# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*of Hawesko Holding Aktiengesellschaft for the 2017 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: Omni-Channel (specialist wine-shop retail), B2C (wholesale/distribution) and Digital (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 is 31 December 2017.

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 6 April 2018.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2017 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:

- Amendments to IAS 7 “Disclosure Initiative” (for adoption from 1 January 2017, endorsed on 6 November 2017)
- Amendments to IAS 12 “Equity Method in Separate Financial Statements” (for adoption from 1 January 2017, endorsed on 6 November 2017)
- Annual Improvements 2014-2016 “Amendments to IFRS 12” (for adoption from 1 January 2017, endorsed on 7 February 2018)

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

### 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 2017 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 2017:

- IFRS 15 “Revenue from Contracts with Customers” (for adoption from 1 January 2018, endorsed on 22 September 2016)
- IFRS 9 “Financial Instruments” (for adoption from 1 January 2018, endorsed on 22 November 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)
- 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)
- IFRS 16 “Financial Instruments” (for adoption from 1 January 2019, endorsed on 31 October 2017)
- Amendments to IAS 40 “Transfers of Investment Property” (for adoption from 1 January 2018, not yet endorsed)
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (for adoption from 1 January 2018, not yet endorsed)
- Amendments to IAS 28 (2011) “Investments in Associates and Joint Ventures” (for adoption from 1 January 2019, not yet endorsed)
- Amendments to IFRS 9 “Financial Instruments – Prepayment Features with Negative Compensation” (for adoption from 1 January 2019, not yet endorsed)
- IFRIC 23 “Uncertainty over Income Tax Treatments” (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)

- IFRS 17 “Insurance Contracts” (for adoption from 1 January 2021, not yet endorsed)

- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (for adoption from 1 Januar 2019, not yet endorsed)

It is planned to apply the standards and interpretations from the point in time when they become mandatory. 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 (IFRS 15, IFRS 9 and IFRS 16).

The choice of simplified first-time adoption of *IFRS 15* in 2018 means we expect no material changes compared to the previous practice for sales proceeds under IAS 18, based on our records and results of investigations of the various contracts with customers. Sales revenues are realised when the customer receives right of disposal with regard to the goods. Options to return goods have only minimal effect and are already recorded as a reduction in sales proceeds and a liability in the amount of the anticipated right of return; merely the asset for the goods sent back will need to be newly recorded.
Bonus programmes fundamentally do not exist for all brands in the group, only in the specialist wineshop retail segment and to a lesser extent in the mail-order segment. These are already taken into account under IAS 18 as a reduction in sales proceeds and liability for expected utilisation by customers (€ 4.4 million bonus liabilities at 31 December 2017).
The expected effect on the financial performance is therefore insignificant. The cumulative expected effect on net worth amounts to less than 1% of the balance sheet total.

We do not expect any material effects on the consolidated financial statements of Hawesko Holding AG from the prospective adoption of *IFRS 9* from 2018: debt instruments that cannot be measured at amortised cost are not expected. Equally, we expect only a slight effect on the impairment of debt instruments from the new impairment model. It is ultimately expected that the existing hedge relationships will equally satisfy the hedge accounting requirements of IFRS 9.

*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 lease liabilities for leases with a term of more than twelve months. We do not expect any material effect on earnings from adoption of the new standard, probably modified retroactively from 1 January 2019. It is currently expected that the changeover effect will largely concern the rented properties, though based on current examinations this will result in substantial changes in recognition for the intangible assets and lease liabilities pursuant to IFRS 16.22.

## 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:

| **USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT:** | |
|---|---|
| Buildings | 6 to 50 years |
| Leasehold improvements | 7 to 10 years |
| Other fixtures and fittings, tools and equipment | 2 to 15 years |

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

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

Financial assets are broken down into the following categories:

a.) At fair value through profit or loss
b.) Held to maturity
c.) Loans and receivables
d.) Available for sale

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

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

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

*Securities* are fundamentally categorised as *financial assets available for sale*. They are recognised at fair value, which is determined using publicly listed market prices. If the fair value cannot reliably be determined, they are measured at cost. Any unrealised gains or losses resulting from the changes in fair value are recognised under consideration of resulting tax effects income-neutrally in the other result. The fair value changes are not recognised in income until the time of disposal or until permanent impairment is established.

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

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

*Borrowings* are measured at fair value upon initial recognition.

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

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

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

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

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

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

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

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

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

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

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

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

## 6. ESTIMATES AND ASSUMPTIONS

Preparation of the IFRS consolidated financial statements involves making *estimates and assumptions* which have an effect on the 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 was € 18,721 thousand at 31 December 2017 (previous year: € 17,627 thousand).

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

The measurement of inventory risks within *inventories* depends substantially on the assessment of future demand and, in specialist wine segments, on estimates of market price developments. The total impairment of inventories amounted to € 524 thousand at 31 December 2017 (previous year: € 1,152 thousand).

Impairment of doubtful *receivables* includes estimates and assessments of individual receivables that are based on the creditworthiness of the individual customer, and on past experience. A distinction is made between individual and general allowances for uncollectable receivables. The total impairment of receivables amounted to € 806 thousand at 31 December 2017 (previous year: € 688 thousand).

*Provisions for pensions* are measured according to actuarial principles. These methods are based on actuarial parameters such as the discounting rate, income and pension trend, and life expectancy. In view of the fluctuating market and economic situation, the underlying assumptions may depart from the actual development and have a material impact on the obligation for retirement benefit payments postemployment. The carrying amount of the provisions for pensions was € 1,124 thousand at 31 December 2017 (previous year: € 1,129 thousand).

The determination of *liabilities* from customer bonus programmes depends substantially on the assessment of how likely it is that the credit acquired will be redeemed. For this purpose assumptions are made based on customer quality and the credit levels. The carrying amount of the customer bonus liabilities was € 4,440 thousand at 31 December 2017 (previous year: € 4,210 thousand).

The other financial liabilities include a total of € 18,364 thousand (previous year: € 16,471 thousand) for the put/call option of the minority interest in two participations. The carrying amounts of these options are € 13,760 thousand (previous year: € 12,473 thousand) for the minority interest in *Wein & Vinos GmbH* and € 4,604 thousand (previous year: 3,998) for the minority interest in *WirWinzer GmbH*. The measurement of both options is based, among other things, on the expected EBIT for 2018 and for subsequent years for *WirWinzer GmbH*. Since 2016 it has been 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 reported as current at the reporting date; the put option of the minority interest in *WirWinzer GmbH* is reported 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: 24) domestic and foreign companies, as well as one (previous year: two) international joint venture, in which Hawesko Holding AG directly or indirectly held a majority of voting rights in 2017 or over which it exercised 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).

