 1.0%. As a result of uncovering hidden reserves, one brand (€ 5,813 thousand) as well as customer contacts (€ 2,200 thousand) were capitalised as intangible assets.

*Wein & Co. Handelsges. m.b.H.* was first included in the consolidated financial statements with effect from 1 October 2018.

The fair values of the acquired assets and debts as carried at the time of acquisition can be reconciled as follows:

€ '000	<i>Fair values</i>
Intangible assets	8,461
Property, plant and equipment	2,319
Inventories	6,320
Receivables and other assets	2,432
Bank accounts in credit	332
Long-term provisions and other liabilities	-1,160
Advances received for orders	-1,969
Trade payables	-4,261
Other liabilities	-9,449
	<b>3,025</b>
Deferred tax	-1,396
<b>NET ASSETS EXCL. DIFFERENCES</b>	<b>1,629</b>
<b>DERIVATIVE GOODWILL</b>	<b>8,197</b>
Acquisition costs (of which € 9,826 thousand paid in cash)	9,826

*Wein & Co. Handelsges. mbH* is the market leader in Austria and represents a strong brand. However in view of its current economic situation, the company requires restructuring measures to restore it to profitability. These circumstances are the reason for a relatively high derivative goodwill. Based on the planning and the expected future cash flows, the goodwill is sound. The goodwill is tax-deductible.

The acquired contractual receivables amounted to € 2,507 thousand gross at 1 January 2018 and are fully recoverable because they will lead to or will have led to expected payments received.

The consolidated net income includes € -107 from the shortfall generated by *Wein & Co.* in the fourth quarter of 2018, and the sales revenues include external sales of *Wein & Co.* amounting to € 13,782 thousand. If it had been part of the group for the entire financial year, *Wein & Co.* would have generated external sales amounting to € 39,849 thousand and achieved a loss of € 2,774 thousand. This loss includes € 355 thousand in one-off restructuring costs in the final quarter of the year under review.

Pursuant to the shareholders' agreement between Hawesko Holding AG and the original shareholders of *Wein & Vinos GmbH*, Berlin, amended on 17 December 2018, the put option was drawn by the original shareholders. The purchase price for the remaining 30% amounts to € 13,262 thousand and is paid in two tranches. The first 20% was transferred at 1 January 2019 in return for payment of a purchase price of € 8,841 thousand; the remaining 10% is expected to be transferred at 1 January 2022 in return for payment of a further purchase price tranche in the amount of € 4,421 thousand.

The notarised shareholders' agreement dated 17 December 2018 agreed a fixed price for the minority interest, with the result that the original shareholders no longer participate in the risks and opportunities of the company's future development. Pursuant to IFRS 10, no further minority interest in the consolidated financial statements has been reportable for *Wein & Vinos GmbH* since 18 December 2018. Within equity, this led to a transfer of the minority interest in the company amounting to € 4,372 thousand to the retained earnings attributable to the shareholders of Hawesko Holding AG.

# NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

## 9. SALES REVENUES

The classification of the sales revenues by customer groups corresponds to the sales revenues by segment according to IFRS 8, because the latter reflect the respective nature, level and uncertainty of revenues and cash flows.

<b>CLASSIFICATION BY CUSTOMER GROUPS</b> € '000	<b>2018</b>	<b>2017</b>
Retail (specialist wine-shop retail)	172,254	152,270
B2B (wholesale)	186,218	184,171
E-commerce (distance selling)	165,789	170,526
Miscellaneous	37	26
	<b>524,298</b>	<b>506,993</b>

88.7% (previous year: 91.1%) of sales revenues are generated in Germany.

€ '000	<b>2018</b>	<b>2017</b>
Income from the sale of merchandise	517,490	500,960
Income from brokerage commissions in the marketplace	1,676	5,307
Income from advertising expense subsidies from suppliers	4,583	-
Other income	549	726
	<b>524,298</b>	<b>506,993</b>

Other income shows essentially income from events as well as sales from offsetting transactions.

## 10. OTHER OPERATING INCOME

€ '000	<b>2018</b>	<b>2017</b>
Rental income	9,255	8,904
Advertising expense subsidies	2,724	7,089
Income from cost refunds	1,902	1,731
Income from currency translation	1,882	1,495
Income from the reversal of provisions	-	-
Sundry	6,254	4,950
	<b>22,017</b>	<b>24,169</b>

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

The sundry other operating income includes income unrelated to the accounting period in the amount of € 1,603 thousand (previous year: € 1,386 thousand).

## 11. PERSONNEL EXPENSES

€ '000	<b>2018</b>	<b>2017</b>
Wages and salaries	50,407	49,082
Social security and other pension costs	9,030	8,266
- of which in respect of old age pensions	148	114
	<b>59,437</b>	<b>57,348</b>

The employee benefit expenses include payments from defined contribution plans totalling € 90 thousand (previous year: € 81 thousand) and from defined benefit plans totalling € 59 thousand (previous year: € 58 thousand).



## 12. DEPRECIATION/AMORTISATION AND IMPAIRMENT

€ '000	2018	2017
Depreciation/amortisation of intangible assets	4,378	4,124
Impairment of intangible assets	-	-
Depreciation/amortisation of property, plant and equipment	4,161	4,031
	<b>8,539</b>	<b>8,155</b>

## 13. OTHER OPERATING EXPENSES AND OTHER TAXES

€ '000	2018	2017
Advertising	41,787	40,041
Commissions to partners	39,680	38,184
Delivery costs	24,830	22,948
Rental and leasing	14,410	12,439
Motor vehicle and travel costs	4,369	4,315
IT and communication costs	5,107	4,414
Board	3,118	3,078
Legal and consultancy costs	3,212	2,291
Other personnel expenses	2,529	2,377
Expenses from currency translation	1,890	1,539
Sundry	9,359	9,965
	<b>150,291</b>	<b>141,591</b>

The sundry other operating expenses show for instance other taxes (€ 91 thousand, previous year € 245 thousand) and other expenses unrelated to the accounting period (€ 424 thousand, previous year € 321 thousand).

## 14. INTEREST INCOME, INTEREST EXPENSE, OTHER FINANCIAL RESULT AND INVESTMENT INCOME

€ '000	2018	2017
<b>INTEREST INCOME</b>	<b>254</b>	<b>72</b>
Interest expense		
Interest expense from monetary movements	-470	-537
Interest for finance leases	-47	-67
Interest from the compounding of provisions	-3	-9
Net profit for the year due to minority interests in unincorporated subsidiaries	-36	-28
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	-43	-34
<b>INTEREST EXPENSE</b>	<b>-599</b>	<b>-675</b>
<b>INCOME/EXPENSES FROM PUT/CALL OPTIONS (OTHER FINANCIAL RESULT)</b>	<b>2,442</b>	<b>-1,893</b>
<b>RESULT FOR THE PARTICIPATING INTERESTS REPORTED USING THE EQUITY METHOD</b>	<b>707</b>	<b>849</b>
<b>FINANCIAL RESULT</b>	<b>2,804</b>	<b>-1,647</b>
of which:		
Loans and receivables	254	72
Financial liabilities	1,890	-2,501

The income from put options in the total amount of € 2,442 thousand (previous year: € 1,893 thousand expenses) concern the effect of the measurement of the put options for *WirWinzer GmbH* (€ 1,944 thousand income; previous year: € 606 thousand expenses) as well as for *Wein & Vinos GmbH* (€ 498 thousand income; previous year: € 1,287 thousand expenses) at the reporting date.

## 15. TAXES ON INCOME

€ '000	2018	2017
Current tax	8,232	9,410
Deferred tax	-631	190
	<b>7,601</b>	<b>9,600</b>

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	2018	2017
Current year	9,155	9,420
Previous years	-923	-10
	<b>8,232</b>	<b>9,410</b>

Income (previous year: expenses) from deferred taxes is attributable to the following:

€ '000	2018	2017
From loss carryforwards	-592	6
Other temporary differences	-47	169
Change in tax rate	8	15
	<b>-631</b>	<b>190</b>

The actual tax expense for the year 2018 of € 7,601 thousand (previous year: € 9,600 thousand) is € 2,096 thousand lower (previous year: € 664 thousand higher) than the anticipated tax expense of € 9,697 thousand (previous year: € 8,936 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 31.79% (previous year: 31.05%) and is obtained as follows:

in %	2018	2017
Trade tax (average municipal factor 456% previous year: 435%)	15.96	15.22
Corporation tax	15.00	15.00
Solidarity surcharge (5.5% of corporation tax)	0.83	0.83
<b>TOTAL TAX BURDEN ON PRE-TAX EARNINGS</b>	<b>31.79</b>	<b>31.05</b>

This change in the expected tax rate is attributable to the shift in the composition of total wage expense towards municipalities with a higher municipal factor, in particular as a consequence of the relocation of a number of group companies from the E-commerce area.

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

€ '000	2018	2017
Earnings before taxes	30,502	28,771
Anticipated tax expense	9,697	8,936
Reclassification of minority interest	-36	-9
Tax expenses/income unrelated to the accounting period	-923	-10
Non-recognition of fiscal loss carryforwards	377	288
Capitalisation of deferred taxes on loss carryforwards	-1,126	-1,090
Tenancy and leasing commitments to be included in trade tax	380	882
Fiscally non-deductible portion of Supervisory Board remuneration	40	39
Effect of divergent national tax rates	39	38
Tax-free expenses and income	-776	588
Other tax effects	-71	-62
<b>ACTUAL TAX EXPENSE</b>	<b>7,601</b>	<b>9,600</b>
Effective tax rate %	24.92	33.37

The tax-free expenses and income relate especially to the expenses and income from put and call options (cf. Note 14).

At the end of the year the fair values of the derivatives reported in other comprehensive income came to € -122 thousand (previous year: € -32 thousand). In connection with this, deferred tax assets of € 42 thousand (previous year: € 19 thousand) were reversed in the year under review. In addition, deferred tax assets totalling € -17 thousand (previous year: € 6 thousand) were created/written back for the actuarial gains/losses of € -25 thousand (previous year: € 37 thousand) that were reported in other comprehensive income.

## 16. 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.

	2018	2017
Consolidated earnings of the shareholders (€ thousand)	22,017	18,474
Average number of shares ('000)	8,983	8,983
Basic earnings per share (€)	2.45	2.06

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

## 17. 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.

€ '000	31/12/2018	31/12/2017
Software	7,294	7,634
Other intangible assets including advance payments	22,990	15,550
Goodwill	26,856	18,721
	<b>57,140</b>	<b>41,905</b>

The disposals essentially concern the disposal of written-off intangible assets (especially software) following the merger of *Jacques'IT GmbH* with *Jacques' Wein-Depot Wein-Einzelhandel GmbH* with effect from 1 January 2018.

In 2015, retroactive costs of production of € 175 thousand in connection with the expansion of an internally developed web shop in 2014 were capitalised in the item "Software" by way of self-constructed assets. In the previous year a new addition to costs of production of € 50 thousand was capitalised at group level as own assets capitalised for the internally developed web shop. Total depreciation and amortisation of € 303 thousand (previous year: € 278 thousand) was applied to this web shop, leaving the residual carrying amount of € 0 thousand at 31 December 2018 (previous year: € 25 thousand).

In 2016 the development of a further web shop in the E-commerce segment was brought to an end and capitalised in the amount of € 1,627 thousand, including € 411 thousand for own assets capitalised in 2016 and € 290 thousand for own assets capitalised in 2015. In the year under review € 280 thousand and in the previous year € 390 thousand was capitalised in retroactive

acquisition costs; the figures included € 222 thousand in own assets capitalised in the year under review, and € 273 thousand in the previous year. Depreciation and amortisation amounts to € 920 thousand (previous year: € 417 thousand), with the result that the Group reports a residual carrying amount of € 1,132 thousand at 31 December 2018 (previous year: € 1,356 thousand).

A web shop for the B2B segment was developed in 2016 and the B2C module completed by the end of the year was sold to the contracting subsidiary at the production cost price (€ 170 thousand, of which € 74 thousand for own assets capitalised). In the year under review € 27 thousand and in the previous year € 13 thousand in own assets capitalised was recognised in retroactive acquisition costs for expansions to the module. The useful life is estimated at 5 years; depreciation and amortisation is € 76 thousand (previous year: € 38 thousand).

A further web shop in the E-commerce segment was developed in the previous year and capitalised in the amount of € 501 thousand, including € 403 thousand for own assets capitalised. In the year under review, € 59 thousand was capitalised in retroactive acquisition costs; the figure includes € 45 thousand in own assets capitalised. The useful life is estimated at 5 years; depreciation and amortisation amounting to € 120 thousand (previous year: € 8 thousand) was applied, leaving the residual carrying amount of € 440 thousand at 31 December 2018 (previous year: € 493 thousand).

Again in the previous year, an iOS app was developed for a company in the distance-selling segment and sold to the commissioning company at cost of production (€ 37 thousand; including € 37 thousand for own assets capitalised). In the year under review, € 18 thousand in own assets capitalised was capitalised in retroactive acquisition costs. The useful life of the app is estimated at 3 years: depreciation and amortisation of € 21 thousand was applied (previous year: € 12 thousand).

In addition, a new ERP system was implemented at a company in the E-commerce segment between 2014 and 2016 and successfully launched in March 2016. For this venture, acquisition costs totalling € 1,518 thousand were capitalised in 2016.

In the year under review, advance payments in the amount of € 171 thousand were capitalised for a data warehouse in E-commerce, including € 60 thousand for own assets capitalised. Advance payments in the amount of € 285 thousand were also capitalised for the development of a group-wide web shop, including € 125 thousand for own assets capitalised.

The intangible assets include internally produced intangible assets amounting to € 2,184 thousand (previous year: € 2,043 thousand). The accumulated depreciation and amortisation on this came to € 1,453 thousand at 31 December 2018 (previous

year: € 754 thousand). In 2018 the additions from internal development came to € 840 thousand and depreciation and amortisation to € 699 thousand.

The item "Other intangible assets" includes € 20,873 thousand (previous year: € 14,829 thousand) for the measurement of supplier and customer contacts as well as exclusive agreements and brands from the initial consolidation of *Wein & Vinos GmbH*, *WirWinzer GmbH*, *Weinart Handelsgesellschaft mbH* and *Grand Cru Select Weinhandelsgesellschaft mbH*, as well as *Wein & Co. Handelsges. mbH* since 1 October 2018. A useful life of 5-6 and 14-15 years respectively is recorded for the supplier and customer contacts, eight years for the exclusive agreements and ten or 20 years for the brands.

The development in goodwill from the consolidation of capital for 2018 is as follows:

€ '000	Acquisition cost 01/01/2018	Acquisition cost 31/12/2018	Accumulated impair- ment 31/12/2016	Carrying amount 31/12/2018
<b>RETAIL</b>	<b>453</b>	<b>8,650</b>	<b>-</b>	<b>8,650</b>
<i>Jacques' Wein-Depot Wein-Einzelhandel GmbH</i>	453	453	-	453
<i>Wein &amp; Co. Handelsgesellschaft mbH</i>	-	8,197	-	8,197
<b>B2B</b>	<b>9,853</b>	<b>9,791</b>	<b>2,981</b>	<b>6,810</b>
<i>Wein-Wolf Group</i>	6,690	6,690	2,209	4,481
<i>Château Classic - Le Monde des Grands Bordeaux SARL i.L.</i>	615	615	615	-
<i>Globalwine AG</i>	1,261	1,199	-	1,199
<i>Vogel Vins SA</i>	165	165	165	-
<i>CWD Champagner und Wein Distributionsgesellschaft mbH &amp; Co. KG</i>	47	47	11	36
<i>Sélection de Bordeaux SARL</i>	-19	-19	-19	-
<i>Weinart Handelsgesellschaft mbH</i>	955	955	-	955
<i>Grand Cru Select Weinhandelsgesellschaft mbH</i>	139	139	-	139
<b>E-COMMERCE</b>	<b>11,851</b>	<b>11,851</b>	<b>455</b>	<b>11,396</b>
<i>The Wine Company Hawesko GmbH</i>	-2	-2	-2	-
<i>Carl Tesdorpf GmbH</i>	457	457	457	-
<i>Wein &amp; Vinos GmbH</i>	8,710	8,710	-	8,710
<i>WirWinzer GmbH</i>	2,686	2,686	-	2,686
<b>TOTAL</b>	<b>22,157</b>	<b>30,292</b>	<b>3,436</b>	<b>26,856</b>

The development in goodwill from the consolidation of capital for 2017 is as follows:

€ '000	Acquisition cost 01/01/2017	Acquisition cost 31/12/2017	Accumulated impair- ment 31/12/2017	Carrying amount 31/12/2017
<b>RETAIL</b>	<b>453</b>	<b>453</b>	<b>-</b>	<b>453</b>
<i>Jacques-IT GmbH</i>	453	453	-	453
<b>B2B</b>	<b>8,759</b>	<b>9,853</b>	<b>2,981</b>	<b>6,872</b>
<i>Wein-Wolf Group</i>	6,690	6,690	2,209	4,481
<i>Château Classic - Le Monde des Grands Bordeaux SARL i.L.</i>	615	615	615	-
<i>Globalwine AG</i>	1,261	1,261	-	1,261
<i>Vogel Vins SA</i>	165	165	165	-
<i>CWD Champagner und Wein Distributionsgesellschaft mbH &amp; Co. KG</i>	47	47	11	36
<i>Sélection de Bordeaux SARL</i>	-19	-19	-19	-
<i>Weinart Handelsgesellschaft mbH</i>	-	955	-	955
<i>Grand Cru Select Weinhandelsgesellschaft mbH</i>	-	139	-	139
<b>E-COMMERCE</b>	<b>11,851</b>	<b>11,851</b>	<b>455</b>	<b>11,396</b>
<i>The Wine Company Hawesko GmbH</i>	-2	-2	-2	-
<i>Carl Tesdorpf GmbH</i>	457	457	457	-
<i>Wein &amp; Vinos GmbH</i>	8,710	8,710	-	8,710
<i>WirWinzer GmbH</i>	2,686	2,686	-	2,686
<b>TOTAL</b>	<b>21,063</b>	<b>22,157</b>	<b>3,436</b>	<b>18,721</b>

Acquired goodwill of € 640 thousand continues to exist. There is no limit on its useful life and it is fully amortised.