| FULLY CONSOLIDATED SUBSIDIARIES | Registered office | Segment | Shareholding % |
|---|---|---|---|
| *Alexander Baron von Essen Weinhandels GmbH* | Bonn | Wholesale | 100.0 |
| *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* | Hamburg | Wholesale | 100.0 |
| *Deutschwein Classics GmbH & Co. KG* | Bonn | Wholesale | 90.0 |
| *Gebr. Josef und Matthäus Ziegler GmbH* | Freudenberg | Wholesale | 100.0 |
| *Globalwine AG* | Zurich (Switzerland) | Wholesale | 95.0 |
| *Vogel Vins SA* | Grandvaux (Switzerland) | Wholesale | 66.5 |
| *Château Classic – Le Monde des Grands Bordeaux SARL (in liquidation)* | Bordeaux (France) | Wholesale | 100.0 |
| *Sélection de Bordeaux SARL* | Strasbourg (France) | Wholesale | 100.0 |
| *Wein Service Bonn GmbH, vormals: Wein Wolf Holding GmbH* | Bonn | Wholesale | 100.0 |
| *Global Eastern Wine Holding GmbH* | Bonn | Wholesale | 100.0 |
| *Wein Wolf GmbH, vormals: Wein Wolf Holding Verwaltungs GmbH* | Bonn | Wholesale | 100.0 |
| *Wein Wolf Import GmbH & Co. Vertriebs KG* | Salzburg (Austria) | Wholesale | 100.0 |
| *Weinland Ariane Abayan GmbH, vormals: Weinland Ariane Abayan GmbH & Co. KG* | Hamburg | Wholesale | 100.0 |
| *Weinart Handelsgesellschaft mbH* | Geisenheim | Wholesale | 51.0 |
| *Grand Cru Select Weinhandelsgesellschaft mbH* | Rüdesheim | Wholesale | 38.25 |
| *Jacques' Wein-Depot Wein-Einzelhandel GmbH* | Düsseldorf | Specialist wine-shop retail | 100.0 |
| *Jacques' Wein-Depot Wein-Einzelhandel GmbH* | Salzburg (Austria) | Specialist wine-shop retail | 100.0 |
| *Jacques'-IT GmbH* | Oberhaching/Deisenhofen | Specialist wine-shop retail | 100.0 |
| *Carl Tesdorpf GmbH* | Lübeck | Distance selling | 100.0 |
| *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* | Hamburg | Distance selling | 100.0 |
| *The Wine Company Hawesko GmbH* | Hamburg | Distance selling | 100.0 |
| *Wein & Vinos GmbH* | Berlin | Distance selling | 70.0 |
| *Wine Dock GmbH* | Hamburg | Distance selling | 100.0 |
| *WirWinzer GmbH* | Munic | Distance selling | 65.7 |
| *IWL Internationale Wein Logistik GmbH* | Tornesch | Miscellaneous | 100.0 |

With effect from 1 January 2017 the personally liable partner of *Wein Wolf Import GmbH & Co. Vertriebs KG* as well as of *Wein Wolf Import GmbH & Co. Verwaltungs KG*, *Wein Wolf Import GmbH*, was merged with *Wein Wolf Holding GmbH* with the result that both limited partnerships accrued by law to *Wein Wolf Holding GmbH*. The business operations of *Wein Wolf Import GmbH & Co. Vertriebs KG* were then contributed to *Wein Wolf Holding Verwaltungs GmbH* and the company was renamed *Wein Wolf GmbH*. To complete the restructuring as the *Wein Wolf* subgroup in the wholesale segment, *Wein Wolf Holding GmbH* was renamed *Wein Service Bonn GmbH*.

*Global Wines, s.r.o.*, Prague (Czech Republic), and *Global Spirits, s.r.o.*, Prague (Czech Republic) – both sister companies were merged with effect from 30 June 2017 and the company was renamed *Global Wines & Spirits s.r.o.*, Prague (Czech Republic). This company is classified as a joint venture under IFRS 11, accounted for using the equity method and reported under the balance sheet item "Investments accounted for using the equity method":

| | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Carrying amount € '000 | 3,402 | 3,263 |
| Share of capital in % | 47.5 | 47.5 |

The joint venture comes under the wholesale 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 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Non-current assets | 119 | 207 |
| Current assets | 4,342 | 4,459 |
| ASSETS | **4,461** | **4,666** |
| Shareholders' equity | 2,156 | 1,796 |
| Short-term provisions and liabilities | 2,305 | 2,870 |
| EQUITY AND LIABILITIES | **4,461** | **4,666** |

| SHARE OF INCOME AND EXPENSES: € '000 | 2017 | 2016 |
|---|---|---|
| Sales revenues | 9,092 | 8,939 |
| Other operating income | 1,054 | 297 |
| Cost of materials | –6,892 | –7,340 |
| Personnel expenses | –715 | –595 |
| Depreciation and amortisation | –38 | –23 |
| Other operating expenses | –1,473 | –608 |
| OPERATING RESULT | **1,028** | **670** |
| Interest income | 19 | 2 |
| Interest expense | – | –1 |
| RESULT FROM ORDINARY ACTIVITIES | **1,047** | **671** |
| Taxes on income | –198 | –132 |
| NET INCOME | **849** | **539** |

Distributions of € 710 thousand (previous year: € 335 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 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Net assets of the associate | 2.156 | 1.796 |
| Goodwill | 1.260 | 1.260 |
| Net income | 849 | 539 |
| Dividend payments received | –710 | 335 |
| Outpayment to original shareholders | –136 | 0 |
| Effect from currency translation | –17 | 3 |
| CARRYING AMOUNT OF GROUP INVESTMENT | **3.402** | **3.263** |

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

| NON-CONSOLIDATED SUBSIDIARIES | Registered office | Shareholding % | Capital € '000 | 2017 net earnings in € '000 |
|---|---|---|---|---|
| *Weinland Ariane Abayan Verwaltungs GmbH* | Hamburg | 100.0 | 27 | 2 |
| *Verwaltungsgesellschaft Wein Wolf Import GmbH* | Salzburg (Austria) | 100.0 | 69 | 6 |
| *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.* | Hamburg | 100.0 | 42 | 1 |
| *Deutschwein Classics Verwaltungsgesellschaft mbH* | Bonn | 90.0 | 35 | 10 |
| *Weinart Handels- und Beteiligungs GmbH* | Geisenheim | 51.0 | 42 | 1 (*) |

*(*) Financial year from 1 April 2016 to 31 March 2017.*



## 8. MATERIAL CHANGES IN CONSOLIDATION

By notarised deed dated 20 December 2016 and with financial effect from 1 January 2017, Hawesko Holding AG acquired 51.0% of the shares of *Weinart Handelsgesellschaft mbH* with registered office in Geisenheim. *Weinart Handelsgesellschaft mbH* has specialised in the trading of wines of the highest quality grade, especially French products from Bordeaux and Burgundy. *Weinart Handelsgesellschaft mbH* also holds a 75% interest in *Grand Cru Select Weinhandelsgesellschaft mbH* with registered office in Rüdesheim. *Grand Cru Select Weinhandelsgesellschaft mbH* sells exclusive products from Bordeaux, Burgundy and Champagne. Both companies belong to the wholesale segment.

The acquisition costs for the shares came to € 3,825 thousand. The purchase price was paid on 6 January 2017. The entire purchase price was paid without the raising of any credit with maturities beyond the reporting date.

Following on from the acquisition, inventories with a fair value of € 7,521 thousand, receivables with a fair value of € 2,061 thousand and credit balances with banks amounting to € 472 thousand were recognised.

The carrying amount of the non-controlling interests (49.0% of the shares of *Weinart Handelsgesellschaft mbH* as well as 61.75% of the shares of *Grand Cru Select Weinhandelsgesellschaft mbH*) is measured at the date of acquisition as a minority interest in the acquired assets and debts (purchase method) and totals € 3,137 thousand (fair value). This fair value was estimated using an income approach. The principal input factors used in determining this fair value were an assumed discount rate of 5.4% and an assumed long-term growth rate of 1.0%.

Both companies focus on fine wine in the wholesale and, to some extent, in the B2C area and therefore represent an important strategic addition for the Hawesko Group.

*Weinart Handelsgesellschaft mbH* as well as *Grand Cru Select Weinhandelsgesellschaft mbH* were included in the consolidated financial statements for the first time with effect from 1 January 2017.

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

| € '000 | Fair values |
|---|---|
| Intangible assets | 1,712 |
| Property, plant and equipment | 68 |
| Financial assets | 28 |
| Inventories | 7,241 |
| Receivables and other assets | 2,061 |
| Bank accounts in credit | 472 |
| Trade payables | –2,128 |
| Other liabilities | –2,999 |
| | **6,455** |
| Deferred taxes on intangible assets | –448 |
| NET ASSETS EXCL. DIFFERENCES | **6,007** |
| Of which acquired | 2,731 |
| DERIVATIVE GOODWILL | **1,094** |
| Acquisition costs (of which € 3,825 thousand paid in cash) | 3,825 |

Consolidated net income includes € 424 thousand from the business generated additionally by *Weinart* and *Grand Cru Select*, and sales revenues include € 10,394 thousand from *Weinart* and *Grand Cru Select*.

# NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

## 9. SALES REVENUES

| € '000 | 2017 | 2016 |
|---|---|---|
| Specialist wine-shop retail | 152,270 | 146,323 |
| Wholesale | 184,171 | 171,876 |
| Distance selling | 170,526 | 162,715 |
| Miscellaneous | 26 | 16 |
| | **506,993** | **480,930** |

The sales revenues include € 369 thousand (previous year € 250 thousand) from exchange deals, mainly in respect of advertising services.

We refer to our remarks under Note 17 (Intangible Assets) for explanations of other production for ownassets capitalised.

## 10. OTHER OPERATING INCOME

| € '000 | 2017 | 2016 |
|---|---|---|
| Rental income | 8,904 | 8,490 |
| Advertising expense subsidies | 7,089 | 6,481 |
| Income from cost refunds | 1,731 | 2,224 |
| Income from currency translation | 1,495 | 518 |
| Income from the reversal of provisions | – | 1,100 |
| Miscellaneous | 4,950 | 5,986 |
| | **24,169** | **24,799** |

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

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

## 11. PERSONNEL EXPENSES

| € '000 | 2017 | 2016 |
|---|---|---|
| Wages and salaries | 49,082 | 48,491 |
| Social security and other pension costs | 8,266 | 7,900 |
| – of which in respect of old age pensions | 114 | 172 |
| | **57,348** | **56,391** |

The employee benefit expenses include payments from defined contribution plans totalling € 81 thousand (previous year: € 115 thousand) and from defined benefit plans totalling € 58 thousand (previous year: € 57 thousand).

## 12. DEPRECIATION/AMORTISATION AND IMPAIRMENT

| € '000 | 2017 | 2016 |
|---|---|---|
| Depreciation/amortisation of intangible assets | 4,124 | 3,489 |
| Impairment of intangible assets | – | – |
| Depreciation/amortisation of property, plant and equipment | 4,031 | 3,915 |
| | **8,155** | **7,404** |

## 13. OTHER OPERATING EXPENSES

| € '000 | 2017 | 2016 |
|---|---|---|
| Advertising | 40,041 | 39,229 |
| Commissions to partners | 38,184 | 37,642 |
| Delivery costs | 22,948 | 22,035 |
| Rental and leasing | 12,439 | 11,952 |
| Motor vehicle and travel costs | 4,315 | 4,187 |
| IT and communication costs | 4,414 | 3,852 |
| Board | 3,078 | 3,000 |
| Legal and consultancy costs | 2,291 | 3,187 |
| Other personnel expenses | 2,377 | 2,315 |
| Expenses from currency translation | 1,539 | 680 |
| MISCELLANEOUS | 9,720 | 8,389 |
| | **141,346** | **136,468** |

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

| € '000 | 2017 | 2016 |
|---|---|---|
| INTEREST INCOME | **72** | **72** |
| Interest expense | | |
| Interest expense from monetary movements | –537 | –372 |
| Interest for finance leases | –67 | –85 |
| Interest from the compounding of provisions | –9 | –12 |
| Net profit for the year due to minority interests in unincorporated subsidiaries | –28 | –20 |
| Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries | –34 | –26 |
| INTEREST EXPENSE | **–675** | **–515** |
| EXPENSES FROM PUT/CALL OPTIONS (OTHER FINANCIAL RESULT) | **–1,893** | **–1,770** |
| RESULT FOR THE PARTICIPATING INTERESTS REPORTED USING THE EQUITY METHOD | **849** | **918** |
| FINANCIAL RESULT | **–1,647** | **–1,295** |
| of which: from financial instruments of the classification categories pursuant to IAS 39 | | |
| Loans and receivables | 72 | 72 |
| Financial liabilities measured at amortised cost | –2,501 | –2,200 |

## 15. TAXES ON INCOME

| € '000 | 2017 | 2016 |
|---|---|---|
| Current tax | 9,410 | 9,000 |
| Deferred tax | 190 | –107 |
| | **9,600** | **8,893** |

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 | 2017 | 2016 |
|---|---|---|
| Current year | 9,420 | 8,963 |
| Previous years | –10 | 37 |
| | **9,410** | **9,000** |

Expenses for deferred taxes are attributable to the following:

| € '000 | 2017 | 2016 |
|---|---|---|
| From restructuring measures with an effect on taxes | – | – |
| From loss carryforwards | 6 | –472 |
| Other temporary differences | 169 | 365 |
| Change in tax rate | 15 | – |
| | **190** | **–107** |

The actual tax expense for the year 2017 of € 9,600 thousand (previous year: € 8,893 thousand) is € 664 thousand (previous year: € 540 thousand) higher than the anticipated tax expense of € 8,936 thousand (previous year: € 8,353 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 31.05% (previous year: 29.49%) and is obtained as follows:

| | 2017 | 2016 |
|---|---|---|
| Trade tax (average municipal factor 435%, previous year: 390%) | 15.22% | 13.66% |
| Corporation tax | 15.00% | 15.00% |
| Solidarity surcharge (5.5% of corporation tax) | 0.83% | 0.83% |
| TOTAL TAX BURDEN ON PRE-TAX EARNINGS | **31.05%** | **29.49%** |

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

| € '000 | 2017 | 2016 |
|---|---|---|
| Earnings before taxes | 28,771 | 28,324 |
| Anticipated tax expense | 8,936 | 8,353 |
| Reclassification of minority interest | –9 | –6 |
| Tax expenses/income unrelated to the accounting period | –10 | 37 |
| Non-recognition of fiscal loss carryforwards | 288 | 38 |
| Capitalisation of deferred taxes on loss carryforwards | –1,090 | –882 |
| Tenancy and leasing commitments to be included in trade tax | 882 | 107 |
| Fiscally non-deductible portion of Supervisory Board remuneration | 39 | 37 |
| Effect of divergent national tax rates | 38 | 62 |
| Tax-free expenses and income | 588 | 1,143 |
| Other tax effects | –62 | 4 |
| ACTUAL TAX EXPENSE | **9,600** | **8,893** |
| Effective tax rate % | 33,37 | 31,40 |

At the end of the year the fair values of the derivatives reported in the other result came to € 32 thousand (previous year: € -30 thousand). In connection with this, deferred tax assets of € 19 thousand (previous year: € 10 thousand) were written back in the year under review. In addition, deferred tax assets totalling € 37 thousand (previous year: € 75 thousand) were created for the actuarial losses of € 6 thousand (previous year: € 22 thousand) that were reported in the other result.

## 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.

| | 2017 | 2016 |
|---|---|---|
| Consolidated earnings of the shareholders (€ thousand) | 18,474 | 18,542 |
| Average number of shares ('000) | 8,983 | 8,983 |
| Basic earnings per share (€) | 2.06 | 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 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Software | 7,634 | 4,948 |
| Other intangible assets including advance payments | 15,550 | 16,474 |
| Goodwill | 18,721 | 17,627 |
| | **41,905** | **39,049** |

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 year under review a new expansion 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 € 278 thousand (previous year: € 103 thousand) was applied to this web shop, leaving the residual carrying amount of € 25 thousand at 31 December 2017 (previous year: € 253 thousand).