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.

In the planning period, the sales growth assumptions used for the impairment tests are based on approved corporate planning (at the level of the individual enterprises) and on externally published sources. To some extent risk markdowns have been applied for company-specific market share developments. The margins used are based on past experience, or have been updated based on cost-cutting measures implemented. Investment ratios are based on past experience and for the planning period take account of replacement purchases envisaged for production facilities. The costs of the corporate functions were allocated to the individual units according to the user-pays principle.

<i>Segment</i>	<i>Retail (specialist wine-shop retail)</i>	<i>B2B (wholesale)</i>	<i>E-commerce (distance selling)</i>
Carrying amount goodwill 31/12/2018	8,650	6,810	11,396
Write-down	-	-	-
Duration of planning period	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	0.75%	0.75%	0.5-0.75%
EBIT margin at end of planning period	3.1-10.9%	5.5-7.9%	3.0-8.2%
Discounting rate*	4.72%	4.72%	4.72%

\*After-tax interest rate

Based on the assumption described in the table of sustained sales growth of the CGUs, the recoverable amounts are still well above the carrying amounts even if the growth assumptions are each reduced by 0.19 percentage points. Equally, deteriorations in the scenarios of one percentage point each on the planned margins or the discounting rates applied do not lead to the recoverable amounts falling below the respective carrying amounts in the impairment tests for all other CGUs.

In each case the sensitivity analysis is built around a change in one assumption, with all other assumptions unchanged from the original calculation.

At *CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG*, a reduction in sales growth of 0.75 percentage points or a reduction in the planned gross margin of ten percentage points would each produce a need for amortisation of € 29 thousand; an increase in the discounting factor of two percentage points would result in a need for amortisation of € 581 thousand.

At *WirWinzer GmbH*, a reduction in sales growth of 0.25 percentage points or a reduction in the planned gross margin of ten percentage points would each produce a need for amortisation of € 717 thousand; an increase in the discounting factor of three percentage points would result in a need for amortisation of € 855 thousand.

## 18. 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.

€ '000	31/12/2018	31/12/2017
Land and buildings	12,254	11,118
Other fixtures and fittings, tools and equipment	8,974	9,335
Construction in progress	9	80
	<b>21,237</b>	<b>20,533</b>

The carrying amount of the buildings in finance lease totalled € 385 thousand at 31 December 2018 (previous year: € 642 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 Note 31.

## 19. 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. The other financial assets concern shares in affiliated companies (€ 138 thousand; previous year: € 138 thousand).

Shares in affiliated companies are measured at fair value 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):

€ '000	31/12/2018	31/12/2017
<i>Weinland Ariane Abayan Verwaltungs GmbH</i>	25	25
<i>Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.</i>	25	25
<i>Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)</i>	35	35
<i>Deutschwein Classics Verwaltungsgesellschaft mbH</i>	25	25
<i>Weinart Handels- und Beteiligungs GmbH</i>	28	28
	<b>138</b>	<b>138</b>

In the absence of operating activities by the above companies, the fair value of the shares essentially corresponds to the cost.



**DEVELOPMENT IN CONSOLIDATED ASSETS**

for the period from 1 January to 31 December 2018

<b>INTANGIBLE ASSETS</b> € '000	<i>Software</i>	<i>Goodwill</i>	<i>Other intangible assets</i>	<i>Advance payments</i>	<i>Total</i>
<b>HISTORICAL COST</b>					
<b>01/01/2018</b>	<b>27,916</b>	<b>22,783</b>	<b>23,435</b>	<b>721</b>	<b>74,855</b>
Currency translation	24	-62	-	-	-38
Increase in group of consolidated companies	1,818	8,197	8,013	-	18,028
Additions	1,933	-	232	1,221	3,386
Transfers	-	-	-	-	-
Disposals	1,266	-	21	-	1,287
<b>31/12/2018</b>	<b>30,425</b>	<b>30,918</b>	<b>31,659</b>	<b>1,942</b>	<b>94,944</b>
<b>ACCUMULATED DEPRECIATION</b>					
<b>01/01/2018</b>	<b>20,282</b>	<b>4,062</b>	<b>8,606</b>	<b>-</b>	<b>32,950</b>
Currency translation	18	-	-	-	18
Increase in group of consolidated companies	1,370	-	-	-	1,370
Additions	2,373	-	2,005	-	4,378
Disposals	912	-	-	-	912
<b>31/12/2018</b>	<b>23,131</b>	<b>4,062</b>	<b>10,611</b>	<b>-</b>	<b>37,804</b>
<b>RESIDUAL CARRYING AMOUNT</b>					
<b>31/12/2018</b>	<b>7,294</b>	<b>26,856</b>	<b>21,048</b>	<b>1,942</b>	<b>57,140</b>
<b>31/12/2017</b>	<b>7,634</b>	<b>18,721</b>	<b>14,829</b>	<b>721</b>	<b>41,905</b>

<b>PROPERTY, PLANT AND EQUIPMENT</b> € '000	<i>Land and buildings</i>	<i>Other fixtures and fittings, tools and equipment</i>	<i>Construction in progress</i>	<i>Total</i>
<b>HISTORICAL COST</b>				
<b>01/01/2018</b>	<b>34,781</b>	<b>36,250</b>	<b>77</b>	<b>71,108</b>
Currency translation	-	42	-	42
Increase in group of consolidated companies	7,711	4,361	4	12,076
Additions	8	2,621	-	2,629
Transfers	-	75	-75	-
Disposals	-	1,447	-	1,447
<b>31/12/2018</b>	<b>42,500</b>	<b>41,902</b>	<b>6</b>	<b>84,408</b>
<b>ACCUMULATED DEPRECIATION</b>				
<b>01/01/2018</b>	<b>23,663</b>	<b>26,915</b>	<b>-3</b>	<b>50,575</b>
Currency translation	-	25	-	25
Increase in group of consolidated companies	5,979	3,585	-	9,564
Additions	604	3,557	-	4,161
Disposals	-	1,154	-	1,154
<b>31/12/2018</b>	<b>30,246</b>	<b>32,928</b>	<b>-3</b>	<b>63,171</b>
<b>RESIDUAL CARRYING AMOUNT</b>				
<b>31/12/2018</b>	<b>12,254</b>	<b>8,974</b>	<b>9</b>	<b>21,237</b>
<b>31/12/2017</b>	<b>11,118</b>	<b>9,335</b>	<b>80</b>	<b>20,533</b>

<b>FINANCIAL ASSETS</b> € '000	<i>Shares in affiliated companies</i>	<i>Investments accounted for using the equity method</i>	<i>Total</i>	<i>Total Intangible assets Property, plant and equipment Financial assets</i>
<b>HISTORICAL COST</b>				
<b>01/01/2018</b>	<b>138</b>	<b>3,402</b>	<b>3,540</b>	<b>149,503</b>
Currency translation	-	-	-	<b>4</b>
Increase in group of consolidated companies	-	-	-	<b>30,104</b>
Additions	-	-	-	<b>6,105</b>
Transfers	-	-	-	-
Disposals	-	180	180	<b>2,914</b>
<b>31/12/2018</b>	<b>138</b>	<b>3,222</b>	<b>3,360</b>	<b>182,712</b>
<b>ACCUMULATED DEPRECIATION</b>				
<b>01/01/2018</b>	-	-	-	<b>83,525</b>
Currency translation	-	-	-	<b>43</b>
Increase in group of consolidated companies	-	-	-	<b>10,934</b>
Additions	-	-	-	<b>8,539</b>
Disposals	-	-	-	<b>2,066</b>
<b>31/12/2018</b>	-	-	-	<b>100,975</b>
<b>RESIDUAL CARRYING AMOUNT</b>				
<b>31/12/2018</b>	<b>138</b>	<b>3,222</b>	<b>3,360</b>	<b>81,737</b>
<b>31/12/2017</b>	<b>138</b>	<b>3,402</b>	<b>3,540</b>	<b>65,978</b>

## 20. DEFERRED TAX

The deferred tax assets developed as follows:

€ '000	31/12/2018	31/12/2017
Opening balance	2,211	2,506
Increase	4,284	3,215
Decrease	-444	-396
Offset against deferred tax liabilities	-2,726	-3,157
Change in tax rate	14	43
	<b>3,339</b>	<b>2,211</b>

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

€ '000	31/12/2018	31/12/2017
Goodwill from restructuring measures with an effect on taxes	3,807	3,807
From loss carryforwards	1,742	1,121
From the fair value measurement of derivative financial instruments	33	-10
From finance leases	46	65
From inventories	89	55
From provisions for pensions	332	287
Miscellaneous	2	-
Offsetting	-2,726	-3,157
Change in tax rate	14	43
	<b>3,339</b>	<b>2,211</b>

The reported deferred taxes on loss carryforwards at 31 December 2018 relate to the tax loss carryforwards available for future use of the subsidiaries *The Wine Company Hawesko GmbH*, Hamburg, *WirWinzer GmbH*, Munich, *Globalwine AG*, Zurich, and *Wein & Co. Handelsges. mbH*, Vösendorf. A change of control occurred at Hawesko Holding AG in 2015. In connection with

this, there exists the risk that various tax loss carryforwards could be lost pro rata, thus reducing the deferred tax assets on the loss carryforwards. The effects can be measured beyond doubt, but it is still assumed that they will be capitalised.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 8,795 thousand (previous year: € 7,814 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 773 thousand is expected to be realised from the deferred tax assets within twelve months.

## 21. INVENTORIES AND ADVANCE PAYMENTS FOR INVENTORIES

€ '000	31/12/2018	31/12/2017
Raw material and consumables used	899	853
Work in progress	4,914	4,724
Finished goods and merchandise	97,204	96,157
Advance payments	13,614	15,301
	<b>116,631</b>	<b>117,035</b>
Of which with a maturity of up to 1 year	111,911	110,751
Of which with a maturity of 1 to 5 years	4,720	6,284

The advance payments relate to wines of earlier vintages which are not delivered until subsequent years ("subscriptions"). These advance payments are not impaired because they are covered almost entirely by bank guarantees.

Inventories totalling € 1,261 thousand (previous year: € 1,213 thousand) were recognised at their net realisable value. An addition to impairment on inventories totalling € 353 thousand (previous year: reversal of € 628 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.

## 22. RECEIVABLES AND OTHER ASSETS

€ '000	31/12/2018	01/01/2018
Trade receivables (gross)	49,557	52,709
Less impairment	-1,124	-806
<b>TRADE RECEIVABLES</b>	<b>48,433</b>	<b>51,903</b>
Accounts receivable from taxes on income	7,630	5,978
Contract assets	339	53
Receivables and other assets	5,824	5,840
	<b>62,226</b>	<b>63,774</b>
Of which with a maturity of		
- up to 1 year	61,246	62,612
- over 1 year	980	1,162

The following table shows the maturity structure of trade receivables at the reporting date:

	<i>Impairment matrix for trade receivables</i>			<i>Total</i>
	<i>Not overdue</i>	<i>Overdue for 1 to 90 days</i>	<i>Overdue for more than 90 days</i>	
Default rate in %	0.1	3.1	60.0	
Gross figures for trade receivables in € thousand	30,788	17,894	875	<b>49,557</b>
Expected loss in € thousand	45	550	529	<b>1,124</b>

The simplified impairment model is applied based on past data. To determine impairment, the debtor groups were split up into customer groups in the E-commerce segment, and in the B2B segment classified according to expected creditworthiness. For the

B2B segment, fewer payment defaults are recorded in a reflection of the customer structure. In the Retail segment, low non-payment rates are to be expected in view of the high proportion of cash sales.

The trade receivables from payment service providers amount to € 2,366 thousand at 31 December 2018 and are placed under “not overdue” in the impairment matrix.

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	2018	2017
IMPAIRMENT AT 1 JANUARY	806	688
IFRS 9 adjustment at 1 January	300	-
Added	261	332
Used up	-228	-184
Reversed	-15	-30
<b>IMPAIRMENT AT 31 DECEMBER</b>	<b>1,124</b>	<b>806</b>

Receivables and other assets:

€ '000	31/12/2018	31/12/2017
<b>OF WHICH FINANCIAL ASSETS</b>	<b>2,193</b>	<b>1,363</b>
- Borrowings	132	194
- Receivables from trade representatives	269	447
- Rent deposits	752	722
- Sundry	1,040	-
<b>OF WHICH NON-FINANCIAL ASSETS</b>	<b>3,631</b>	<b>4,477</b>
- Tax refund claims	343	629
- Accrued costs	1,178	801
- Sundry other assets	2,110	3,047
	<b>5,824</b>	<b>5,840</b>
<b>FINANCIAL ASSETS</b>		
Of which with a maturity of		
- up to 1 year	337	1,014
- over 1 year	845	349
<b>NON-FINANCIAL ASSETS</b>		
Of which with a maturity of		
- up to 1 year	4,507	4,329
- over 1 year	135	148

The remainder of the assets were neither impaired nor overdue because only minor non-payment risks are expected at the reporting date.

The sundry financial assets mainly comprise creditors with debit accounts.

### 23. CASH IN BANKING ACCOUNTS AND CASH ON HAND

Cash in banking accounts and cash on hand totalling € 25,073 thousand (previous year: € 10,736 thousand) relates substantially to balances with banks.

### 24. 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 8,984,403 (previous year: 8,983,403) no par value bearer shares. The capital is fully paid up.

At 31 December 2018 no treasury shares are held, as in the previous year.

A dividend of € 1.30 per share (previous year: € 1.30) was paid in the financial year, with a total amount distributed of € 11,678 thousand (previous year: € 11,678 thousand).

#### *Authorised capital*

The Board of Management is authorised to increase the capital stock of the company on one or more occasions by no more than € 6,850,000.00 up until 18 June 2022, with the consent of the Supervisory Board, through the issuance of new no par value bearer shares against contributions in cash or kind (Authorised Capital), specifying a profit participation start date that departs from the statutory provisions, pursuant to Article 4 (3) of the articles of incorporation.

The shareholders shall fundamentally have a right to subscribe. The new shares may also be taken on by one or more banks to be determined by the Board of Management or by a consortium of banks with the obligation to offer them to the shareholders for subscription (indirect subscription right).

The Board of Management is moreover authorised, in each case with the consent of the Supervisory Board, to exclude the subscription right of the shareholders on one or more occasions

- a) to the extent that is necessary to eliminate residual amounts,
- b) to the extent that is necessary to grant the bearers of warrant or conversion rights or conversion obligations from bonds or participation rights with conversion rights and/or warrants or a conversion obligation a right to subscribe to new shares to the same extent they would be entitled to following exercising of the warrant or conversion right or following fulfilment of the conversion obligation,
- c) to the extent that the new shares are issued for cash and the theoretical capital stock for the shares issued does not exceed a total of 10% of the capital stock either at the time of this authorisation taking effect or at the time of its exercising ("cap") and the issuing price of the new shares to be issued does not significantly undercut the market price for already-quoted shares of the company with the same features at the time the issuing price is finally determined,
- d) to the extent that the new shares are issued for contributions in kind, especially in the form of businesses, business units, participating interests or receivables or other assets (such as patents, licences, copyrights and rights of exploitation as well as other intellectual property rights).