In the previous year the development of a further web shop in the distance-selling 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, € 390 thousand was capitalised in retroactive acquisition costs; this included € 273 thousand in own assets capitalised. Depreciation and amortisation amounts to € 417 thousand (previous year: € 244 thousand), with the result that Hawesko reports a residual carrying amount of € 1,356 thousand at 31 December 2017 (previous year: € 1,383 thousand).

A web shop for the wholesale segment was developed in the previous year 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, € 13 thousand in own assets capitalised was capitalised in retroactive acquisition costs for expansions to the module. The useful life is estimated at 5 years: depreciation and amortisation of € 38 thousand was applied in the year under review (previous year: none).

A further web shop in the distance-selling segment was developed in the year under review and capitalised in the amount of € 501 thousand, including € 403 thousand for own assets capitalised. The useful life is estimated at 5 years: depreciation and amortisation of € 8 thousand was applied in the year under review (previous year: none).

Again in the year under review, 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). The useful life of the app is estimated at 3 years: depreciation and amortisation of € 12 thousand was applied in the year under review (previous year: none).

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

The item "Other intangible assets" includes € 14,829 thousand (previous year: € 15,146 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*. 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 years for the brands.

### DEVELOPMENT OF CONSOLIDATED ASSETS

*for the period from 1 January to 31 December 2017*

| **INTANGIBLE ASSETS** € '000 | *Software* | *Goodwill* | *Other intangible assets* | *Advance payments* | *Total* |
|---|---|---|---|---|---|
| ACQUISITON OR MANUFACTURING COST | | | | | |
| **Position at 01/01/2017** | **22,763** | **21,704** | **21,897** | **1,328** | **67,692** |
| Currency translation | –53 | –16 | – | – | –69 |
| Extension on the basis of consolidation | 386 | 1,095 | 1,538 | 20 | 3,039 |
| Additions | 3,695 | – | – | 640 | 4,335 |
| Disposals | –157 | – | – | 15 | -142 |
| Appreciation | – | – | – | – | – |
| Transfers | 1,282 | – | – | –1,282 | – |
| **Position at 31/12/2017** | **27,916** | **22,783** | **23,435** | **721** | **74,855** |
| ACCUMULATED DEPRECIATION | | | | | |
| **Position at 01/01/2017** | **17,815** | **4,077** | **6,751** | **–** | **28,643** |
| Currency translation | –31 | –15 | – | – | –46 |
| Extension on the basis of consolidation | 387 | – | – | – | 387 |
| Additions | 2,269 | – | 1,855 | – | 4,124 |
| Disposals | –158 | – | – | – | –158 |
| Appreciation | – | – | – | – | – |
| Transfers | – | – | – | – | – |
| **Position at 31/12/2017** | **20,282** | **4,062** | **8,606** | **–** | **32,950** |
| CARRYING AMOUNTS | | | | | |
| **Position at 31/12/2017** | **7,634** | **18,721** | **14,829** | **721** | **41,905** |

| **PROPERTY, PLANT AND EQUIPMENT** € '000 | *Land and buildings* | *Other fixtures and fittings, tools and equipment* | *Construction in progress* | *Total* |
|---|---|---|---|---|
| ACQUISITON OR MANUFACTURING COST | | | | |
| **Position at 01/01/2017** | **34,275** | **33,755** | **405** | **68,435** |
| Currency translation | – | –88 | – | –88 |
| Extension on the basis of consolidation | – | 422 | – | 422 |
| Additions | 297 | 3,513 | 77 | 3,887 |
| Disposals | –15 | –1,533 | – | –1,548 |
| Appreciation | – | – | – | – |
| Transfers | 224 | 181 | –405 | – |
| **Position at 31/12/2017** | **34,781** | **36,250** | **77** | **71,108** |
| ACCUMULATED DEPRECIATION | | | | |
| **Position at 01/01/2017** | **23,045** | **24,539** | **–3** | **47,581** |
| Currency translation | – | –49 | – | –49 |
| Extension on the basis of consolidation | – | 354 | – | 354 |
| Additions | 629 | 3,402 | – | 4,031 |
| Disposals | –11 | –1,331 | – | –1,342 |
| Appreciation | – | – | – | – |
| Transfers | – | – | – | – |
| **Position at 31/12/2017** | **23,663** | **26,915** | **–3** | **50,575** |
| CARRYING AMOUNTS | | | | |
| **Position at 31/12/2017** | **11,118** | **9,335** | **80** | **20,533** |

| **FINANCIAL ASSETS** € '000 | *Shares in affiliated companies* | *Investments* | *Total* |
|---|---|---|---|
| ACQUISITON OR MANUFACTURING COST | | | |
| **Position at 01/01/2017** | **160** | **3,263** | **3,423** |
| Currency translation | – | – | – |
| Extension on the basis of consolidation | 28 | – | 28 |
| Additions | – | 139 | 139 |
| Disposals | –50 | – | –50 |
| Appreciation | – | – | – |
| Transfers | – | – | – |
| **Position at 31/12/2017** | **138** | **3,402** | **3,540** |
| ACCUMULATED DEPRECIATION | | | |
| **Position at 01/01/2017** | **–** | **–** | **–** |
| Currency translation | – | – | – |
| Extension on the basis of consolidation | – | – | – |
| Additions | – | – | – |
| Disposals | – | – | – |
| Appreciation | – | – | – |
| Transfers | – | – | – |
| **Position at 31/12/2017** | **–** | **–** | **–** |
| CARRYING AMOUNTS | | | |
| **Position at 31/12/2017** | **138** | **3,402** | **3,540** |

## DEVELOPMENT OF CONSOLIDATED ASSETS

*for the period from 1 January to 31 December 2016*

| **INTANGIBLE ASSETS** € '000 | *Software* | *Goodwill* | *Other intangible assets* | *Advance payments* | *Total* |
|---|---|---|---|---|---|
| ACQUISITON OR MANUFACTURING COST | | | | | |
| **Position at 01/01/2016** | **18,844** | **18,631** | **17,973** | **1,872** | **57,320** |
| Currency translation | 4 | 2 | – | – | 6 |
| Extension on the basis of consolidation | – | 3,071 | 3,924 | – | 6,995 |
| Additions | 1,010 | – | – | 2,458 | 3,468 |
| Disposals | –97 | – | – | – | –97 |
| Appreciation | – | – | – | – | – |
| Transfers | 3,002 | – | – | –3,002 | – |
| **Position at 31/12/2016** | **22,763** | **21,704** | **21,897** | **1,328** | **67,692** |
| ACCUMULATED DEPRECIATION | | | | | |
| **Position at 01/01/2016** | **15,830** | **4,076** | **5,344** | – | **25,250** |
| Currency translation | – | 1 | – | – | 1 |
| Extension on the basis of consolidation | – | – | – | – | – |
| Additions | 2,082 | – | 1,407 | – | 3,489 |
| Disposals | –97 | – | – | – | –97 |
| Appreciation | – | – | – | – | – |
| Transfers | – | – | – | – | – |
| **Position at 31/12/2016** | **17,815** | **4,077** | **6,751** | **–** | **28,643** |
| CARRYING AMOUNTS | | | | | |
| **Position at 31/12/2016** | **4,948** | **17,627** | **15,146** | **1,328** | **39,049** |

| **PROPERTY, PLANT AND EQUIPMENT** € '000 | *Land and buildings* | *Other fixtures and fittings, tools and equipment* | *Construction in progress* | *Total* |
|---|---|---|---|---|
| ACQUISITON OR MANUFACTURING COST | | | | |
| **Position at 01/01/2016** | **34,273** | **31,100** | **147** | **65,520** |
| Currency translation | – | 9 | – | 9 |
| Extension on the basis of consolidation | – | 3 | – | 3 |
| Additions | 66 | 3,521 | 317 | 3,904 |
| Disposals | –66 | –932 | –3 | –1,001 |
| Appreciation | – | – | – | – |
| Transfers | 2 | 54 | –56 | – |
| **Position at 31/12/2016** | **34,275** | **33,755** | **405** | **68,435** |
| ACCUMULATED DEPRECIATION | | | | |
| **Position at 01/01/2016** | **22,329** | **22,263** | **–** | **44,592** |
| Currency translation | – | 4 | – | 4 |
| Extension on the basis of consolidation | – | – | – | – |
| Additions | 750 | 3,165 | – | 3,915 |
| Disposals | –34 | –893 | –3 | –930 |
| Appreciation | – | – | – | – |
| Transfers | – | – | – | – |
| **Position at 31/12/2016** | **23,045** | **24,539** | **–3** | **47,581** |
| CARRYING AMOUNTS | | | | |
| **Position at 31/12/2016** | **11,230** | **9,216** | **408** | **20,854** |

| **FINANCIAL ASSETS** € '000 | Shares in affiliated companies | Investments | Total | Gesamt |
|---|---|---|---|---|
| ACQUISITON OR MANUFACTURING COST | | | | |
| **Position at 01/01/2016** | **185** | **620** | **44** | **849** |
| Currency translation | – | – | – | – |
| Extension on the basis of consolidation | – | 2,643 | – | 2,643 |
| Additions | – | – | – | – |
| Disposals | –25 | – | –44 | –69 |
| Appreciation | – | – | – | – |
| Transfers | – | – | – | – |
| **Position at 31/12/2016** | **160** | **3,263** | **–** | **3,423** |
| ACCUMULATED DEPRECIATION | | | | |
| **Position at 01/01/2016** | **–** | **–** | **–** | **–** |
| Currency translation | – | – | – | – |
| Extension on the basis of consolidation | – | – | – | – |
| Additions | – | – | – | – |
| Disposals | – | – | – | – |
| Appreciation | – | – | – | – |
| Transfers | – | – | – | – |
| **Position at 31/12/2016** | **–** | **–** | **–** | **–** |
| CARRYING AMOUNTS | | | | |
| **Position at 31/12/2016** | **160** | **3,263** | **–** | **3,423** |

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 impairment 31/12/2016 | Carrying amount 31/12/2017 |
|---|---|---|---|---|
| SPECIALIST WINE-SHOP RETAIL | **453** | **453** | **–** | **453** |
| *Jacques'-IT GmbH* | 453 | 453 | – | 453 |
| WHOLESALE | **8,759** | **9,853** | **2,981** | **6,872** |
| *Wein-Wolf Group* | 6,690 | 6,690 | 2,209 | 4,481 |
| *Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation* | 615 | 615 | 615 | – |
| *Globalwine AG* | 1,261 | 1,261 | – | 1,261 |
| *Vogel Vins SA* | 165 | 165 | 165 | – |
| *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* | 47 | 47 | 11 | 36 |
| *Sélection de Bordeaux SARL* | –19 | –19 | –19 | – |
| *Weinart Handelsgesellschaft mbH* | – | 955 | – | 955 |
| *Grand Cru Select Weinhandelsgesellschaft mbH* | – | 139 | – | 139 |
| DISTANCE SELLING | **11,851** | **11,851** | **455** | **11,396** |
| *The Wine Company Hawesko GmbH* | –2 | –2 | –2 | – |
| *Carl Tesdorpf GmbH* | 457 | 457 | 457 | – |
| *Wein & Vinos GmbH* | 8,710 | 8,710 | – | 8,710 |
| *WirWinzer GmbH* | 2,686 | 2,686 | – | 2,686 |
| TOTAL | **21,063** | **22,157** | **3,436** | **18,721** |

The development in goodwill from the consolidation of capital for 2016 is as follows:

| € '000 | Acquisition cost 01/01/2016 | Acquisition cost 31/12/2016 | Accumulated impairment 31/12/2016 | Carrying amount 31/12/2016 |
|---|---|---|---|---|
| SPECIALIST WINE-SHOP RETAIL | **453** | **453** | **–** | **453** |
| *Jacques'-IT GmbH* | 453 | 453 | – | 453 |
| WHOLESALE | **8,373** | **8,759** | **2,981** | **5,778** |
| *Wein-Wolf-Gruppe* | 6,690 | 6,690 | 2,209 | 4,481 |
| *Château Classic – Le Monde des Grands Bordeaux SARL i.L.* | 615 | 615 | 615 | – |
| *Globalwine AG* | 875 | 1,261 | – | 1,261 |
| *Vogel Vins SA* | 165 | 165 | 165 | – |
| *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* | 47 | 47 | 11 | 36 |
| *Sélection de Bordeaux SARL* | –19 | –19 | –19 | – |
| DISTANCE SELLING | **9,165** | **11,851** | **455** | **11,396** |
| *The Wine Company Hawesko GmbH* | –2 | –2 | –2 | – |
| *Carl Tesdorpf GmbH* | 457 | 457 | 457 | – |
| *Wein & Vinos GmbH* | 8,710 | 8,710 | – | 8,710 |
| *WirWinzer GmbH* | – | 2,686 | – | 2,686 |
| TOTAL | **17,991** | **21,063** | **3,436** | **17,627** |

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. Group planning is based upon experience and future expectations regarding the material earnings and value drivers. The Hawesko Group expects slight increases in sales averaging 4.1% to 4.6% and an EBIT margin of 6.2% to 10.5%, depending on segment, in the detailed planning period. The detailed planning phase was extrapolated in perpetuity. This corresponds to level 3 of the fair value hierarchy according to IFRS 13. The calculation is based upon a risk-adjusted growth rate for the perpetuity of 0.75% (previous year: 0.75%), and the pre-tax interest rate used to discount the cash flows and determine the net realisable value was 5.06% in 2017 (previous year: 5.41%). There exists acquired goodwill of € 640 thousand. There is no limit on its useful life.

## 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 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Land and buildings | 11,118 | 11,230 |
| Other fixtures and fittings, tools and equipment | 9,335 | 9,216 |
| Construction in progress | 80 | 408 |
| | **20,533** | **20,854** |

The carrying amount of the buildings in finance lease totalled € 642 thousand at 31 December 2017 (previous year: € 899 thousand). Depreciation amounting to € 257 thousand (previous year: € 257 thousand) was applied. This land is not freely at the company's disposal. For additional information, 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.

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Shares in affiliated companies | 138 | 160 |
| Other loans | – | – |
| | **138** | **160** |

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

| **ACQUISITION COST** € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| *Weinland Ariane Abayan Verwaltungs GmbH* | 25 | 24 |
| *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.* | 25 | 25 |
| *Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)* | 35 | 34 |
| *Deutschwein Classics Verwaltungsgesellschaft mbH* | 25 | 25 |
| *Weinart Handels- und Beteiligungs GmbH* | 28 | – |
| *Wein Wolf Import GmbH* | – | 26 |
| *Wein Wolf GmbH, vormals Wein Wolf Holding Verwaltungs GmbH* | – | 26 |
| | **138** | **160** |

*Wein Wolf Import GmbH* was merged with *Wein Service Bonn GmbH* (at the time still known as *Wein Wolf Holding GmbH*) with effect from 1 January 2017. In connection with the contribution of business operations of *Wein Wolf Import GmbH & Co. Vertriebs KG* to *Wein Wolf Holding Verwaltungs GmbH* (now operating as *Wein Wolf GmbH*), *Wein Wolf Holding Verwaltungs GmbH* was fully consolidated for the first time in 2017 and is therefore no longer measured at amortised cost.