Shares that (i) are issued or sold by the company during the term of this authorisation, excluding the subscription right based on other authorisations in direct or analogous application of Section 186 (3) fourth sentence of the German Stock Corporation Act, or (ii) are issued or to be issued to service bonds or participation rights with conversion rights and/or

warrants or a conversion obligation, to the extent that the bonds or participation rights are issued during the term of this authorisation, excluding the subscription right in analogous application of Section 186 (3) fourth sentence of the German Stock Corporation Act, are to be recognised for purposes of the cap according to letter c) above. Recognition according to the previous sentence as a result of the exercising of authorisations (i) to issue new shares pursuant to Section 203 (1) first sentence, (2) first sentence, Section 186 (3) fourth sentence of the German Stock Corporation Act and/or (ii) to sell treasury shares pursuant to Section 71 (1) No. 8, Section 186 (3) fourth sentence of the German Stock Corporation Act and/or (iii) to issue convertible and/or bonds with warrants pursuant to Section 221 (4) second sentence, Section 186 (3) fourth sentence of the German Stock Corporation Act, shall cease to apply with future effect if and to the extent that the respective authorisation(s), the exercising of which triggered recognition, is or are reissued by the Shareholders' Meeting subject to the statutory provisions.

The Board of Management is moreover authorised to specify the further content of the rights carried by the shares, the details of the capital increase as well as the conditions of the share issue, in particular the issue value, with the approval of the Supervisory Board.

The Supervisory Board is authorised to amend the wording of Article 4 of the articles of incorporation in line with the applicable utilisation of Authorised Capital 2017 as well as after expiry of the authorisation period.

The authorised capital at 31 December 2018 amounted to € 6,850,000.00 (previous year: € 6,850,000.00).

## 25. CAPITAL RESERVE

€ '000	31/12/2018	31/12/2017
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 (€ 9 thousand).



## 26. RETAINED EARNINGS

€ '000	31/12/2018	31/12/2017
Retained earnings	85,499	71,174

The retained earnings include the undistributed earnings from previous years, the consolidated earnings for the financial year and the adjustments to earnings resulting from the changeover to IFRS. The distributable profit results from the commercial accounts of Hawesko Holding AG and totals € 12,464 thousand (previous year: € 12,432 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. In the previous year the financial liability (€ 3,959 thousand) that could arise through the exercise of a put option by the minority interest in *WirWinzer GmbH* was equally booked income-neutrally against retained earnings. The changes in value of € 2,442 thousand (previous year: € -1,893 thousand) that have occurred are reported in the financial result.

The individual components of the equity and its development in the years 2017 and 2018 are shown in the consolidated statement of movements in equity.

## 27. OTHER RESERVES

Other reserves totalling € -210 thousand (previous year: € -105 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 other comprehensive income. No taxes on income are due on the translation differences of € 67 thousand (previous year: € 64 thousand). The revaluation component for provisions for pensions includes changes in value of € 25 thousand in the year under review (previous year: € -35 thousand), less deferred taxes of € -17 thousand (previous year: € 6 thousand). Also, the fair values of the derivatives in the amount of € 154 thousand (previous year: € 62 thousand) were reported under other comprehensive income: in connection with this, deferred tax assets of € 42 thousand (previous year: € -19 thousand) were created or written back.

## 28. 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:

<b>COMBINED BALANCE SHEET</b> € '000	<i>Wein &amp; Vinos GmbH</i>		<i>WirWinzer GmbH</i>		<i>Globalwine AG</i>	
	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>
Non-current assets	21,582	6,581	6,596	1,780	1,918	
Current assets	8,898	577	673	8,513	9,204	
<b>ASSETS</b>	<b>30,480</b>	<b>7,158</b>	<b>7,269</b>	<b>10,293</b>	<b>11,122</b>	
Shareholders' equity	24,563	4,057	4,741	-1,015	-1,328	
Long-term provisions and liabilities	-	1,100	1,186	-	-	
Short-term provisions and liabilities	5,917	2,001	1,342	11,308	12,450	
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>30,480</b>	<b>7,158</b>	<b>7,269</b>	<b>10,293</b>	<b>11,122</b>	
Accumulated non-controlling interests	4,756	471	706	1,274	1,294	

€ '000	<i>Weinart GmbH</i>		<i>Grand Cru Select GmbH</i>	
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Non-current assets	2,354	2,350	169	184
Current assets	6,798	7,315	3,169	3,290
<b>ASSETS</b>	<b>9,152</b>	<b>9,665</b>	<b>3,338</b>	<b>3,474</b>
Shareholders' equity	3,410	6,178	677	869
Long-term provisions and liabilities	378	453	7	11
Short-term provisions and liabilities	5,364	3,034	2,654	2,594
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>9,152</b>	<b>9,665</b>	<b>3,338</b>	<b>3,474</b>
Accumulated non-controlling interests	1,387	2,743	332	450

<b>COMBINED STATEMENT OF COMPREHENSIVE INCOME</b> € '000	<i>Wein &amp; Vinos GmbH</i>		<i>WirWinzer GmbH</i>		<i>Globalwine AG</i>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Total sales	48,248	3,879	5,970	16,975	16,852	
Result from ordinary activities	3,898	-1,016	-1,251	362	355	
Taxes on income	-1,382	332	392	-177	-326	
Net income = comprehensive income	2,516	-684	-859	185	29	
Profit due to controlling interests	755	-235	-295	10	1	
Dividends paid to holders of non-controlling interests	1,199	-	-	-	-	

€ '000	<i>Weinart GmbH</i>		<i>Grand Cru Select GmbH</i>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Total sales	6,439	5,436	5,532	6,091
Result from ordinary activities	818	689	30	126
Taxes on income	-235	-192	-10	-41
Net income = comprehensive income	583	497	20	85
Profit due to controlling interests	285	160	12	60
Dividends paid to holders of non-controlling interests	1,713	263	50	-

€ '000	<i>Wein &amp; Vinos GmbH</i>		<i>WirWinzer GmbH</i>		<i>Globalwine AG</i>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
Net inflow of cash from current operations	-4,097	-909	-1,383	1,201	242	
Net cash employed for investing activities	-121	524	512	139	219	
Outflow/inflow of net cash for financing activities	2,536	421	148	104	123	
Net decrease/increase in cash and cash equivalents	-1,682	36	-723	1,444	584	
Effects of changes on cash and cash equivalents (up to 3 months to maturity)	-	-	-	-	-33	
Funds at start of period	2,195	114	837	-7,919	-8,470	
Funds at end of period	513	150	114	-6,475	-7,919	

€ '000	Weinart GmbH		Grand Cru Select GmbH	
	2018	2017	2018	2017
Net inflow of cash from current operations	-848	159	-607	-60
Net cash employed for investing activities	510	-49	61	-13
Outflow/inflow of net cash for financing activities	339	-160	297	32
Net decrease/increase in cash and cash equivalents	1	-50	-249	-41
Effects of changes on cash and cash equivalents (up to 3 months to maturity)	-	-	-	-
Funds at start of period	8	58	373	414
Funds at end of period	9	8	124	373

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

## 29. PROVISIONS FOR PENSIONS

For old-age pension purposes, seven (previous year: seven 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	2018	2017
<b>PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 1 JAN</b>	1,124	1,129
Current service cost	-	-
Interest expense	14	17
Actuarial losses (+)/gains (-)	-25	37
Payments made	-58	-59
<b>PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 31 DEC</b>	<b>1,055</b>	<b>1,124</b>

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

€ '000	2018	2017
Discounting rate	1.75	1.3
Pensions trend	1.0	1.0

The calculations are based on the basic biometric data (probability values for death and invalidity) according to the 2018 G (previous year 2005 G) reference tables by Dr Klaus Heubeck.

Outpayments of € 58 thousand (previous year: € 59 thousand) are expected for 2019.

A change in the actuarial interest rate of +50/-50 base points at 31 December 2018, 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/ 2018	+50 base points
Present value of retirement benefit obligations	1,117	1,055	998

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

In addition, the employer's contribution payments in Germany to the statutory pension insurance were € 3,371 thousand in 2018 (previous year: € 3,371 thousand).

### 30. OTHER LONG-TERM PROVISIONS

€ '000	01/01/ 2018	Drawn (D) Liquidated (L) Reclassified (R)	Allocated	31/12/ 2018
Provisions for personnel	648	- (V) 54 (A)	775	1,369
	0	0	357*	357
Provisions for reversion obligations	0	0	357*	357
	<b>648</b>	<b>54 (A)</b>	<b>1,132</b>	<b>1,726</b>

\*The allocation concerns the addition of Wein & Co. Handelsges. mbH to the group of consolidated companies

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

The partial retirement obligations are measured on the basis of actuarial calculations according to the block model, taking account of the 2018 G (previous year: 2005 G) reference tables by Dr Klaus Heubeck. The actuarial interest rate is 2.32% (previous year: 2.80%). Based on the probable development in the key measurement factors, a salary trend of 2.5% (previous year: 2.5%) was assumed.

In 2018, the provisions for personnel declined by € 1 thousand as a result of the interest income (previous year: increase of € 8 thousand from interest expense).

### 31. BORROWINGS

€ '000	31/12/2018	31/12/2017
Banks	38,240	19,725
Finance lease	534	868
	<b>38,774</b>	<b>20,593</b>
Of which with a maturity of:		
- up to 1 year	24,703	20,059
- 1 to 5 years	14,071	534
- over 5 years	-	-

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):

€ '000	Credit facility 2018	Credit facility 2017
<b>MATURITY</b>		
Unlimited	65,000	50,000

The interest rates of short-term loans raised in 2018 were between 0.30% and 1.33% (previous year: between 0.30% and 1.30%).

Amounts due to banks with a maturity of 1 to 5 years amount to € 13,865 thousand (previous year: € - thousand). In the financial year, the amount with a maturity of up to one year was € 24,374 thousand (previous year: € 19,725). There are no amounts due to banks with a maturity of over five years, as in the previous year.

The reconciliation with the finance lease liabilities at 31 December 2018 is as follows:

€ '000	<i>Maturity up to 1 year</i>	<i>Maturity over 1 and up to 5 years</i>	<i>Maturity over 5 years</i>	<i>Total</i>
Minimum lease payments	354	212	-	<b>566</b>
Interest component	26	6	-	<b>32</b>
Principal repaid	328	206	-	<b>534</b>

The reconciliation with the finance lease liabilities at 31 December 2017 is as follows:

€ '000	<i>Maturity up to 1 year</i>	<i>Maturity over 1 and up to 5 years</i>	<i>Maturity over 5 years</i>	<i>Total</i>
Minimum lease payments	381	566	-	<b>947</b>
Interest component	47	32	-	<b>79</b>
Principal repaid	334	534	-	<b>868</b>

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 7.0%, depending on the contract.

Hawesko Holding 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:

		<i>Cashflows</i>											
		2019			2020			2021-2023			> 2023		
€ '000	Carrying amount 31/12/ 2018	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal
<b>DERIVATIVE FINANCIAL ASSETS</b>													
Foreign exchange option without hedging relationship	30	-	-	-30	-	-	-	-	-	-	-	-	-
<b>FINANCIAL LIABILITIES</b>													
Due to banks	38,240	-	-5	-28,639	-	-22	-2,400	-	-66	-7,201	-	-	-
Finance lease liabilities	534	-26	-	-328	-6	-	-206	-	-	-	-	-	-
Sundry financial liabilities	48,596	-	-	-41,516	-	-	-2,659	-	-	-4,421	-	-	-
Other non-interest-bearing liabilities	65,577	-	-	-65,577	-	-	-	-	-	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>													
Interest rate derivatives with hedging relationship	92	-68	-20	-	-45	-14	-	-82	-32	-	-37	-19	-
Forward exchange transactions with hedging relationship	30	-	-	-30	-	-	-	-	-	-	-	-	-

As in previous years, derivative financial liabilities are reported on the balance sheet under current other financial liabilities (Note 35).



		<i>Cashflows</i>											
		<b>2018</b>			<b>2019</b>			<b>2020-2022</b>			<b>&gt; 2022</b>		
€ '000	<i>Carrying amount 31/12/ 2017</i>	<i>Fixed interest</i>	<i>Variable interest</i>	<i>Prin- cipal</i>	<i>Fixed interest</i>	<i>Variable interest</i>	<i>Prin- cipal</i>	<i>Fixed interest</i>	<i>Variable interest</i>	<i>Prin- cipal</i>	<i>Fixed interest</i>	<i>Variable interest</i>	<i>Prin- cipal</i>
<b>FINANCIAL LIABILITIES</b>													
Due to banks	19,725	-	-5	-19,725	-	-	-	-	-	-	-	-	-
Finance lease liabilities	868	-47	-	-334	-32	-	-534	-	-	-	-	-	-
Sundry financial liabilities	32,735	-	-	-23,009	-	-	-5,127	-	-	-4,604	-	-	-
Other non-interest-bearing liabilities	64,430	-	-	-64,430	-	-	-	-	-	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>													
Forward exchange transactions with hedging relationship	-32	-	-	32	-	-	-	-	-	-	-	-	-

The schedule does not show plan figures; it only shows financial instruments held at 31 December 2018 and 31 December 2017 respectively, and for which contractual agreements on payments exist.

### 32. SUNDRY LIABILITIES

€ '000	31/12/2018	01/01/2018
<b>OF WHICH OTHER FINANCIAL LIABILITIES</b>	<b>68,725</b>	<b>83,535</b>
- Minority interest in the capital of unincorporated subsidiaries	295	230
- Trade payables	65,577	64,371
- Other financial liabilities	2,853	18,934
<b>OF WHICH NON-FINANCIAL LIABILITIES</b>	<b>23,930</b>	<b>21,192</b>
- Income taxes payable	3,460	2,574
- Contract liabilities	20,470	18,618
	<b>92,655</b>	<b>104,727</b>
Of which with a maturity of		
- up to 1 year	87,932	95,001
- 1 to 5 years	4,723	9,726
- 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 following contract liabilities were recorded in the year under review:

€ '000	31/12/2018	01/01/2018
<b>CONTRACT LIABILITIES</b>		
Liabilities from subscription business with a maturity of 1 to 5 years	1,972	4,681
Liabilities from subscription business with a maturity of up to 1 year	8,106	5,658
Gift vouchers	4,402	2,811
Customer bonus programmes	4,829	4,440
Sundry contract liabilities	1,161	995
	<b>20,470</b>	<b>18,585</b>
<b>REVENUE RECORDED IN THE REPORTING PERIOD FROM THE OPENING INVENTORIES OF THE CONTRACT LIABILITIES</b>		
Revenue from subscriptions	6,295	-
Revenue from customer bonus programmes	4,015	-
Revenue from gift vouchers	2,344	-
	<b>12,654</b>	<b>-</b>

In keeping with the simplification rules of IFRS 15, no disclosures are made on the performance obligations at 31 December 2018 with an expected original maturity of one year or less. Furthermore, the simplification rules of IFRS 15.94 are applied in respect of the recognition of expense for contract initiation costs if the depreciation period otherwise to be taken into account would be less than twelve months.

The volume of orders (in essence concerning subscriptions) at the reporting date is € 1,972 thousand for a period of more than 12 months.

From existing long-term framework service contracts, at 31 December 2018 Hawesko expects future sales amounting to € 348 thousand from performance obligations not (or only partially) met at the reporting date and expected to be realised in the amount of € 348 thousand in the next financial year. The contracts expire in the next financial year.

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 2019 and 2020.

The performance obligation is normally met upon delivery. The payment periods are mainly 30 days after delivery.

The sundry contract liabilities show € 151 thousand in provisions for returns; these essentially have a maturity of up to one year.

The opening balance sheet of *Wein & Co. Handelsges. mbH* contained € 3,726 thousand in contract liabilities. € 1,959 thousand in contract liabilities have a maturity of between 1 and 5 years; the remaining amount concerns current contract liabilities.

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* as well as of a put option by the minority interest in *WirWinzer GmbH*. The value at 31 December 2018 is € 15,921 thousand (previous year: € 18,363 thousand); € 13,262 thousand (previous year: € 13,760 thousand) of this amount is in respect of the original shareholders of *Wein & Vinos GmbH* and was reclassified to liabilities to minority interests at the reporting date on the basis of the change in the shareholders' agreement by notarised deed dated 17 December 2018, because the purchase price is now definitively fixed. This line item in addition contains the market values of forward exchange transaction derivatives of € 102 thousand (previous year: € -32 thousand).

### 33. OTHER LIABILITIES

The other liabilities are composed of the following:

€ '000	31/12/2018	01/01/2018
<b>OF WHICH OTHER FINANCIAL LIABILITIES</b>	<b>24,630</b>	<b>12,544</b>
- Liabilities to employees	5,532	5,274
- Liabilities to minority interests	13,298	12
- Due to affiliated companies	175	170
- Sundry	5,625	7,088
<b>OF WHICH NON-FINANCIAL LIABILITIES</b>	<b>13,178</b>	<b>12,593</b>
- Sales tax and other taxes	12,776	12,416
- Liabilities in respect of social insurance	402	177
	<b>37,808</b>	<b>25,137</b>
Of which with a maturity of		
- up to 1 year	33,334	25,136
- 1 to 5 years	4,474	1
- over 5 years	-	-

€ 13,262 thousand of the liabilities to minority interests (previous year: € - thousand because recognised as sundry financial liability under Note 32) concerned the liabilities to the original shareholders of *Wein & Vinos GmbH* at the reporting date because of the amendment to the shareholders' agreement on 17 December 2018.