## 20. DEFERRED TAX

The deferred tax assets developed as follows:

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Opening balance | 2,506 | 1,782 |
| Increase | 3,215 | 4,640 |
| Decrease | –396 | –355 |
| Offset against deferred tax liabilities | –3,157 | –3,561 |
| Change in tax rate | 43 | – |
| | **2,211** | **2,506** |

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

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Goodwill from restructuring measures with an effect on taxes | 3,807 | 4,408 |
| From loss carryforwards | 1,121 | 1,127 |
| From the fair value measurement of derivative financial instruments | –10 | 9 |
| From finance leases | 65 | 82 |
| From inventories | 55 | 64 |
| From provisions for pensions | 287 | 377 |
| Other | 0 | 0 |
| Offsetting | –3,157 | –3,561 |
| Change in tax rate | 43 | – |
| | **2,211** | **2,506** |

The reported deferred tax assets from loss carryforwards at 31 December 2017 relate to the tax loss carryforwards that are available for future use for the subsidiaries *Carl Tesdorpf GmbH*, Lübeck, *The Wine Company Hawesko GmbH*, Hamburg, *WirWinzer GmbH*, Munich, and *Globalwine AG*, Zurich. 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 € 7,814 thousand (previous year: € 5,700 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 331 thousand is expected to be realised from the deferred tax assets within twelve months.

## 21. INVENTORIES AND ADVANCE PAYMENTS FOR INVENTORIES

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Raw material and consumables used | 853 | 843 |
| Work in progress | 4,724 | 5,118 |
| Finished goods and merchandise | 96,157 | 80,997 |
| Advance payments | 15,301 | 10,414 |
| | **117,035** | **97,372** |

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

Inventories totalling € 1,213 thousand (previous year: € 2,650 thousand) were recognised at their net realisable value. A reversal of impairment on inventories totalling € 628 thousand (previous year: reversal of € 470 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 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Trade receivables (gross) | 52,762 | 47,208 |
| Less impairment | –806 | –688 |
| TRADE RECEIVABLES | **51,956** | **46,520** |
| Accounts receivable from taxes on income | 5,978 | 2,830 |
| Receivables and other assets | 5,840 | 5,153 |
| | **63,774** | **54,503** |
| Of which with a maturity of | | |
| – up to 1 year | 62,612 | 53,326 |
| – over 1 year | 1,162 | 1,177 |

The following table shows the maturity structure of trade receivables that were not impaired at the reporting date:

| | | *Of which not impaired but overdue by the following time bands at reporting date* | | | | |
|---|---|---|---|---|---|---|
| € '000 | *Of which neither impaired nor overdue at reporting date* | *< 30 days* | *30–60 days* | *61–90 days* | *91–180 days* | *> 180 days* |
| **31/12/2017** | | | | | | |
| Trade receivables | 38,460 | 10,295 | 1,845 | 329 | 367 | 709 |
| **31/12/2016** | | | | | | |
| Trade receivables | 34,819 | 8,761 | 1,567 | 471 | 455 | 483 |

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 | 2017 | 2016 |
|---|---|---|
| IMPAIRMENT AT 1 JANUARY | 688 | 726 |
| Added | 332 | 258 |
| Used up | –184 | –266 |
| Reversed | –30 | –30 |
| IMPAIRMENT AT 31 DECEMBER | **806** | **688** |

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

Receivables and other assets:

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| OF WHICH FINANCIAL ASSETS | **1,363** | **1,424** |
| – Borrowings | 194 | 200 |
| – Receivables from trade representatives | 447 | 508 |
| – Rent deposits | 722 | 716 |
| OF WHICH NON-FINANCIAL ASSETS | **4,447** | **3,729** |
| – Tax refund claims | 629 | 372 |
| – Accrued costs | 801 | 916 |
| – Miscellaneous other assets | 3,047 | 2,441 |
| | **5,840** | **5,153** |
| FINANCIAL ASSETS | | |
| Of which with a maturity of | | |
| – up to 1 year | 1,014 | 379 |
| – over 1 year | 349 | 1.045 |
| NON-FINANCIAL ASSETS | | |
| Of which with a maturity of | | |
| – up to 1 year | 4,329 | 3,597 |
| – over 1 year | 148 | 132 |

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

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

Cash in banking accounts and cash on hand totalling € 10,736 thousand (previous year: € 13,581 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 8,983,403 (previous year: 8,983,403) no par value bearer shares. The capital is fully paid up.

At 31 December 2017 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 2017 amounted to € 6,850,000.00 (previous year: € 6,850,000.00).

## 25. CAPITAL RESERVE

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Capital reserve | 10,061 | 10,061 |

The capital reserve for the group comprises the premium from the capital increase in 1998, from the issuance of shares to employees and from the issuance of new shares from the convertible bond issued in 2001. The premium from the conversion of the convertible loan into Hawesko bearer shares carrying full dividend entitlements totalled € 105 thousand, i.e. € 9.58 per share.

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

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

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

## 26. RETAINED EARNINGS

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Retained earnings | 71,174 | 64,111 |

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 € 12,432 thousand (previous year: € 12,572 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 € –1,893 thousand (previous year: € –1,770 thousand) that have occurred are reported in the financial result.

The individual components of the equity and its development in the years 2016 and 2017 are shown in the consolidated statement of movements in equity.

## 27. OTHER RESERVES

Other reserves totalling € –105 thousand (previous year: € –186 thousand) include translation differences from the translation of the functional currency of foreign group companies, the revaluation component from the retirement obligation and the reserve for the cash flow hedges. These are reported in the consolidated financial statements directly under the other result. No taxes on income are due on the translation differences of € 68 thousand (previous year: € 20 thousand). The revaluation component for provisions for pensions includes changes in value of € –37 thousand in the year under review (previous year: € –75 thousand), less deferred taxes of € 6 thousand (previous year: € 14 thousand). Also, the fair values of the derivatives in the amount of € 32 thousand (previous year: € –30 thousand) were reported under the other result: in connection with this, deferred tax assets of € 19 thousand (previous year: € 10 thousand) were 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:

| COMBINED BALANCE SHEET: € '000 | Wein & Vinos GmbH | | WirWinzer GmbH | | Globalwine AG | | Weinart GmbH | Grand Cru Select GmbH |
|---|---|---|---|---|---|---|---|---|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2017 |
| Non-current assets | 21,582 | 23,515 | 6,596 | 6,543 | 1,918 | 1,951 | 2,350 | 184 |
| Current assets | 8,898 | 8,889 | 673 | 1,086 | 9,204 | 9,093 | 7,315 | 3,290 |
| ASSETS | **30,480** | **32,404** | **7,269** | **7,629** | **11,122** | **11,044** | **9,665** | **3,474** |
| Shareholders' equity | 24,563 | 26,045 | 4,741 | 5,601 | -1,328 | -1,931 | 6,178 | 869 |
| Long-term provisions and liabilities | – | 10 | 1,186 | 1,271 | – | 5 | 453 | 11 |
| Short-term provisions and liabilities | 5,917 | 6,349 | 1,342 | 757 | 12,450 | 12,970 | 3,034 | 2,594 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | **30,480** | **32,404** | **7,269** | **7,629** | **11,122** | **11,044** | **9,665** | **3,474** |

| COMBINED STATEMENT OF COMPREHENSIVE INCOME: € '000 | Wein & Vinos GmbH | | WirWinzer GmbH | | Globalwine AG | | Weinart GmbH | Grand Cru Select GmbH |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2017 |
| Total sales | 48,248 | 46,101 | 5,970 | 1,575 | 16,852 | 15,916 | 5,436 | 6,091 |
| Result from ordinary activities | 3,898 | 3,795 | -1,251 | -184 | 355 | 398 | 689 | 126 |
| Taxes on income | -1,382 | -753 | 392 | 23 | -326 | 339 | -192 | -41 |
| Net income | 2,516 | 3,042 | -859 | -161 | 29 | 737 | 497 | 85 |
| Profit due to controlling interests | 755 | 913 | -295 | -55 | 1 | 37 | 160 | 60 |
| Dividends paid to holders of non-controlling interests | 1,199 | 968 | – | – | – | – | 263 | – |

| COMBINED CASH FLOW STATEMENT | Wein & Vinos GmbH | | WirWinzer GmbH | Globalwine AG | |
|---|---|---|---|---|---|
| € '000 | 2017 | 2016 | 2017 | 2017 | 2016 |
| Net inflow of cash from current operations | -4.097 | 4,548 | 1,383 | 242 | 1,281 |
| Net cash employed for investing activities | -121 | -618 | 512 | 219 | -188 |
| Outflow/inflow of net cash for financing activities | 2,536 | -3,292 | 148 | 123 | -122 |
| Net decrease/increase in cash and cash equivalents | -1,682 | 638 | -723 | 584 | 971 |
| Effects of changes on cash and cash equivalents (up to 3 months to maturity) | – | – | – | 33 | -20 |
| Funds at start of period | 2,195 | 1,557 | 837 | -8,470 | -9,421 |
| Funds at end of period | 513 | 2,195 | 114 | -7,919 | -8,470 |

| COMBINED CASH FLOW STATEMENT | Weinart GmbH | Grand Cru Select GmbH |
|---|---|---|
| € '000 | 2017 | 2017 |
| Net inflow of cash from current operations | 159 | -60 |
| Net cash employed for investing activities | -49 | -13 |
| Outflow/inflow of net cash for financing activities | -160 | 32 |
| Net decrease/increase in cash and cash equivalents | -50 | -41 |
| Effects of changes on cash and cash equivalents (up to 3 months to maturity) | – | – |
| Funds at start of period | 58 | 414 |
| Funds at end of period | 8 | 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 lifelong 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 | 2017 | 2016 |
|---|---|---|
| PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 1 JAN | 1,129 | 1,090 |
| Current service cost | – | – |
| Interest expense | 17 | 21 |
| Actuarial losses (+)/gains (–) | 37 | 75 |
| Payments made | -59 | -57 |
| PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 31 DEC | **1,124** | **1,129** |

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

| % | 2017 | 2016 |
|---|---|---|
| Discounting rate | 1.3 | 1.5 |
| Future increases in income | – | – |
| Pensions trend | 1.0 | 1.0 |

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

Outpayments of € 59 thousand (previous year: € 57 thousand) are expected for 2018.

A change in the actuarial interest rate of +50/–50 base points 31 December 2017, 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/ 2017 | +50 base points |
|---|---|---|---|
| Present value of retirement benefit obligations | 1,195 | 1,124 | 1,160 |

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

In addition, the employer's contribution payments in Germany to the statutory pension insurance were € 3,403 thousand in 2017 (previous year: € 2,742 thousand).

## 30. OTHER LONG-TERM PROVISIONS

| € '000 | 01/01/ 2017 | Drawn (D) Liquidated (L) Reclassified (R) | Allocated | 31/12/ 2017 |
|---|---|---|---|---|
| Provisions for personnel | 799 | 396 (D)<br>– (L) | 245 | 648 |

The provisions for personnel in the main comprise settlement obligations 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 2005 G reference tables by Dr Klaus Heubeck. The actuarial interest rate is 2.80% (previous year: 3.24%). Based on the probable development in the key measurement factors, a salary trend of 2.5% (previous year: 2.5%) was assumed.

In 2017, the provisions for personnel increased by € 8 thousand as a result of the interest expense (previous year: € 10 thousand).

## 31. BORROWINGS

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Banks | 19,725 | 10,713 |
| Finance lease | 868 | 1,229 |
| | **20,593** | **11,942** |
| Of which with a maturity of: | | |
| – up to 1 year | 20,059 | 11,074 |
| – 1 to 5 years | 534 | 868 |
| – 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 2017 | Credit facility 2016 |
|---|---|---|
| MATURITY | | |
| Unlimited | 50,000 | 40,000 |

The interest rates of short-term loans raised in 2017 were between 0.30% and 1.30% (previous year: between 0.07% and 1.40%).

There are no amounts due to banks with a maturity of one to five years, as in the previous year. In the financial year, the amount with a maturity of up to one year was € 19,725 thousand (previous year: € 10,713).

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

| € '000 | Maturity up to 1 year | Maturity over 1 and up to 5 years | Maturity over 5 years | Total |
|---|---|---|---|---|
| Minimum lease payments | 381 | 566 | – | **947** |
| Interest component | 47 | 32 | – | **79** |
| Principal repaid | 334 | 534 | – | **868** |

The reconciliation with the finance lease liabilities at 31 December 2016 is as follows:

| € '000 | Maturity up to 1 year | Maturity over 1 and up to 5 years | Maturity over 5 years | Total |
|---|---|---|---|---|
| Minimum lease payments | 428 | 947 | – | **1,375** |
| Interest component | 67 | 79 | – | **146** |
| Principal repaid | 361 | 868 | – | **1,229** |

This item comprises mainly 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:

| | | *Cashflows* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2018** | | | **2019** | | | **2020–2022** | | | **> 2022** | | |
| € '000 | *Carrying amount* **31/12/2017** | *Fixed interest* | *Variable interest* | *Principal* | *Fixed interest* | *Variable interest* | *Principal* | *Fixed interest* | *Variable interest* | *Principal* | *Fixed interest* | *Variable interest* | *Principal* |
| FINANCIAL LIABILITIES | | | | | | | | | | | | | |
| Due to banks | 19,725 | – | –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 | – | – | – | – | – | – | – | – | – |
| DERIVATIVE FINANCIAL LIABILITIES | | | | | | | | | | | | | |
| Interest rate derivatives with hedging relationship | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Forward exchange transactions with hedging relationship | –32 | – | – | – | – | – | – | – | – | – | – | – | – |

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

| | | *Cashflows* | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **2017** | | | **2018** | | | **2019–2021** | | | **> 2021** | | |
| € '000 | *Carrying amount* **31/12/2016** | *Fixed interest* | *Variable interest* | *Principal* | *Fixed interest* | *Variable interest* | *Principal* | *Fixed interest* | *Variable interest* | *Principal* | *Fixed interest* | *Variable interest* | *Principal* |
| FINANCIAL LIABILITIES | | | | | | | | | | | | | |
| Due to banks | 10,713 | – | –5 | –10,713 | – | – | – | – | – | – | – | – | – |
| Finance lease liabilities | 1,229 | –67 | – | –361 | –47 | – | –334 | –32 | – | –534 | – | – | – |
| Other financial liabilities | 33,936 | – | – | –16,870 | – | – | –12,627 | – | – | –4,439 | – | – | – |
| Other non-interest-bearing liabilities | 58,298 | – | – | –58,298 | – | – | – | – | – | – | – | – | – |
| DERIVATIVE FINANCIAL LIABILITIES | | | | | | | | | | | | | |
| Interest rate derivatives with hedging relationship | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Forward exchange transactions with hedging relationship | 30 | – | – | – | – | – | – | – | – | – | – | – | – |

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

## 32. SUNDRY LIABILITIES

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| OF WHICH OTHER FINANCIAL LIABILITIES | **83,594** | **75,557** |
| – Minority interest in the capital of unincorporated subsidiaries | 230 | 163 |
| – Trade payables | 64,430 | 58,298 |
| – Other financial liabilities | 18,934 | 17,096 |
| OF WHICH NON-FINANCIAL LIABILITIES | **15.698** | **10,643** |
| – Income taxes payable | 2.574 | 1,543 |
| – Advances received for 2017 | – | 5,227 |
| – Advances received for 2018 | 8,443 | 3,873 |
| – Advances received for 2019 | 4,681 | – |
| | **99.292** | **86,200** |
| Of which with a maturity of | | |
| – up to 1 year | 89.566 | 65,261 |
| – 1 to 5 years | 9,726 | 20,939 |
| – over 5 years | – | – |

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

The advances received in the year in progress are in respect of subscription payments collected from customers for wines which are to be delivered in 2018 and 2019.