The sundry other financial liabilities are in particular in respect of debtors with credit accounts at the reporting date.

The amounts due to affiliated companies as well as to companies linked through participation are in respect of the following companies:

€ '000	31/12/2018	31/12/2017
<i>Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)</i>	72	69
<i>Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.</i>	45	43
<i>Weinart Handels- und Beteiligungsgesellschaft mbH</i>	47	46
<i>Global Wines &amp; Spirits, s.r.o., Prag (Czech Republic)</i>	11	12
	<b>175</b>	<b>170</b>

### 34. 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:

DEFERRED TAXES in € '000	31/12/2018	31/12/2017
Fixed assets	6,714	5,278
Inventories	452	480
Trade receivables	1	62
Other assets	-	-
Offset against deferred tax assets	-2,726	-3,157
Change in tax rate	24	54
	<b>4,465</b>	<b>2,717</b>

Pursuant to IAS 12.39 (b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 506 thousand (previous year: € 626 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

A sum of € 287 thousand is expected to be used from the deferred tax liabilities within twelve months.

### 35. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, stated amounts and fair values  
by classification category, 2018:

€ '000	Classifi- cation category acc. to IFRS 9	Carrying amount 31/12/ 2018	Stated amount in balance sheet acc. to IFRS 9				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/ 2018
			Acquisi- tion cost	Amor- tised cost	Fair value in equity	Fair value through profit and loss		
<b>ASSETS</b>								
Cash	AC	25,073	-	25,073	-	-	-	25,073
Trade receivables	AC	48,433	-	48,433	-	-	-	48,919
Receivables and other assets								
- Financial assets	AC	1,152	-	1,152	-	-	-	1,152
Financial assets								
- Other loans	AC	-	-	-	-	-	-	-
- Financial assets recognised at fair value	FVtPL	138	-	-	-	138	-	138
Derivatives without hedging relationship	FVtPL	30	-	-	-	30	-	30
<b>EQUITY AND LIABILITIES</b>								
Minority interest in the capital of unincorporated subsidiaries	AC	295	-	295	-	-	-	n.a.
Trade payables	AC	65,577	-	65,577	-	-	-	66,733
Due to banks	AC	38,240	-	38,240	-	-	-	38,240
Finance lease liabilities	n/a	534	-	-	-	-	534	567
Sundry liabilities								
- Other financial liabilities	AC	48,596	-	48,596	-	-	-	48,596
- Derivatives with hedging relationship	n/a	122	-	-	122	-	-	122
Other liabilities								
- Financial liabilities	AC	26,164	-	26,164	-	-	-	26,385
Of which aggregated by classification category acc. to IFRS 9:								
- Loans and receivables (AC)		74,658	-	74,658	-	-	-	75,145
- Financial assets recognised at fair value (FVtPL)		168	-	-	-	168	-	168
- Financial liabilities measured at amortised cost (AC)		178,577	-	178,577	-	-	-	179,954

Carrying amounts, stated amounts and fair values  
by classification category, 2017:

€ '000	Classifi- cation category acc. to IFRS 9	Carrying amount 31/12/ 2017	Wertansatz Bilanz nach IAS 39				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/ 2017
			Acquisi- tion cost	Amor- tised cost	Fair value in equity	Fair value through profit and loss		
<b>ASSETS</b>								
Cash	LaR	10,736	-	10,736	-	-	-	10,736
Trade receivables	LaR	51,956	-	51,956	-	-	-	51,956
Receivables and other assets								
- Financial assets	LaR	1,363	-	1,363	-	-	-	1,363
Financial assets								
- Other loans	LaR	-	-	-	-	-	-	-
- Available for sale financial assets	AfS	138	138	-	-	-	-	138
<b>EQUITY AND LIABILITIES</b>								
Minority interest in the capital of unincorporated subsidiaries	FLAC	230	-	230	-	-	-	n. a.
Trade payables	FLAC	64,430	-	64,430	-	-	-	64,430
Due to banks	FLAC	19,725	-	19,725	-	-	-	19,725
Finance lease liabilities	n/a	868	-	-	-	-	868	938
Sundry liabilities								
- Other financial liabilities	FLAC	9,726	-	9,726	-	-	-	9,726
- Derivatives with hedging relationship	n/a	-32	-	-	-32	-	-	-32
Other liabilities								
- Financial liabilities	FLAC	13,539	-	13,539	-	-	-	13,539
Of which aggregated by classification category acc. to IAS 39:								
- Loans and receivables (LaR)		64,055	-	64,055	-	-	-	64,055
- Available for sale financial assets (AFS)		138	138	-	-	-	-	138
- Financial liabilities measured at amortised cost (FLAC)		107,420	-	107,420	-	-	-	107,420

The following table shows the classification of the financial assets and liabilities that are to be measured at fair value pursuant to IFRS 13, and for the financial instruments that are not measured at fair value but where the fair value is disclosed, into the three distinct levels of the fair value hierarchy.

€ '000	31/12/2018				31/12/2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>								
Financial assets	-	-	138	138	-	-	138	138
Trading derivatives	-	30	-	30	-	-	-	-
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>								
Derivatives with hedging relationship	-	122	-	122	-	-32	-	-32
Financial liabilities measured at amortised cost (AC)	-	-	2,659	2,659	-	-	18,364	18,364

These comprise on the one hand derivatives with a hedging relationship, as well as standalone derivatives (foreign exchange options without a hedging relationship). On the other hand the put option of the minority interest in *WirWinzer GmbH* (as well as - in the previous year - the original shareholders of *Wein & Vinos GmbH*) is recognised at fair value.

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 maturities. 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 maturities of more than year corresponds to the present values of the payments associated with the assets, taking into account the respective current interest parameters.

The financial assets recognised at fair value (FVtPL) include shares in affiliated companies (Verwaltungs-GmbH structures), the cost of which broadly corresponds to their equity and level of cash and cash equivalents, so that the fair value corresponds approximately to cost.

Trade liabilities and other liabilities have predominantly short maturities, 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 2018:

€ '000	<i>Put option</i>
<b>01/01/2018</b>	<b>18,364</b>
Change	-2,442
Transfer to other liabilities	-13,263
<b>31/12/2018</b>	<b>2,659</b>

*Rounding differences possible*

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2017:

€ '000	<i>Put option</i>
<b>01/01/2017</b>	<b>16,471</b>
Change	1,893
<b>31/12/2017</b>	<b>18,364</b>

*Rounding differences possible*

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 34.3% share to the minority interest in *WirWinzer GmbH* only takes effect from July 2020, this liability is in addition discounted. The discount rate applied in 2018 was 4.05% – as in the previous year – for *WirWinzer GmbH*, and 4.55% in the previous year for *Wein & Vinos GmbH*.

A change in the future average EBIT would have had the following effect on the fair value of the put option at 31 December 2018:

€ '000	-1.000	<b>31/12/ 2018</b>	+1.000
Fair value of:			
<i>WirWinzer GmbH</i>	2,757	2,659	5,621

	<i>From subsequent measurement</i>						
<b>NET EARNINGS BY CLASSIFICATION CATEGORY, 2018</b> € '000	<i>From interest</i>	<i>At fair value</i>	<i>At amortised cost</i>	<i>Currency translation</i>	<i>Impairment</i>	<i>From disposal</i>	<i>Net earnings 2018</i>
Loans and receivables (AC)	254	-	-	-	-318	-	-64
Financial assets recognised at fair value through profit or loss (FVtPL)	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost (AC)	-473	-	2,363	-	-	-	1,890
<b>TOTAL</b>	<b>-219</b>	<b>-</b>	<b>2,363</b>	<b>-</b>	<b>-318</b>	<b>-</b>	<b>1,826</b>

	<i>From subsequent measurement</i>						
<b>NET EARNINGS BY CLASSIFICATION CATEGORY, 2017</b> € '000	<i>From interest</i>	<i>At fair value</i>	<i>At amortised cost</i>	<i>Currency translation</i>	<i>Impairment</i>	<i>From disposal</i>	<i>Net earnings 2017</i>
Loans and receivables (LaR)	72	-	-	-	-118	-	-46
Available for sale financial assets (AfS)	-	-	-	-	-	-	-
Financial liabilities measured at amortised cost (FLAC)	-546	-	-1,955	-8	-	-	-2,509
<b>TOTAL</b>	<b>-474</b>	<b>-</b>	<b>-1,955</b>	<b>-8</b>	<b>-118</b>	<b>-</b>	<b>-2,555</b>

The interest from financial instruments is reported under the interest result (cf. also Note 14). 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 sundry 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

### 36. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The following contingencies and financial obligations in respect of third parties existed at 31 December 2018:

€ '000	31/12/2018	31/12/2017
Advance payments outstanding	1,180	1,947
Guarantees to third parties for rent deposits	109	129

Obligations relating to advance payments outstanding for subscriptions received at 31 December 2018 were settled at the start of 2019.

The guarantees to third parties for rent deposits are not expected to be called because future rent payments can be funded from cash flow in line with group planning.

The minimum total for non-discounted future lease and rental payments amounts to € 72,667 thousand (previous year: € 49,899 thousand). The group has obligations from operating leases for real estate leases, for tools and equipment, as well as for motor vehicles. The contracts have a maturity of between one and up to 18 years. To some extent they include extension options as well as price adjustment clauses, which however have no effect on their classification as operating leases.

There are no minimum lease payments receivable in the future from non-cancellable subleases.

The global obligations for lease and tenancy agreements are due as follows:

€ '000	31/12/2018	31/12/2017
Up to 1 year	16,214	12,005
Over 1 year, up to 5 years	37,747	30,201
Over 5 years	18,706	7,693
	<b>72,667</b>	<b>49,899</b>

The previously recorded future lease payments from operating leases are only in respect of the non-cancellable basic lease term, whereas under IFRS 16 the inclusion of options to be exercised reflects a correspondingly longer lease term. See Note 3 in this connection.

The other financial obligations from tenancy and lease agreements relate substantially to rented shop premises in the Retail segment for the expense from tenancy and lease agreements in 2018.

### **37. 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 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 hedges are also 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 exposure.

If all relevant criteria are met, hedge accounting is adopted to eliminate the mismatch in financial reporting between the hedge and the hedged underlying transaction. For interest rate risks, this results in the recognition of interest expense at a fixed rate for the hedged variable-rate loans, and for exchange risks it results in sales revenues that are realised at the hedged exchange rate.

#### *Derivatives and hedges*

Derivatives are used exclusively for economic hedging purposes, not as speculative investments. However if derivatives do not meet the criteria for hedge accounting, for purposes of accounting they are classified as "held for trading" and recognised at fair value through profit or loss. To that extent they are shown as current assets or liabilities in that they will prospectively be settled within 12 months of the end of the reporting period.

The reserve for cash flow hedges within other reserves developed as follows in the financial year under review:

<b>RESERVE FOR CASH FLOW HEDGES</b> € '000	<i>Forward exchange transactions</i>	<i>Interest rate swaps</i>	<i>Total</i>
<b>OPENING BALANCE ON 1 JANUARY 2017</b>	<b>-23</b>	<b>0</b>	<b>-23</b>
Change in the fair values of hedges recognised within other comprehensive income	16	-	16
Reclassified to statement of income	46	-	46
Deferred tax	-18	-	-18
<b>CLOSING BALANCE ON 31 DECEMBER 2017</b>	<b>21</b>	<b>0</b>	<b>21</b>
Change in the fair values of hedges recognised within other comprehensive income	69	-92	-23
Reclassified to statement of income	-131	-	-131
Deferred tax	20	24	44
<b>CLOSING BALANCE ON 31 DECEMBER 2018</b>	<b>-21</b>	<b>-68</b>	<b>-89</b>

Derivatives are reported for the first time at fair value at the time a derivatives transaction is concluded and subsequently remeasured at their fair value at the end of each reporting period. The group designates derivatives to hedge a specific risk that is associated with the cash flows for reported assets and liabilities, and for transactions expected with a high level of probability (cash flow hedges).

At the start of the hedging relationship the group documents the economic relationship between the hedges and the hedged underlying transactions, including the question of whether changes in the cash flows for the hedges are expected to compensate for changes in the cash flows for the underlying transactions. The group documents the underlying risk management aims and strategies for its hedges.

The fair values of derivative financial instruments that are designated in hedges are stated in Note 35. The full fair value of a hedging derivative is classified as a non-current asset or non-current liability if the maturity of the underlying transaction is more than 12 months.

The effective portion of the changes in the fair value of derivatives that are designated as hedges within the framework of cash flow hedges is recognised in the reserve for cash flow hedges as an equity component.

If forward transactions are used to hedge expected transactions, the group designates the entire change in the forward transaction's fair value as a hedge. Gains or losses from the effective portion of the change in the fair value of the entire forward transaction are

recognised in the reserve for cash flow hedges as an equity component. For currency options, the intrinsic value is determined from the relevant exchange rate on the spot market. The difference between the contractual strike price and the spot-market exchange is defined as the fair value. Where material, it is discounted.

Accumulated amounts recognised within equity are reclassified to the periods in which the hedged underlying transaction affected the gain or loss. The gain or loss from the forward exchange transactions is reported under sales revenues in the profit or loss for the period in which the hedged underlying transactions concluded in foreign currency are realised. The gain or loss from the interest rate swaps is reported under financing expense in the profit or loss for the period in which the interest expense for the hedged borrowings arises.

If a hedge expires or is sold or terminated or the hedge no longer meets the criteria for hedge accounting, any accumulated deferred hedging gains or losses at that time and the deferred hedging costs remain within equity until the expected transaction materialises and leads to the recognition of a non-financial asset, such as inventories. If the transaction is no longer expected to materialise, the accumulated hedging gains and losses and the deferred hedging costs that were recognised within equity are reclassified directly to profit or loss.

Certain derivative instruments do not meet the requirements for hedge accounting. Changes in the fair value of a derivative instrument that is not accounted for as a hedge are recognised directly in profit or loss and reflected in other gains (losses). However these derivatives are subject to the same risk management methods as all other derivative contracts.

The effectiveness of hedging relationships is determined in each case at the start of the hedging relationship and through regular prospective assessments in order to ensure that an economic relationship exists between the hedged underlying transaction and the hedge.

For hedging foreign-currency sales, the group establishes hedging relationships where the maturity and volume of the hedge essentially match those of the expected underlying transactions. The group therefore performs a qualitative assessment. If changes in the circumstances of the hedged underlying transactions have such an effect that the hedges no longer compensate for the material risks, the group applies the hypothetical derivatives method to assess effectiveness.

In the hedging of foreign-currency sales, ineffectiveness may potentially arise if the period and volume of the planned transaction changes materially from the original estimate or if there are changes in the non-payment risk of the derivative's counterparty.

The group concludes interest rate swaps exhibiting identical terms to the hedged underlying transaction, such as reference interest rate, interest reset dates, payment dates, maturities and nominal amount. All material contractual conditions matched during the financial year, with the result that there was in each case an economic relationship between underlying transaction and hedge.

The ineffectiveness of hedging with interest rate swaps is assessed using the same principles as for foreign-currency sales. In this instance the reasons include for example adjustments for the non-payment risk of one contracting party to the interest rate swap not cancelled out by value changes in the hedged loans, or subsequently arising differences in the contractual conditions between interest rate swap and hedged loan. No ineffectiveness of interest rate swaps existed in 2018.

### Exchange risks

Exchange risks result from future business transactions, assets and liabilities recognised in the accounts as well as net investments in foreign operations, and are assessed overall as low. The group is principally exposed to exchange rate movements in the Swiss franc and the Swedish krona.

Forward exchange transactions are also concluded to hedge such risks. The group's risk management policy envisages hedging of around 80% of the cash flows anticipated with high probability (principally export sales) in Swedish krona.

If there is an effective hedging relationship between the underlying transaction and hedge (cash flow hedge), measurement is income-neutrally at fair value. The component of foreign-currency assets and liabilities that is not allocable to any hedging relationships is translated at the reporting-date rate. The foreign-currency gains and losses are booked through profit and loss.

The obligations and entitlement from the measurement of forward exchange transactions are shown under other financial liabilities and other financial assets.

The effects of foreign-currency-related hedges on the net worth, financial position and financial performance of the group are as follows:

<b>FORWARD EXCHANGE TRANSACTIONS</b>	<b>2018</b>	<b>2017</b>
Carrying amount € '000	-30	32
Nominal amount, € '000	2,144	2,501
Due date	January 2019 to June 2019	January 2018 to June 2018
Hedging ratio	1:1	1:1
Change in the fair value of outstanding hedges since start of year	-30	32
Range of hedging rates (SEK/EUR)	10.2850 - 10.6525	9.5480 - 9.9780

*The forward exchange contracts are denominated in the same currency as the highly probable future sales, so the hedging ratio is 1:1*

The sensitivity analysis covers merely outstanding foreign exchange options denominated in Swiss francs (without hedging relationship) and forward exchange transactions denominated in Swedish krona (with hedging relationship), as well as the receivables and liabilities in foreign currency, and adjusts their translation at year-end to reflect a 10% change in the exchange rate. The 10% change is the figure that is used for internal reporting of the exchange rate risk to the governing bodies, and represents the management's assessment with regard to a reasonable possible exchange rate movement.

From a group perspective a 10% rise (or fall) in the euro against the Swiss franc translates into a positive (or negative) earnings and equity effect of € -34 thousand (or € 250 thousand).

From a group perspective a 10% rise (or fall) in the US dollar against the Swiss francs translates into a positive (or negative) earnings and equity effect of € 14 thousand (or € -6 thousand).

From a group perspective a 10% rise (or fall) in the euro against the Swedish krona translates into a positive (or negative) income-neutral equity effect of € 198 thousand (or € -241 thousand) as well as a negative (or positive) effect on consolidated net income of € 88 thousand (or € -88 thousand).

The carrying amount of the monetary debts of the group denominated in Swiss francs (CHF) at the reporting date is € 8,696 thousand (previous year: € 9,144 thousand); no monetary assets exist.

The sensitivity analysis contains merely outstanding monetary items held in Swiss francs and adjusts their translation at year-end based on a 10% change in the exchange rate. It includes exclusively external loans. The 10% change is the figure that is used for internal reporting of the exchange rate risk to the governing bodies, and represents the management's assessment with regard to a reasonable possible exchange rate movement.

### *Interest rate risks*

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. Swaps currently in place cover € 17 million of the outstanding variable-rate loans. The variable interest rates of the loans follow the 3-month EURIBOR. The borrowing rates hedged by the interest rate swaps are 0.92% and 1.58% overall. Payments from the interest rate swaps are made at the end of each quarter. The settlement dates match the dates on which the interest payments on the underlying liabilities are due.



The effects of interest rate swaps on the net worth, financial position and financial performance of the group are as follows:

<b>INTEREST RATE SWAPS</b>	<b>2018</b>	<b>2017</b>
Carrying amount € '000	-92	0*
Nominal amount, € '000	17,000	
Due date	October 2023 and October 2028	
Hedging ratio	1:1	
Change in the fair value of outstanding hedges since 1 January	-92	
Fixed overall borrowing rates secured by hedging relationship	0.92% - 1.58%	
Change in value of the secured underlying transaction used to determine the effectiveness of the hedging relationship	-600 T€	-

\*No interest rate swaps existed in the group at 31 December 2017

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 IFRS 9 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, the measurement of interest rate swaps measured at fair value would have been € 0.4 million lower or € 0.3 million higher. The effects were recognised as a fair value change within other comprehensive income.

### *Non-payment risks*

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 impairment of financial assets concerns trade receivables and is reflected by adoption of the simplified approach under IFRS 9 in order to measure the expected credit losses. Consequently, for all trade receivables reference is made to the expected lifetime credit losses. To measure the expected credit losses, trade receivables were grouped together based on common credit risk features and the number of days overdue. The expected loss rates are based on the payment profiles for sales over a period of 12 months before 31 December 2018 or 1 January 2018 and the corresponding historical defaults in that period. The historical loss rates are compared with the collection rates of the debt collection agencies appointed, and adjusted as appropriate. In view of the group's customer structure, no further adjustments to the loss ratios are necessary to reflect current and forward-looking information on the macroeconomic factors that govern customers' ability to settle the receivables.

Advance payments are for the most part protected by bank guarantees.

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

Prudent *liquidity risk management* means keeping adequate cash as well as having access to financial resources through an appropriate amount in agreed credit lines, to be able to meet obligations due. At the end of the reporting period the group held immediately available cash in banking accounts and cash on hand of € 25,073 thousand (previous year: € 10,736 thousand), which prospectively generate cash inflows at any time for the management of the liquidity risk. As a result of the dynamism of the underlying business activities, the group upholds its financial flexibility by keeping the agreed credit lines available.

The management uses rolling forecasts to monitor the group's liquidity reserves (comprising the unused credit lines – see Note 31) and the cash based on the expected cash flows. This is done generally based on the information at local level in the group's operating units, in agreement with the limits laid down by the group. These limits vary by location and reflect the liquidity of the market in which the group company is active.

### **38. 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 € 14,756 thousand at 31 December 2018 (previous year: € 10,981 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 16.6% was achieved in the year under review (previous year: 19.6%).

### 39. EMPLOYEES

The average number of employees was as follows:

The average number of employees at the joint venture accounted for using the equity method was 45 in the financial year (previous year: 46).

GROUP	2018	2017
Commercial and industrial employees	1,000	923
Apprentices	27	31
	<b>1,027</b>	<b>954</b>

### 40. 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 € 454 thousand. From the 2018 financial year, interest received in the amount of € 140 thousand is shown in the cash inflows from current operations. The change in accounting policy increases comparability with other listed companies. The prior-year figures were adjusted correspondingly. The cash inflows from current operations of € 26,084 thousand (previous year: € 13,862 thousand) include the changes in cash and cash equivalents from operating activities.

The composition of cash and cash equivalents is as follows:

€ '000	2018	2017	Change
Cash in banking accounts and cash on hand	25,073	10,736	14,337
Due to banks (current accounts)	-	-	-
Cash and cash equivalents at end of period	25,073	10,736	14,337

The net liabilities and their development for the period shown comprises the following:

€ '000	2018	2017
Cash and cash equivalents	25,073	10,736
Liquid investments	-	-
Borrowings - repayable within one year (including current account)	24,374	19,724
Borrowings - repayable after more than one year	13,865	-
<b>NET LIABILITIES</b>	<b>63,312</b>	<b>30,460</b>
Cash and liquid investments	25,073	10,736
Gross liabilities - fixed-rate	21,839	19,724
Gross liabilities - variable-rate	16,400	-
<b>NET LIABILITIES</b>	<b>63,312</b>	<b>30,460</b>

The cash and non-cash changes to borrowings are shown as follows:

€ '000	31/12/2017	Non-cash changes			31/12/2018
		Cash changes	Exchange-rate-based changes	Other changes	
Due to banks	19,725	18,505	-	10	38,240
Leasing liabilities	868	-324	-	-10	534
<b>TOTAL BORROWINGS</b>	<b>20,593</b>	<b>18,181</b>	<b>-</b>	<b>-</b>	<b>38,774</b>

The acquisition of subsidiaries had the following effect on the cash flow statement in the year under review:

€ '000	<i>Wein &amp; Co. Handelsges. m.b.H.</i>
<b>NET CASH OUTFLOW</b>	
Consideration paid	9,826
Amount of cash of the companies over which control was acquired	332
<b>AMOUNTS OF ASSETS AND DEBTS (EXCLUDING CASH) OVER WHICH CONTROL WAS ACQUIRED, CLASSIFIED BY MAIN CATEGORIES</b>	
Intangible fixed assets	16,658
Property, plant and equipment	2,319
Inventories	6,320
Current receivables and sundry current assets	2,432
Non-current liabilities	-1,160
Current liabilities	-15,679

## 41. 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 € 59,172 thousand comprise the countries Austria (46%), Switzerland (37%) and Sweden (17%). The total external sales outside Germany amounted to 11% (previous year: 9%).

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, the names of which have been changed to some extent from the previous year, cover the following areas:

- The *Retail (specialist wine-shop retail)* segment sells wine via a network of retail outlets (*Jacques' Wein-Depot*) which are run by independent agency partners. Since 1 January 2018 the group has had a comprehensive premium lifestyle and connoisseurship concept in Austria based around shops, bars and, in some cases, food service as well as an online shop, in the guise of *Wein & Co.*. The IT activities of the segment (*Jacques'-IT GmbH*) were merged with *Jacques' Wein-Depot* with effect from 1 January 2018.
- *B2B (wholesale/distribution)* groups together business activities with retailers; wines and champagnes are sold both by distance selling (*CWD Champagner- und Wein-Distributions-gesellschaft 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*. From 1 January 2017 operations in the fine wine market were strengthened through the acquisition of the majority interest in *Weinart Handelsgesellschaft mbH* and *Grand Cru Select Weinhandels-gesellschaft mbH*. *Global Eastern Wine Holding GmbH* and *Sélection de Bordeaux SARL* also belong to the wholesale segment, as does the company *Château Classic - Le Monde des Grands Bordeaux SARL*, which is currently being wound up. The assets of the B2B segment include investments of € 3,222 thousand accounted for using the equity method.

- The *E-commerce (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 *WirWinzer GmbH*. In the year under review the former general-partner limited-liability company of *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* commenced operations in the service sector. It operates as *Wine Dock GmbH*. It has been included in the E-commerce segment (previous year: miscellaneous) since 1 January 2017; the prior-year figures were not adjusted.
- The miscellaneous segment comprises all central group functions, and includes *Hawesko Holding AG* and *IWL Internationale Wein Logistik GmbH*. The EBIT shown includes € -4,942 thousand for the corporate holding functions of *Hawesko Holding AG* (EBT € 28,747 thousand) and € 56,945 thousand of the segment debts comprises liabilities of Hawesko Holding AG to third parties. € 40,815 thousand of these liabilities to third parties have a maturity of up to one year and € 16,130 thousand a maturity of between one and five years.

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 EBIT of each segment serves as the management tool.
- 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.
- There are no significant non-cash income and expenses in the Retail, B2B and E-commerce segments.

	<i>Retail</i>		<i>B2B</i>		<i>E-commerce</i>	
<b>SEGMENT REPORTING</b>						
€ '000	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>REVENUES</b>	<b>172,259</b>	<b>152,285</b>	<b>192,439</b>	<b>196,455</b>	<b>171,060</b>	<b>188,212</b>
External	172,254	152,270	186,218	184,171	165,789	170,526
Internal	5	15	6,221	12,284	5,271	17,686
<b>OTHER INCOME</b>	<b>13,188</b>	<b>10,820</b>	<b>5,010</b>	<b>8,822</b>	<b>4,213</b>	<b>4,531</b>
External	13,111	10,820	4,948	8,689	2,877	2,770
Internal	77	-	62	133	1,336	1,761
<b>EBITDA</b>	<b>17,784</b>	<b>18,418</b>	<b>12,161</b>	<b>10,767</b>	<b>11,165</b>	<b>13,888</b>
<b>DEPRECIATION AND AMORTISATION</b>	<b>2,801</b>	<b>2,068</b>	<b>1,699</b>	<b>1,796</b>	<b>3,543</b>	<b>3,700</b>
<b>EBIT</b>	<b>14,983</b>	<b>16,350</b>	<b>10,462</b>	<b>8,971</b>	<b>7,622</b>	<b>10,188</b>
<b>FINANCIAL RESULT</b>	<b>-131</b>	<b>-64</b>	<b>249</b>	<b>208</b>	<b>-329</b>	<b>-304</b>
Financial income	19	0	81	27	25	15
Financial expense	-150	-64	-539	-668	-354	-319
Investment result	-	-	707	849	-	-
<b>EARNINGS BEFORE TAXES</b>	<b>14,852</b>	<b>16,286</b>	<b>10,711</b>	<b>9,179</b>	<b>7,293</b>	<b>9,884</b>
<b>TAXES ON INCOME</b>						
<b>CONSOLIDATED NET INCOME</b>						
<b>SEGMENT ASSETS</b>	<b>71,616</b>	<b>48,562</b>	<b>113,155</b>	<b>118,528</b>	<b>78,589</b>	<b>88,598</b>
<b>SEGMENT DEBTS</b>	<b>40,754</b>	<b>31,235</b>	<b>62,131</b>	<b>57,676</b>	<b>23,128</b>	<b>31,766</b>
<b>INVESTMENT</b>	<b>2,878</b>	<b>4,171</b>	<b>1,238</b>	<b>1,331</b>	<b>1,723</b>	<b>2,094</b>

### *Geographical segmentation*

<b>SALES</b>	<i>Group, consolidated</i>	
in € '000	<b>2018</b>	<b>2017</b>
Germany	465,126	461,802
Rest of Europe	59,172	45,191
Other	-	-
	<b>524,298</b>	<b>506,993</b>



<i>Miscellaneous</i>		<i>Total</i>		<i>Reconciliation/consolidation</i>		<i>Group, consolidated</i>	
<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>23,655</b>	<b>22,529</b>	<b>559,413</b>	<b>559,481</b>	<b>-35,115</b>	<b>-52,488</b>	<b>524,298</b>	<b>506,993</b>
37	26	524,298	506,993	-	-	524,298	506,993
23,618	22,503	35,115	52,488	-35,115	-52,488	-	-
<b>2,526</b>	<b>3,357</b>	<b>24,937</b>	<b>27,530</b>	<b>-2,920</b>	<b>-3,361</b>	<b>22,017</b>	<b>24,169</b>
1,074	1,890	22,010	24,169	7	-	22,017	24,169
1,452	1,467	2,927	3,361	-2,927	-3,361	-	-
<b>-4,769</b>	<b>-4,532</b>	<b>36,341</b>	<b>38,541</b>	<b>-104</b>	<b>32</b>	<b>36,237</b>	<b>38,573</b>
<b>496</b>	<b>591</b>	<b>8,539</b>	<b>8,155</b>	<b>-</b>	<b>-</b>	<b>8,539</b>	<b>8,155</b>
<b>-5,265</b>	<b>-5,123</b>	<b>27,802</b>	<b>30,386</b>	<b>-104</b>	<b>32</b>	<b>27,698</b>	<b>30,418</b>
<b>3,015</b>	<b>-1,487</b>	<b>2,804</b>	<b>-1,647</b>	<b>-</b>	<b>-</b>	<b>2,804</b>	<b>-1,647</b>
3,409	869	3,534	911	-838	-839	2,696	72
-394	-2,356	-1,437	-3,407	838	839	-599	-2,568
-	-	707	849	-	-	707	849
<b>-2,250</b>	<b>-6,610</b>	<b>30,606</b>	<b>28,739</b>	<b>-104</b>	<b>32</b>	<b>30,502</b>	<b>28,771</b>
				<b>-7,601</b>	<b>-9,600</b>	<b>-7,601</b>	<b>-9,600</b>
						<b>22,901</b>	<b>19,171</b>
<b>239,347</b>	<b>211,046</b>	<b>502,707</b>	<b>466,734</b>	<b>-213,701</b>	<b>-207,000</b>	<b>289,006</b>	<b>259,734</b>
<b>31,118</b>	<b>31,012</b>	<b>157,131</b>	<b>151,689</b>	<b>19,352</b>	<b>3,257</b>	<b>176,483</b>	<b>154,946</b>
<b>176</b>	<b>626</b>	<b>6,015</b>	<b>8,222</b>	<b>-</b>	<b>-</b>	<b>6,015</b>	<b>8,222</b>

### Information by region

<b>SALES</b>	<i>Investment</i>		<i>Non-current assets</i>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
in € '000				
Germany	5,825	7,903	67,791	71,487
Rest of Europe	190	319	22,985	4,148
<b>GROUP, CONSOLIDATED</b>	<b>6,015</b>	<b>8,222</b>	<b>90,776</b>	<b>75,635</b>

#### **42. 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* 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.

#### **43. 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*, *Jacques' Wein-Depot Wein-Einzelhandel GmbH*, *Wein Service Bonn GmbH*, *Wine Dock GmbH*, *Carl Tesdorpf GmbH*, *The Wine Company Hawesko GmbH*, *Weinland Ariane Abayan GmbH*, *Wein Wolf GmbH*, *Alexander Baron von Essen Weinhandelsgesellschaft mbH* and *Gebrüder Josef und Matthäus Ziegler Gesellschaft mit beschränkter Haftung* 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.

#### **44. APPLICATION OF THE EXEMPTION RULES OF SECTION 291 OF GERMAN COMMERCIAL CODE FOR SUBGROUPS**

The subgroups of *Wein Service Bonn GmbH*, *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*, *Jacques' Wein-Depot Wein-Einzelhandel GmbH* and *Weinart Handelsgesellschaft mbH* 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.

#### **45. 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 11 April 2018 and is made permanently available on the Internet at [www.hawesko-holding.com](http://www.hawesko-holding.com).

#### **46. RELATED PARTY DISCLOSURES**

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

The Hawesko Group is controlled by *Tocos Beteiligung GmbH*, which holds 72.6% (previous year: 72.6%) of the shares of *Hawesko Holding AG*. The ultimate controlling party is *Detlev Meyer*.

In the financial year, goods to the value of € 55 thousand (previous year: € 83 thousand) were sold to *PIUS WEINWELT GmbH & Co. KG*, over which *Detlev Meyer* exercises considerable influence. In addition, goods to the value of € 201 thousand (previous year: € 203 thousand) were purchased from *St. Antony Weingut GmbH & Co. KG*, over which *Detlev Meyer* equally exercises considerable influence. Goods with a volume of € 614 thousand were ordered from related parties in the year under review. The order volume in the corresponding prior-year period was € 443 thousand.

At the reporting date there are receivables in the amount of € 0 thousand (previous year: € 0 thousand) and liabilities in the amount of € 0 thousand (previous year: € 0 thousand).

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 2018 financial year (previous year in brackets):

€ '000	Variable remuneration	Fixed remuneration	Attendance fees	Remuneration for services rendered in person	TOTAL
Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker	17 (17)	4 (4)	8 (14)	- (-)	<b>29</b> (35)
Gunnar Heinemann (until 30 November 2017)	- (15)	- (4)	- (8)	- (-)	<b>-</b> (27)
Thomas R. Fischer	25 (19)	6 (5)	16 (16)	- (-)	<b>47</b> (40)
Detlev Meyer	33 (33)	8 (8)	21 (27)	- (-)	<b>62</b> (68)
Dr-Ing Wolfgang Reitzle (until 19 June 2017)	- (12)	- (3)	- (3)	- (-)	<b>-</b> (18)
Kim-Eva Wempe	17 (17)	4 (4)	6 (8)	- (-)	<b>27</b> (29)
Wilhelm Weil (from 19 June 2017)	17 (10)	4 (2)	6 (4)	- (-)	<b>27</b> (16)
Dr Jörg Haas (from 1 January 2017)	17 (1)	4 (-)	8 (2)	- (-)	<b>29</b> (3)
<b>TOTAL</b>	<b>126</b> (124)	<b>30</b> (30)	<b>65</b> (82)	<b>-</b> (-)	<b>221</b> (236)

In addition, goods to the value of € 412 thousand (previous year: € 390 thousand) were purchased from Weingut Robert Weil, of which Wilhelm Weil is director. Also, sales of € 0 thousand (previous year: € 225 thousand) were realised with Gerhard D. Wempe KG, of which Kim-Eva Wempe is managing partner.

Furthermore, by deed of 20 December 2016 and with effect from 1 January 2017, the shares of *TOCOS Beteiligung GmbH*, Hamburg, in *Weinart Handelsgesellschaft mbH*, Geisenheim, were purchased. The purchase price for all shares acquired by

Hawesko Holding AG was € 3,825 thousand. Of this sum, € 3,750 thousand was attributable to *TOCOS Beteiligung GmbH* and € 75 thousand to the other co-shareholder. The transaction was completed in an arm's length transaction based on an expert company valuation.

Equally by deed of 8 November 2017 and with immediate effect, the remaining 2.5% shares of Mr Carl Johann Tesdorpf in *Carl Tesdorpf GmbH*, Lübeck, were acquired. The purchase price of € 26 thousand was agreed on the basis of the original share purchase in 1999 and paid in cash.

The members of the Board of Management were paid the following total remuneration for their activities in the 2018 financial year (previous year in brackets):

€ '000	<i>Non-performance-related</i>	<i>Performance-related</i>	<i>TOTAL</i>
Thorsten Hermelink	462 (450)	300 (300)	<b>762</b> (750)
Raimund Hackenberger (from 01/03/2017)	311 (250)	200 (167)	<b>511</b> (417)
Alexander Borwitzky	321 (240)	207 (160)	<b>528</b> (400)
Nikolas von Haugwitz	260 (245)	160 (160)	<b>420</b> (405)
Bernd G Siebdrat (until 31/12/2017)	(-) (482)	(-) (320)	<b>(-)</b> (802)
<b>TOTAL</b>	<b>1.354</b> (1,667)	<b>867</b> (1,107)	<b>2.221</b> (2,774)

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

All benefits are fundamentally due in the short term unless otherwise indicated. The former 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 € 254 thousand (previous year: € 271 thousand) was recognised for this commitment at 31 December 2018.

Mr Hoolmans has been drawing a monthly retirement pension of € 1 thousand from this since August 2015. On the basis of his employment contract, the sum of € 3,065 thousand was due to the former Chief Executive Officer who died in 2016, and therefore to his estate, for the period 1 January 2016 to May 31 2017. The net amount was deposited with the Local Court of Hamburg in 2017 and the appropriate income tax deducted; a balance of € 327 thousand gross was paid to his estate in August 2018.

There existed no loans to members of the Board of Management or Supervisory Board in the 2018 financial year, as in the previous year.

The balance sheet includes provisions for obligations or current liabilities in respect of the Board of Management and Supervisory Board totalling € 1,188 thousand (previous year: € 1,139 thousand).

At 31 December 2018, the Supervisory Board held 6,522,376 shares in Hawesko Holding AG – directly and indirectly – all of which were attributable to the Chairman. (Previous year: 6,522,376 shares). As in the previous year, the Board of Management did not hold any shares in Hawesko Holding AG at 31 December 2018.

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.

#### 47. EXPENDITURE ON AUDITOR'S FEES

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

€ '000	2018	2017
Audit services	461	463
Tax consultancy	20	97
Other services	-	22
<b>TOTAL</b>	<b>481</b>	<b>582</b>

The fees for audit services include the audit of the annual financial statements of the group companies as well as the audit of the consolidated financial statements; the fees for tax consultancy relate to assistance with tax affairs in the first half of 2018 as a result of the tax returns prepared at the end of 2017 for the 2016 assessment period.

#### 48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Nikolas von Haugwitz was given leave of absence by the Supervisory Board from his office as Board of Management member for the E-commerce area with effect from 1 April 2019.

No other events affecting the financial position, net worth and financial performance of the company for the year under review of 2018 occurred after the balance sheet date.

Hamburg, 5 April 2019

#### The Board of Management

Thorsten Hermelink	Alexander Borwitzky
Raimund Hackenberger	Nikolas von Haugwitz

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## DECLARATION OF THE LEGAL REPRESENTATIVES

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, which 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, 5 April 2019

### **The Board of Management**

Thorsten Hermelink  
Raimund Hackenberger

Alexander Borwitzky  
Nikolas von Haugwitz

# INDEPENDENT AUDITOR'S REPORT

*To Hawesko Holding Aktiengesellschaft, Hamburg*

## REPORT ON THE AUDITING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

### *Audit Opinions*

We have audited the consolidated financial statements of Hawesko Holding Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the financial year from 1 January to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition we have audited the group management report of Hawesko Holding Aktiengesellschaft, which is combined with the management report of the group parent, for the financial year from 1 January to 31 December 2018. In accordance with the requirements of German law, we have not audited the content of the Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code and Section 315d of the German Commercial Code.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial

Code (HGB), and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2018 and of its financial performance for the financial year from 1 January to 31 December 2018, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion of the group management report does not cover the content of the Corporate Governance Declaration referred to above.

Pursuant to Section 322 (3) first sentence of the German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

### *Basis for the Audit Opinions*

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 of HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statements Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in

the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

### *Key Audit Matters in the Auditing of the Consolidated Financial Statements*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

- 1. RECOVERABILITY OF GOODWILL**
- 2. ACCOUNTING TREATMENT OF THE ACQUISITION OF SHARES IN WEIN & CO. HANDELSGESELLSCHAFT MBH**
- 3. EVALUATION OF THE PUT OPTIONS OF THE MINORITY INTEREST IN WIRWINZER GMBH**

We have structured our presentation of these key audit matters in each case as follows:

1. Matter and issue
2. Audit approach and findings
3. Reference to further information

Hereinafter we present the key audit matters:

### **1. RECOVERABILITY OF GOODWILL**

1. In the consolidated financial statements of Hawesko Holding AG, goodwill in the amount of € 26.9 million is reported under the balance sheet item “Intangible assets”, and thus represents around 9% of the balance sheet total.

Goodwill is tested for impairment by the company once a year at the balance sheet date or ad hoc to identify a possible need for amortisation. The impairment test is performed at the level of the groups of cash-generating units to which the respective goodwill is allocated. In the impairment test, the carrying amount of the respective cash-generating units including goodwill is compared with the appropriate recoverable amount. The recoverable amount is fundamentally determined on the basis of the fair value less the costs of disposal. The fair value less costs of disposal is determined as the present value of the expected, discretionary future cash flows subject to estimation uncertainty that arise from the budget calculations prepared by the management, using discounted cash flow models. Expectations regarding the future market development and assumptions on the development of macroeconomic factors are also taken into account here. Discounting is performed using the discretionarily determined weighted average cost of capital. Based on the values determined, there was no need for write-downs for the financial year.



The result of this evaluation depends to a high degree on how management assesses the future cash flows as well as on the respective discount rates and growth rates applied. The measurement is therefore subject to significant estimation uncertainty and scope for discretion. Against this backdrop and due to the highly complex nature of the measurement, this matter was of particular significance in the context of our audit.

2. In the course of our audit, among other things we evaluated the methodological procedures for testing for impairment. We appraised the appropriateness of the future cash inflows used in the calculation by reconciling these disclosures with the current budgets from the three-year plans prepared by management and approved by the Supervisory Board of the company, as well as by making comparisons with general and industry-specific market expectations and time series analyses. In the knowledge that even relatively small changes in the discount rate can have significant effects on the fair value level determined in this way less the costs of disposal, we also appraised the parameters applied in determining the discount rate used, including the weighted average cost of capital, and evaluated the measurement model of the company. In view of the material significance of goodwill and in view of the fact that the measurement thereof also depends on macroeconomic conditions that are beyond the control of the company, by way of a supplementary measure we conducted our own sensitivity analyses for the groups of cash-generating units with little surplus cover (carrying amount compared to fair value less costs of disposal) and established that the respective goodwill amounts are adequately covered by the discounted future cash inflows. The measurement parameters and assumptions used by management as a whole agree with our expectations and are within the ranges that we consider reasonable.
  3. The company's disclosures on the goodwill reported under the balance sheet item "Intangible assets" are contained in Note 17 to the consolidated financial statements.
- ## 2. ACCOUNTING TREATMENT OF THE ACQUISITION OF SHARES IN WEIN & CO. HANDELSGESELLSCHAFT MBH
1. The company acquired 100% of the shares of *Wein & Co. Handelsgesellschaft m.b.H.*, Vösendorf-Süd, Austria, in the financial year. The purchase price for this company acquisition was € 9.8 million. The acquired assets and debts are recognised at fair value on the date of acquisition. Taking account of the share of net assets of € 1.6 million attributable to the company, there is acquired goodwill of € 8.2 million.
- The fair values of the attributable assets and debts are based on estimates of future market development and the resulting cash flows, and are therefore subject to estimation uncertainty as well as to scope for discretion on the part of management.
- Because of the generally material effects of this company acquisition on the net worth, financial position and financial performance of the Hawesko Group in terms of amounts as well as the complexity of the measurement, this matter was of particular significance in the context of our audit.
2. In the context of our audit of the financial reporting of the share acquisition, among other aspects we consulted and evaluated the contractual agreements in this respect, and compared the purchase price paid as consideration for the shares received with the evidence presented to us of the payments made.

For the audit of the fair values of the acquired assets and debts, we were able to consult an appraisal by an independent expert and use its findings. We compared the acquired company's accounting data included in the appraisal with the original data from the accounting department and evaluated the calculation model used in determining the fair values. We appraised the appropriateness of the assumptions used in the calculation of the fair values for example by comparing those parameters with general and industry-specific market expectations and time series analyses. Overall, we were able to satisfy ourselves that the acquisition of the shares were accurately reflected, on the basis of the information available.

3. The company's disclosures on the shares acquired are contained in Note 8 to the consolidated financial statements.

### **3. EVALUATION OF THE PUT OPTION OF THE MINORITY INTEREST IN WIRWINZER GMBH**

1. Hawesko Holding AG has granted the minority interests in *WirWinzer GmbH*, Munich, the irrevocable right to tender their shares in these companies to Hawesko Holding AG for purchase ("put options"). These put options reported under the balance sheet items "Other non-current liabilities" and "Other current financial liabilities" amount to € 2.7 million at the balance sheet date.

The put options for *WirWinzer* are measured at fair value. The company determines this essentially on the basis of the expected future earnings of *WirWinzer* (earnings before interest and taxes - EBIT). The result of this measurement thus depends to a high degree on the assessment of the future financial performance by the Board of Management of Hawesko Holding AG, and therefore involves considerable estimation uncertainty, which explains why this matter was of particular significance in the context of our audit.

2. We assessed the appropriateness of the future EBIT figures used in calculating the value of the put options for example by reconciling these disclosures with the current budgets from the three-year plans prepared by management and approved by the Supervisory Board of the company, as well as by making comparisons with general and industry-specific market expectations and time series analyses. We furthermore evaluated the measurement model used by Hawesko Holding AG. The measurement parameters and assumptions used by management are as a whole plausible.
3. The company's disclosures on the put options are contained in Note 6 to the consolidated financial statements.

#### *Other Information*

Management is responsible for the other information. The other information comprises the Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code and Section 315d of the German Commercial Code that reached us prior to the date of this auditor's report.

The Annual Report and the separate non-financial report pursuant to Section 289b (3) of HGB and Section 315b (3) of HGB are expected to be made available to us after the date of the auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion nor any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

***Responsibility of management and the Supervisory Board for the Consolidated Financial Statements and Group Management Report***

The management is responsible for the preparation of the consolidated financial statements, that comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) of HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the management is responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern. In addition it has the responsibility for disclosing, as applicable, matters related to going concern. In addition, it is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management is responsible for such arrangements and measures (systems) as

they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able it to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and Group Management Report***

Our objective is to obtain reasonable assurance about whether the consolidated financial statements or group management report are as a whole free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance means a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 of HGB, EU Audit Regulation and German Generally Accepted Standards for the Financial Statement Audit promulgated by the Institut der Wirtschaftsprüfer will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **OTHER LEGAL AND REGULATORY REQUIREMENTS**

### *Further Information pursuant to Article 10 of the EU Audit Regulation*

We were elected as group auditor by the Shareholders' Meeting on 11 June 2018. We were engaged by the Supervisory Board on 8 February 2019. We have been the group auditor of Hawesko Holding Aktiengesellschaft, Hamburg, without interruption since the financial year 2009.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of EU Audit Regulation (long-form audit report).

## **GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Thorsten Dzulko.

Hamburg, 5 April 2019

### **PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft**

Thorsten Dzulko  
Wirtschaftsprüfer

ppa. Claudia Niendorf-Senger  
Wirtschaftsprüfer

# SHAREHOLDINGS

pursuant to Section 313 (2) of German Commercial Code on 31 December 2018

	Registered office	Equity € '000	Ownership interest %	Net earnings <b>2018</b> € '000
<b>A. DIRECT PARTICIPATIONS</b>				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5.165	100	5.131**
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	15.187**
Wein & Co. Handelsges. mbH	Vösendorf (Austria)	235	100	-2.926
CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG	Hamburg	512	100	460
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H	Hamburg	43	100	1
WirWinzer GmbH	Munich	-1.416	65,67	-755
Wein Service Bonn GmbH	Bonn	8.443	100	10.272**
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	-472**
Wein & Vinos GmbH	Berlin	4.708	70	3.708
Château Classic - Le Monde des Grands Bordeaux S.A.R.L. en liquidation	Bordeaux (France)	-4.160	100*	-38
Sélection de Bordeaux S.A.R.L.	Straßburg (France)	2	100	-2
Globalwine AG***	Zürich (Switzerland)	-100	95	475
Weinart Handelsgesellschaft mbH	Geisenheim	1.909	51	909

\* Of which 10% direct participating interest through Sélection de Bordeaux S.A.R.L.

\*\* Before profit transfer

\*\*\* The equity was converted at an exchange rate of CHF/EUR 1.1269  
and the net income for the year at a rate of CHF/EUR 1.1154577.

\*\*\*\* Net income for the financial year from 1 April 2017 to 31 March 2018

	Registered office	Equity € '000	Ownership interest %	Net earnings <b>2018</b> € '000
<b>B. INDIRECT PARTICIPATIONS</b>				
<b>PARTICIPATING INTERESTS OF Hanseatischen Wein- und Sekt-Kontor HAWESKO GmbH:</b>				
<i>Carl Tesdorpf GmbH</i>	Lübeck	-470	100	238
<i>The Wine Company Hawesko GmbH</i>	Hamburg	-2.247	100	-443
<i>Wine Dock GmbH</i>	Hamburg	3.072	100	-669**
<b>PARTICIPATING INTEREST OF Jacques' Wein-Depot Wein-Einzelhandel GmbH:</b>				
<i>Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.</i>	Salzburg (Austria)	100	100	-3
<b>PARTICIPATING INTEREST OF Wein Service Bonn GmbH:</b>				
<i>Wein Wolf Import GmbH &amp; Co. Vertriebs KG</i>	Salzburg (Austria)	678	100	725
<i>Verwaltungsgesellschaft Wein Wolf Import GmbH</i>	Salzburg (Austria)	74	100	5
<i>Wein Wolf GmbH</i>	Bonn	2.160	100	1.957**
<i>Gebrüder Josef und Matthäus Ziegler GmbH</i>	Freudenberg	3.562	100	176
<i>Alexander Baron von Essen Weinhandelsgesellschaft mbH</i>	Bonn	931	100	318
<i>Global Eastern Wine Holding GmbH</i>	Bonn	2.011	100	841
<i>Weinland Ariane Abayan GmbH</i>	Hamburg	1.831	100	4.761**
<i>Weinland Ariane Abayan Verwaltungsgesellschaft mbH</i>	Hamburg	26	100	-2
<i>Deutschwein Classics GmbH &amp; Co. KG</i>	Bonn	800	90	362
<i>Deutschwein Classics Verwaltungsgesellschaft mbH</i>	Bonn	36	90	1
<b>PARTICIPATING INTEREST OF Globalwine AG:</b>				
<i>Vogel Vins SA***</i>	Grandvaux (Switzerland)	4.354	70	-47
<b>PARTICIPATING INTEREST OF Weinart Handelsgesellschaft mbH:</b>				
<i>Grand Cru Select Weinhandelsgesellschaft mbH</i>	Rüdesheim	520	75	20
<i>Weinart Handels- und Beteiligungsgesellschaft mbH</i>	Geisenheim	43	100	1****

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# REPORT OF THE SUPERVISORY BOARD

*Dear shareholders,*

The Hawesko Group grew again in 2018. Including our acquisition, the Austrian market leader *Wein & Co.*, we increased our sales by 3.4% and generated € 524 million. The market of greatest importance to us, our home market Germany, achieved only slight overall growth by value of 0.7%. In a context replete with challenges, we were able to assert our market position. This lower-than-expected growth is attributable to the exceptionally long spell of hot summer weather – demand for fuller-bodied and higher-margin wines only picked up after the third quarter. Furthermore, we were unable to achieve the sales level that we had planned in the final spurt before Christmas. This impacted our EBIT performance: we did not succeed in repeating the all-time high of € 30.4 million from the previous year. From a similar basis we achieved € 28.1 million in 2018. Including the non-recurring cost of *Wein & Co.*, the figure was € 27.7 million. The Supervisory Board believes that the group is still in robust health and remains confident about the medium and long-term outlook for business development.

## **INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

In the 2018 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 with its strategic planning, 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 as well as 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 meetings in the 2018 financial year to assure itself of the lawfulness and regularity of the company's management, and was prepared and supported through 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, compliance and risk management within the group, and also the strategic business plans. The following individual topics were considered and discussed in depth:

- Acquisitions and external opportunities for growth, in particular the acquisition of *Wein & Co.*
- The strategy, management and integration function of Hawesko Holding for the group, as well as the rational pooling of back-office functions primarily in the E-commerce segment, as well as in logistics.
- The E-commerce strategy, in particular the creation of a joint software platform for the group's online shops (digital commerce platform).
- The reinforcement of a group-wide compliance and risk management system, in particular the findings of an IT security test as well as the situation at *Gebrüder Josef und Matthäus Ziegler GmbH*.



- The three-year plan for the financial years 2019 to 2021.
- The proposal to elect Dr. Jörg Haas to the Supervisory Board.
- The proposal that the Shareholders' Meeting of the company appoint PricewaterhouseCoopers GmbH as auditors of the consolidated and annual financial statements for the 2018 financial year
- The preparation of the invitation to tender as auditor of the individual and consolidated financial statements from the 2019 financial year.

Pursuant to Section 8 of the articles of incorporation, an individual investment project involving a sum of more than € 2.5 million and the acquisition of other companies or 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 2018 financial year, the Board of Management requested consent for the acquisition of the shares of *Wein & Co.* and of outstanding shares in *Vinos* (20%). Following detailed examination, approval of these measures was granted unanimously.

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 the planning and accounting documents, considered them in depth and been able to assess their plausibility and appropriateness.

All the members of the Supervisory Board with one exception were present at all the Supervisory Board meetings.

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 2018

financial year, including the bookkeeping, were examined by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 11 June 2018. 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 2018 financial year, and the audit reports of the independent auditor 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 27 March 2019, 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 discussed at length and examined in detail by the whole Supervisory Board at its meeting on 5 April 2019. The Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2018 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 2018 financial year for the distribution of a dividend of € 1.30 per no par value share.

## SUPERVISORY BOARD COMMITTEES

The Audit and Investment Committee came together on five occasions in 2018, and the Personnel and Nominating Committee twice.

## **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 23 March 2018 the committee discussed the accounts of the subsidiaries in the presence of the auditors. The audit priorities were the measurement of inventories and of trade receivables. The compliance and risk management topics were also discussed, and in particular the Internal Control System (ICS) for IT in Tornesch. On 2 May 2018 the committee addressed corporate social responsibility (CSR) topics, the pooling of logistics in the group, the acquisition of *Wein & Co.* and the development of new business areas in the B2B segment. On 25 July 2018 it again considered the pooling of logistics in the group, as well as the acquisition of *Wein & Co.* and the matter of tax consultancy. On 5 November 2018 the audit priorities were set for the audit of the 2018 financial statements; other matters dealt with were the creation of an extraordinary provision for impending losses at *Gebrüder Josef und Matthäus Ziegler GmbH*, the implementation of pooled back-office functions in the E-commerce segment and the invitation to tender as auditor of the individual and consolidated financial statements from the 2019 financial year. The meeting on 4 December 2018 was devoted to the three-year plan. In addition the market development and the group strategy were discussed.

## **WORK OF THE PERSONNEL AND NOMINATING COMMITTEE**

The Personnel and Nominating Committee devoted its meeting on 1 February 2018 to the next generation of managers in the E-commerce segment. On 12 December 2018 it dealt with human resources matters.

## **CORPORATE GOVERNANCE**

On 11 April 2018 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 agreed today pursuant to Section 161 of the German Stock Corporation Act 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 164ff.); the document is available at [www.hawesko-holding.com](http://www.hawesko-holding.com). The Supervisory Board assessed its efficiency in a self-evaluation process.

## **CHANGES IN THE COMPOSITION OF THE EXECUTIVE BODIES**

### *Board of Management*

There were no changes among the members of the Board of Management in the 2018 calendar year. The Supervisory Board and Board of Management have concluded that the previous allocation of duties within the Board of Management no longer reflects current market requirements. In future, the Board of Management will therefore perform its duties on a group-wide basis. Board of Management members will no longer simultaneously hold the role of managing director of a subsidiary. The Hawesko Group can consequently be run by three instead of previously four Board of Management members. In the course of the restructuring, Board of Management member Nikolas von Haugwitz will leave the company with effect from 1 April 2019 by amicable mutual agreement. The Supervisory Board extends its sincere thanks to him for his valuable work and support over the past 15 years and sends him every good wish for the future in both his professional and private life.

### *Supervisory Board*

There were no changes among the members of the Supervisory Board in the 2018 calendar year.

### *Conflicts of interest*

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, 5 April 2019

### **The Supervisory Board**

Detlev Meyer  
Chairman

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# CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

*of Hawesko Holding AG, Hamburg, by the Supervisory Board and Board of Management*

## **A. FUNDAMENTALS OF CORPORATE GOVERNANCE AT HAWESKO HOLDING AG**

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 corporate governance pursuant to Article 3.10 of the German Corporate Governance Code (the "Code") as well as Sections 289f and 315d of the German Commercial Code (HGB).

## **B. DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)**

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 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, addressed corporate governance matters on multiple occasions in the 2018 financial year and on 5 April 2019 issued the following joint Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG):

"The Board of Management and Supervisory Board of Hawesko Holding AG declare that, following due examination, the recommendations of the Code as amended on 7 February 2017 (published in the official section of the Federal Gazette on 24 April 2017) were complied with from 11 April 2018 (date of submission of the previous Declaration of Compliance) and will be complied with in the future, excepting the discrepancies stated under Nos. 1-3:

*1. No stipulation of a statutory limit to the length of service on the Supervisory Board and no stipulation of an age limit for service on the Supervisory Board*

Article 5.4.1 of the Code recommends stipulating a statutory limit to the length of service and an age limit for service on the Supervisory Board. Until now, the Supervisory Board of Hawesko Holding AG has not specified either a statutory limit to the length of service nor an age limit for service on the Supervisory Board. In the opinion of the Supervisory, the decision on whether to remain a member is often best left to the individual Supervisory Board member. A statutory limit to the length of service and an age limit for service on the Supervisory Board would result in inappropriate restrictions.

## 2. Performance-related component of the remuneration of the Supervisory Board members

Article 5.4.6 of the Code recommends that performance-related remuneration of the Supervisory Board members be based on sustainable corporate development. The remuneration of the Supervisory Board members of Hawesko Holding AG 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.

## 3. Public availability of the consolidated financial statements

Article 7.1.2 of the Code recommends that the consolidated financial statements and group management report be made available to the public within 90 days of the end of the financial year. The consolidated financial statements and group management report of Hawesko Holding AG will be published within 120 days of the end of the financial year, instead of within 90 days. This assures appropriate interest.

Hamburg, 5 April 2019

## The Supervisory Board The Board of Management

The current Declaration of Compliance – together with the Declarations of Compliance for previous years – can also be consulted by shareholders and the public on the website of Hawesko Holding AG at <https://www.hawesko-holding.com/en/corporate-governance/>.

*EBIT margin = earnings before interest and taxes. The EBIT margin is EBIT divided by net sales. 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.*

## C. RELEVANT DISCLOSURES ON CORPORATE MANAGEMENT PRACTICES, THE MODUS OPERANDI OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD, AND THE COMPOSITION AND MODUS OPERANDI OF THE SUPERVISORY BOARD COMMITTEES

### I. Organisation and management

The structure of the Hawesko Group is characterised by a balance of non-central units and corporate functionalities: as many decisions as possible 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. 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 business segments (referred to as “brand units”) (cf. “Company profile” section in the combined management report). The Board of Management uses sales growth, EBIT margin, ROCE and free cash flow 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 brand units 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.

Since 1 January 2011 a compliance code passed and regularly reviewed by the Board of Management and Supervisory Board has been in place for all Hawesko Group companies. The code of conduct for employees and the social media guidelines can be accessed at [www.hawesko-holding.com/en/corporate-governance/](http://www.hawesko-holding.com/en/corporate-governance/).

## *II. 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 during 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.

Detlev Meyer is a Supervisory Board member and the biggest shareholder of Hawesko Holding AG, holding 72.6% of the shares through Tocos Beteiligung GmbH. There then follows Michael Schiemann, with a 5.6% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 21.8% are held by institutional and private investors. There are no employee shares as defined in Sections 289a (1) first sentence No. 5 and 315a (1) first sentence No. 5 of German Commercial Code.

## *III. Supervisory Board*

The Supervisory Board advises and oversees the Board of Management. To conduct important and fundamentally significant types of business, 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.

### *1. The Supervisory Board committees*

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.

#### *a) Personnel and Nominating Committee*

The Personnel and Nominating Committee prepares the personnel decisions to be dealt with by the Supervisory Board, attends to long-term succession planning jointly with the Board of Management, and also pays heed to diversity in the composition of the Board of Management. It prepares the passing of resolutions by the whole Supervisory Board on the determination of Board of Management remuneration and the review of the remuneration system for the Board of Management, and deals with Board of Management contracts unless the German Stock Corporation Act specifies that these tasks be dealt with by the whole Supervisory Board. In addition, it makes proposals to the Supervisory Board on suitable candidates for the election of Supervisory Board members by the Shareholders' Meeting, taking into account the statutory requirements, the recommendations of the Code and the requirements profile for the Supervisory Board resolved by the Supervisory Board. In doing so, in each case it assures itself that the candidate is able to set aside the anticipated time required. The committee must in addition approve personnel matters involving the appointment or dismissal of senior executives of the group.

The Chairman of the Personnel and Nominating Committee is Detlev Meyer. The other members are Wilhelm Weil and Kim-Eva Wempe.

#### *b) Audit and Investment Committee*

The Audit and Investment Committee deals with the supervision of accounting, the financial reporting process and the effectiveness of the auditing of financial statements. It also prepares the resolution proposal of the Supervisory Board to the Shareholders' Meeting on the election of the auditors. If there is the intention to rotate auditors, the Audit and Investment Committee is responsible for the selection process. Following election by the Shareholders' Meeting it issues the mandate for the audit of the consolidated and annual financial statements, agrees the fee and specifies the audit priorities. It continuously monitors the independence of the auditors and discusses with them the threats to their independence as well as the precautions taken to reduce those threats. In that connection the Audit and Investment Committee is also responsible for monitoring and approving the services provided by the auditors over and above the audit of the financial statements (non-audit services).

The Chairman of the Audit and Investment Committee is Prof. Dr. iur. Dr. rer. pol. Dres. h.c. Franz Jürgen Säcker. The other members are Thomas R. Fischer and Dr. Jörg Haas. The function of financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act is performed by Thomas R. Fischer. All committee members are familiar with the finance and accounting area.

### *2. Target for the proportion of women on the Supervisory Board*

On the basis of the requirements profile for the Supervisory Board (see 3.), the Supervisory Board does not look solely at the professional and personal qualifications of the candidates, but also also takes diversity aspects into consideration when making its election proposals to the Shareholders' Meeting. By way of a target for the proportion of women on the Supervisory Board it was specified that it is to include at least one woman by 30 June 2022. This target is currently achieved.

### *3. Requirements profile for the Supervisory Board*

In respect of the various requirements and recommendations for the composition of the Supervisory Board, in April 2018 the Supervisory Board approved a requirements profile for its composition that contains both key statutory requirements and recommendations of the Code on the composition of the Supervisory Board and also its objectives regarding its composition, the competency profile for the whole board within the meaning of Article 5.4.1 (2) of the Code, as well as the diversity concept for the Supervisory Board according to Section 289f (1) No. 6 of the German Commercial Code.

#### *a) Objective*

The Supervisory Board aims for a composition that assures qualified monitoring of and consultancy for the Board of Management at all times. The Supervisory Board holds the view that diversity aspects, alongside specialist and personal requirements, play an important role in the effective work of the Supervisory Board, and therefore in the sustainable development of the company. A variety of personalities, experience and knowledge avoids groupthink, allows rounded views and thus enriches the work of the Supervisory Board. As such, the following objectives serve as a guideline for long-term succession planning and the selection of suitable candidates, and create transparency regarding the key criteria governing appointments.

#### *b) Requirements of the individual members*

##### *(i) General requirements*

Every Supervisory Board member is to be in a position to carry out the duties of a Supervisory Board member in an internationally active, listed enterprise on the strength of their personal and specialist competencies, and to uphold the public image of the Hawesko Group. With regard to that, every Supervisory Board member should meet the following requirements:

- Sufficient expertise, i.e. the ability to carry out the duties that normally arise on the Supervisory Board.
- Dedication, integrity and personality.
- General understanding of the business of Hawesko Holding AG, including the market context and customer requirements.
- Entrepreneurial or operational experience, ideally in the form of experience from working in corporate management, as a senior executive or in supervisory bodies.
- Compliance with the limits on mandates according to Section 100 of the German Stock Corporation Act and according to Article 5.4.5 second sentence of the Code.

##### *(ii) Time availability*

Every Supervisory Board member ensures that they can set aside the time required to carry out their Supervisory Board mandate properly. It should be noted in particular that there are at least four Supervisory Board meetings per year, each requiring appropriate preparation, in particular with regard to the examination of documentation for the annual and consolidated financial statements. Depending on membership of one or more of the committees that exist, additional time will need to be set aside for preparing for and attending the committee meetings. Finally, extraordinary meetings of the Supervisory Board or of the committees may be necessary to deal with special topics.

##### *c) Requirements and goals for the whole board*

With regard to the composition of the whole board, including in the interests of diversity the Supervisory Board seeks a composition where the members complement each other in terms of their personal and professional background, experience and specialist knowledge, so that the whole board can draw on as wide as possible a range of experience and specialist knowledge.



*(i) General requirements*

The Supervisory Board of Hawesko Holding AG must at all times be composed such that its members as a whole possess the necessary knowledge, skills and specialist experience to be able to perform the duties of the Supervisory Board properly. In addition, the members of the Supervisory Board must as a whole be familiar with the wine trading sector. At least one member of the Supervisory Board must have expertise in the fields of financial reporting or auditing of financial statements.

*(ii) Specific knowledge and experience*

The Supervisory Board of Hawesko Holding AG as a whole is to cover all competency areas that are necessary for it to carry out its duties effectively. That involves – in keeping with the business model of the company – in particular more extensive knowledge and experience in the following areas:

- Accounts, finance, controlling.
- The procurement end of the market, for example from running a winery.
- The online area from taking active responsibility for the restructuring of print-based marketing activities into IT-led marketing and sales activities.
- Traditional corporate culture from the perspective of a comparable family firm (corporate identity, corporate culture).
- Legal, corporate governance and compliance.
- The Supervisory Board strives for a composition where at least one member is available as a source of expertise on each of the above aspects.

*(iii) Independence and conflicts of interest*

Taking account of the company-specific situation of Hawesko Holding AG and the ownership structure, the Supervisory Board is to have at least four independent members within the meaning of Article

5.4.2 of the Code. In addition, no persons who serve on corporate bodies or provide consultancy for key competitors of the company are to serve on the Supervisory Board. Where conflicts of interest arise in individual cases – particularly as a result of a consultative or board function at suppliers, customers, lenders or other third parties – the Supervisory Board member in question is obliged to disclose this to the Supervisory Board. The Supervisory Board provides information on conflicts of interest arising and how they have been handled in its yearly report to the Shareholders' Meeting. Members are to surrender their mandate in the event of material conflicts of interest of a Supervisory Board member that are more than merely temporary.

*(iv) Diversity*

For the quota of women on the Supervisory Board, the Supervisory Board of Hawesko Holding AG has specified that it is to include at least one woman, with a deadline for attainment of the target of 30 June 2022. Diversity for the Supervisory Board is also reflected in such aspects as individual career background and area of activity, as well as in the horizon of experience of its members (e.g. industry experience). To that extent, in the interests of diversity the Supervisory Board seeks a composition where the members complement each other in terms of background, experience and specialist expertise. In this regard it is also desirable for some of the members to possess an international horizon of experience.

*d) Implementation status*

In the current composition of the Supervisory Board, the above targets are met. The Supervisory Board comprises individuals with a variety of career backgrounds, horizons of experience and expertise. The proportion of at least one woman is met. In Dr. Haas, Prof. Dr. iur. Dr. rer. pol. Dres. h.c. Säcker, Mr. Weil and Ms. Wempe, the Supervisory Board has four independent members.

The Personnel and Nominating Committee and the Supervisory Board will take account of the above requirements and targets in succession planning, the search for suitable candidates and their proposals for the election of Supervisory Board members to the Shareholders' Meeting, while at the same time seeking to meet the competency profile for the whole board.

Further information on the activities of the Supervisory Board and its committees as well as on its work alongside the Board of Management in the period under review is provided in the report of the Supervisory Board. Further information on the composition of the Supervisory Board and its committees is provided in the summary "Board of Management and Supervisory Board" at the end of the Annual Report. Finally, *curricula vitae* – updated annually – of the current members of the Supervisory Board are published on the website of the company.

#### **IV. Board of Management**

##### ***1. Modus operandi of the 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 work of the Board of Management is set out in more detail in rules of procedure for the Board of Management.

Until 31 March 2019 the Board of Management comprised four members, and since 1 April 2019 has comprised three members. The Supervisory Board and Board of Management have concluded that the previous allocation of duties within the Board of Management does not reflect current market requirements. In future, the Board of Management will perform its duties on a group-wide basis. Board of Management members will no longer simultaneously hold the role of managing director of a subsidiary or

sub-subsidiary. The managing directors of subsidiaries and sub-subsidiaries thus assume greater operational responsibility, which entails more detailed reporting obligations. The Hawesko Group can consequently be run by three instead of previously four Board of Management members. The Board of Management reaches its decisions by majority vote. The Board of Management members are responsible for their defined area of work according to the allocation of duties schedule, independently 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 areas of work. There are no sub-committees within the Board of Management.

When filling management functions in the company, the Board of Management strives for diversity, in particular through the suitable involvement of women. The defined target remained unchanged at 25% women among the group's management by 30 June 2022. This level is achieved.

Conflicts of interest for Board of Management members are to be disclosed to the Supervisory Board without delay. The remaining Board of Management members are to be informed of the matter. Board of Management members may only take up secondary occupations, in particular non-executive directorships of companies outside the group, with the consent of the Supervisory Board. Material transactions between the group companies on the one hand and the Board of Management members as well as parties related to them on the other require the consent of the Supervisory Board. These transactions must meet arm's-length requirements. No such contracts existed in the period under review. Nor did conflicts of interest arise in the year under review.

##### ***2. Diversity concept for the Board of Management***

Pursuant to Article 5 of the articles of incorporation, the Board of Management of Hawesko Holding AG comprises at least two persons. There are currently three members of the Board of Management. The

members of the Board of Management are appointed by the Supervisory Board. The latter attends to long-term succession planning together with the Board of Management and pays heed to diversity in the composition of the Board of Management. In the interests of contouring the diversity aspects more finely, the Supervisory Board approved a diversity concept for the Board of Management in April 2018.

*a) Objective of the diversity concept*

The Board of Management performs the pivotal role in the further development of Hawesko Holding AG and of the group. The Supervisory Board considers that diversity aspects, alongside the specialist skills and experience of the Board of Management members, play an important role in the sustainable development of the company. A variety of personalities, experience and knowledge avoids groupthink, allows more rounded views and thus enriches the work of the Board of Management. The following diversity aspects serve as guidelines for long-term succession planning and the selection of suitable candidates.

*b) Diversity aspects*

The Supervisory Board seeks a composition of the Board of Management where the members complement each other in terms of their personal and professional background, experience and specialist knowledge, so that the Board of Management as a whole can draw on as wide as possible a range of experience, knowledge and skills. Notwithstanding the following diversity aspects, the Supervisory Board is convinced that ultimately an all-round appraisal of each individual is the only basis for appointment to the Board of Management of Hawesko Holding AG.

*(i) Proportion of women on the Board of Management*

The Supervisory Board takes the equal participation of women and men as its basis for the composition of the Board of Management and actively promotes that goal, for example by specifically searching for female candidates to join the Board of Management. In view of the modest size of the Board of Management and the generally limited pool of suitable candidates, it is nevertheless not always possible to assure equal

numbers of women and men. Against this backdrop, the Supervisory Board has set a proportion of 0–35% as the target level for women on the Board of Management of Hawesko Holding AG, to be achieved by 30 June 2022.

*(ii) Educational and professional background*

Diversity on the Board of Management is also reflected in the individual horizons of training and experience as well as in the variety of career backgrounds of its members (e.g. industry experience). A variety of backgrounds in education, profession and experience is therefore expressly desired. Every Board of Management member must however be in a position to carry out the duties of a Board of Management member in an internationally active, listed enterprise on the strength of their personal and specialist competencies, and to uphold the public image of the Hawesko Group. The members of the Board of Management should moreover possess an in-depth understanding of the business of Hawesko and generally possess several years of leadership experience. In addition, with regard to the business model of Hawesko at least one member should possess particular expertise in the following areas:

- Strategy and strategic leadership.
- Logistics business including the relevant markets and customer requirements.
- Sales including e-commerce in particular.
- Operations and technology including IT and digitalisation.
- Legal, corporate governance and compliance.
- Personnel, in particular human resources management and development, as well as experience with codetermined structures.
- Finance, including financing, accounts, controlling, risk management and internal control procedures.

*(iii) Age*

There exists neither a minimum or a maximum age for Board of Management members. However Board of Management members should generally possess several years of leadership experience at the time of their appointment, and that presupposes a degree of professional experience. For reasons of diversity and in the interests of long-term succession planning, a heterogeneous age structure within the Board of Management is sought, though age is not considered to be of pivotal importance compared to the other criteria.

*c) Implementation status*

In the current composition of the Board of Management, the above targets are met. The Board of Management comprises individuals with a variety of career backgrounds and horizons of experience, and possesses expertise in the areas stated. The defined target for the proportion of women is met. The Supervisory Board and its Personnel Committee will take account of the above diversity aspects as part of its long-term succession planning and in its search for suitable candidates for the Board of Management of Hawesko Holding AG.

## **D. FINANCIAL REPORTING AND AUDITING OF FINANCIAL STATEMENTS**

The individual financial statements of Hawesko Holding AG are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Since 2000, the consolidated financial statements have been prepared in accordance with the IFRS rules as adopted by the European Union, and the additional HGB requirements according to Section 315e (1) of HGB. Further explanatory notes of the IFRS are provided in this Annual Report in the notes to the consolidated

financial statements. Following their compilation by the Board of Management, the Consolidated Financial Statements are examined by the independent auditor, 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 individual financial statements of Hawesko Holding AG are the sole basis for the appropriation of earnings.

The selection of the independent auditor, their mandate, monitoring of its independence and of the additional services it provides are performed in accordance with the statutory requirements. The following was agreed with the independent auditor:

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.

## E. 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 Half-year Financial Report. Further information is published in the form of press releases and ad hoc announcements in accordance with Article 17 of the Market Abuse Regulation. One constantly used, up-to-date communications medium is the website [www.hawesko-holding.com](http://www.hawesko-holding.com), which makes all relevant information available in German and English. In addition to providing comprehensive information about the Hawesko Group and Hawesko shares, it includes the financial calendar, which gives an overview of all important events. The Investor Relations department is moreover the point of contact for enquiries from shareholders, investors and analysts.

## F. 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 2018, 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.

Hamburg, 5 April 2019

**The Supervisory Board**  
**The Board of Management**

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## BOARD OF MANAGEMENT AND SUPERVISORY BOARD

### MEMBERS OF THE BOARD OF MANAGEMENT

*Thorsten Hermelink, Chief Executive Officer, Hamburg*

(born 1969) is a Business Administration graduate of the University of Lüneburg. He subsequently held senior positions at several international-scale trading companies.

He has been Chief Executive Officer (CEO) of Hawesko Holding AG since December 2015.

*Alexander Borwitzky, Düsseldorf*

(born 1968) graduated as an MBA from the University of Nottingham. Following on from stints at various retail groups, he has been a managing director of Jacques' since 2013 and a member of the Board of Management of Hawesko Holding AG since January 2015.

*Raimund Hackenberger, Hamburg*

(born 1968) studied Business Administration at the University of Trier (Business Administration graduate). After holding senior positions at leading national and international consumer goods companies, he joined Hawesko in March 2017 as Chief Financial Officer (CFO).

*Nikolas von Haugwitz, Hamburg*

(born 1968) is an Economics graduate of the Free University of Berlin and held senior positions in the Hawesko Group from 2003. He was a member of the Board of Management from 2015 to 31 March 2019. Nikolas von Haugwitz has since left the company by amicable mutual agreement.

## MEMBERS OF THE SUPERVISORY BOARD

### *Detlev Meyer*<sup>1</sup>

- Chairman -  
Managing Director of Tocos Beteiligung GmbH,  
Hamburg

Member of the following statutorily constituted  
controlling bodies of commercial enterprises:  
Closed Holding GmbH, Hamburg

### *Thomas R. Fischer*<sup>2</sup>

- Deputy Chairman -  
Chief Executive Officer of Marcard, Stein & Co. AG,  
Hamburg  
as well as  
Managing Director of Marcard Family Office  
Treuhand GmbH, Hamburg

Member of the following statutorily constituted  
controlling bodies of commercial enterprises:  
Hannover 96 GmbH & Co. KGaA, Hanover;  
HF Fonds X. Unternehmensbeteiligungs-GmbH,  
Hanover;  
WARBURG INVEST Kapitalanlagengesellschaft  
mbH, Hamburg

### *Dr. Jörg Haas*<sup>2</sup>

Chief Executive Officer of HW Partners AG, Bonn;  
Managing Partner of BonnVisio Group and of Invite  
Group, each with registered office in Bonn

Member of the following statutorily constituted  
controlling bodies of commercial enterprises:  
Digitaler Hub Region Bonn AG, Bonn;  
HWP Beteiligungen AG, Bonn;  
Hypatos GmbH, Berlin

### *Professor Dr. iur. Dr. rer. pol. Dres. h.c.*

#### *Franz Jürgen Säcker*<sup>2</sup>

Director of the Institute for Energy and Regulatory  
Law Berlin, Berlin

### *Wilhelm Weil*<sup>1</sup>

Director of Robert Weil Winery, Kiedrich

### *Kim-Eva Wempe*<sup>1</sup>

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

<sup>1</sup> Member of the Personnel and Nominating Committee.

*Detlev Meyer is Chairman of the committee.*

<sup>2</sup> Member of the Audit and Investment Committee.

*Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker is Chairman of the committee. The function of independent financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act is performed by Thomas R. Fischer.*

## KEY FINANCIAL DATA OF HAWESKO GROUP

€ million	2009	2010	2011	2012
Net sales	338,5	377,7	409,1	446,4
Gross profit	138,4	150,1	161,7	181,8
- as % of net sales	40,9%	39,7%	39,5%	40,7%
Operating result before depreciation and amortisation	27,1	31,3	31,5	32,8
- as % of net sales	8,0%	8,3%	7,7%	7,3%
Depreciation and amortisation	4,7	5,6	5,3	7,2
Operating result (EBIT)	22,4	25,7	26,2	25,6
- as % of net sales	6,6%	6,8%	6,4%	5,7%
Consolidated net income (after taxes and minority interest)	13,1	20,0	17,9	22,5
Cash flow from current operations	28,8	21,8	16,9	17,5
Cash flow from investing activities	-7,1	2,5	-4,1	-25,4
Free cash flow	20,8	23,8	12,3	11,1
Proposed dividend distribution for the current year (parent company)	-11,9	-15,7	-14,4	-14,8
Non-current assets	46,5	52,6	47,6	65,9
Current assets	127,1	149,2	168,8	170,0
Equity less proposed dividend	70,2	77,8	81,1	74,9
- as % of balance sheet total	40,5%	38,6%	37,5%	31,8%
Total assets	173,6	201,8	216,4	235,8
Capital employed	103,1	101,8	105,7	140,3
Return on total assets	13,0%	13,7%	12,5%	11,3%
Return on capital employed	21,7%	25,3%	24,8%	18,3%
Earnings per share (€)	1,48	2,24	1,99	2,51
Regular dividend per share (€)	1,35	1,50	1,60	1,65
Bonus dividend payment (€)	-	0,25	-	-
Total dividend per share (€)	1,35	1,75	1,60	1,65
Total shares (average number outstanding in the year. '000)	8.835	8.915	8.983	8.983
Year-end share price (€)	23,00	29,42	35,23	40,06
Market capitalisation at end of year (€)	203,4	264,3	316,5	359,9
Total employees (average for year)	657	696	739	835



2013	2014	2015	2016	2017	2018
465,2	472,8	476,8	480,9	507,0	524,3
190,5	198,0	198,4	204,4	212,9	223,3
40,9%	41,9%	41,6%	42,5%	42,0%	42,6%
29,4	26,9	27,4	37,0	38,6	36,2
6,3%	5,7%	5,7%	7,7%	7,6%	6,9%
6,8	6,8	7,3	7,4	8,2	8,5
22,6	20,1	20,1	29,6	30,4	27,7
4,8%	4,2%	4,2%	6,2%	6,0%	5,3%
16,2	14,8	12,2	18,5	18,5	22,0
31,1	19,3	26,1	28,9	13,9	26,1
-7,5	-5,1	-5,8	-15,4	-10,5	-14,9
22,7	13,1	19,7	21,3	6,2	20,2
-14,8	-11,7	-11,7	-11,7	-11,7	-11,7
64,7	60,3	60,3	73,4	75,6	90,8
169,5	156,9	159,5	157,9	184,1	198,2
77,3	79,4	79,6	82,7	93,1	100,8
33,0%	36,6%	36,2%	35,8%	35,8%	34,9%
234,3	217,2	219,8	231,3	259,7	289,0
140,8	137,5	137,3	139,5	154,9	165,8
9,6%	8,9%	9,2%	13,1%	11,6%	10,1%
16,0%	14,6%	14,7%	21,2%	19,6%	16,7%
1,80	1,65	1,36	2,06	2,06	2,45
1,65	1,30	1,30	1,30	1,30	1,30
-	-	-	-	-	-
1,65	1,30	1,30	1,30	1,30	1,30
8.983	8.983	8.983	8.983	8.983	8.983
38,25	41,52	41,48	43,30	51,00	41,00
343,6	372,9	372,6	389,0	458,2	368,3
925	925	933	940	954	1.027

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## FINANCIAL CALENDAR

<b>25 APRIL 2019</b>	Annual press conference/Analyst conference
<b>09 MAI 2019</b>	Interim report at 31 March 2019
<b>17 JUNE 2019</b>	Annual Shareholders' meeting
<b>08 AUGUST 2019</b>	Half-year interim report
<b>07 NOVEMBER 2019</b>	Interim report at 30 September 2019
<b>EARLY FEBRUARY 2020</b>	Trading statement on fiscal year 2019

<b>STOCK EXCHANGES</b>	Frankfurt XETRA, Hamburg
<b>CODE</b>	HAW, HAWG
<b>ISIN</b>	DE0006042708
<b>SHARES ISSUED</b>	8,983,403 no par-value bearer shares
<b>SUBSCRIBED CAPITAL</b>	€ 13,708,934.14
<b>INDUSTRY SEGMENT</b>	Retail, wholesale, internet trade (B2B, B2C), trade

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## IMPRINT

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### **CONCEPT AND DESIGN**

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### **PHOTOGRAPHY**

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Grapevine leaf over the sun with flares  
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Wine corks background horizontal  
Page 6: shutterstock/564432781/ripe dark grape close up. wooden background  
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Man drinking Wine  
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Wooden barrel for wine on the farm  
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Weiße Weintrauben  
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bottle of Prosecco wines  
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Close up of a wine glass  
Page 23: WEIN & CO  
Page 23: mint images/23334\_2/A village public house red chalk board wine list, with descriptions and prices.

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