The advances received include liabilities with a maturity of between one and five years totalling € 4,681 thousand (previous year: € 3,873 thousand).

The other financial liabilities include the liability that could arise through the exercise of a put option by the original shareholders of *Wein & Vinos GmbH* as well as of a put option by the minority interest in *WirWinzer GmbH*. The value at 31 December 2017 is € 18,364 (previous year: € 16,471 thousand); € 13,760 thousand (previous year: € 12,473 thousand) of this amount is in respect of the original shareholders of *Wein & Vinos GmbH*. This line item in addition contains the market values of forward exchange transactions of € -32 thousand (previous year: € 30 thousand).

## 33. OTHER LIABILITIES

The other liabilities are composed of the following:

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| OF WHICH OTHER FINANCIAL LIABILITIES | **13,539** | **16,707** |
| –Liabilities to employees | 5,274 | 9,297 |
| – Liabilities to other company members | 12 | 124 |
| – Due to affiliated companies | 170 | 111 |
| – Miscellaneous | 8,083 | 7,175 |
| OF WHICH NON-FINANCIAL LIABILITIES | **17,033** | **17,837** |
| – Sales tax and other taxes | 12,416 | 13,387 |
| – Customer bonuses | 4,440 | 4,210 |
| – Liabilities in respect of social insurance | 177 | 240 |
| | **30,572** | **34,544** |

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

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| *Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)* | 69 | 63 |
| *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.* | 43 | 43 |
| *Weinart Handels- und Beteiligungsgesellschaft mbH* | 46 | – |
| *Global Wines & Spirits, s.r.o., Prag (Czech Republic)* | **12** | **5** |
| | **170** | **111** |

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

## 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** € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Fixed assets | 5,278 | 5,392 |
| Inventories | 480 | 387 |
| Trade receivables | 62 | 53 |
| Other assets | – | 9 |
| Offset against deferred tax assets | –3,157 | –3,561 |
| Change in tax rate | 54 | – |
| | **2,717** | **2,280** |

Pursuant to IAS 12.39 (b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 626 thousand (previous year: € 386 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

## 35. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

| | | | Stated amount in balance sheet acc. to IAS 39 | | | | | |
|---|---|---|---|---|---|---|---|---|
| € '000 | *Classification category acc. to IAS 39* | *Carrying amount* **31/12/2017** | *Acquisition cost* | *Amortised cost* | *Fair value in equity* | *Fair value through profit and loss* | *Stated amount in balance sheet acc. to IAS 17* | *Fair value* **31/12/2017** |
| ASSETS | | | | | | | | |
| 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 |
| EQUITY AND LIABILITIES | | | | | | | | |
| 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 |



Carrying amounts, stated amounts and fair values by classification category, 2016:

| | | | Stated amount in balance sheet acc. to IAS 39 | | | | | |
|---|---|---|---|---|---|---|---|---|
| € '000 | *Classification category acc. to IAS 39* | *Carrying amount* **31/12/2016** | *Acquisition cost* | *Amortised cost* | *Fair value in equity* | *Fair value through profit and loss* | *Stated amount in balance sheet acc. to IAS 17* | *Fair value* **31/12/2016** |
| ASSETS | | | | | | | | |
| Cash | LaR | 13,581 | – | 13,581 | – | – | – | 13,581 |
| Trade receivables | LaR | 46,520 | – | 46,520 | – | – | – | 46,520 |
| Receivables and other assets | | | | | | | | |
| – Financial assets | LaR | 1,424 | – | 1,424 | – | – | – | 1,424 |
| Financial assets | | | | | | | | |
| – Other loans | LaR | – | – | – | – | – | – | – |
| – Available for sale financial assets | AfS | 160 | 160 | – | – | – | – | 160 |
| EQUITY AND LIABILITIES | | | | | | | | |
| Minority interest in the capital of unincorporated subsidiaries | FLAC | 163 | – | 163 | – | – | – | n.a. |
| Trade payables | FLAC | 58,298 | – | 58,298 | – | – | – | 58,298 |
| Due to banks | FLAC | 10,713 | – | 10,713 | – | – | – | 10,713 |
| Finance lease liabilities | n/a | 1,229 | – | — | – | – | 1,229 | 1,375 |
| Sundry liabilities | | | | | | | | |
| – Other financial liabilities | FLAC | 17,066 | – | 17,066 | – | – | – | 17,066 |
| – Derivatives with hedging relationship | n/a | 30 | – | – | 30 | – | – | 30 |
| Other liabilities | | | | | | | | |
| – Financial liabilities | FLAC | 16,707 | – | 16,707 | – | – | – | 16.707 |
| Of which aggregated by classification category acc. to IAS 39: | | | | | | | | |
| – Loans and receivables (LaR) | | 61,525 | – | 61,525 | – | – | – | 61,525 |
| – Available for sale financial assets (AfS) | | 160 | 160 | – | – | – | – | 160 |
| Financial liabilities measured at amortised cost (FLAC) | | 102,784 | – | 102,784 | – | – | – | 102,784 |

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.

These comprise derivatives with a hedging relationship on the one hand. On the other hand the put option of the original shareholders of *Wein & Vinos GmbH* as well as of the minority interest in *WirWinzer GmbH* are reported at fair value (cf. also Note 32).

| € '000 | 31/12/2017 | | | | 31/12/2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | *Level 1* | *Level 2* | *Level 3* | *Total* | *Level 1* | *Level 2* | *Level 3* | *Total* |
| ASSETS | – | – | – | – | – | – | – | – |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | | | | |
| Derivatives with hedging relationship | – | -32 | – | -32 | – | 30 | – | 30 |
| Financial liabilities measured at amortised cost (FLAC) | – | – | 18,364 | 18,364 | – | – | 16,471 | 16,471 |

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

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

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

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

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

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

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

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

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

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

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

There is currently no intention to dispose of financial assets.

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2017 (rounding differences possible):

| € '000 | *Put Option* |
|---|---|
| **01/01/2017** | **16,471** |
| Change | 1,893 |
| **31/12/2017** | **18,364** |

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2016 (rounding differences possible):

| € '000 | *Put option* |
|---|---|
| **01/01/2016** | **10,742** |
| Allocated | 3,998 |
| Change | 1,770 |
| **31/12/2016** | **16,471** |

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 *Wein & Vinos GmbH* only takes effect from July 2020, this liability is in addition discounted. As in the previous year, a discount rate of 4.05% for *WirWinzer GmbH* and 4.55% for *Wein & Vinos GmbH* was applied in 2017.

A change in the future average EBIT would have had the following effect on the fair value of the put option at 31 December 2017:

| € '000 | *- 1.000* | **31/12/2017** | *+ 1.000* |
|---|---|---|---|
| Fair value of: | | | |
| *Wein & Vinos GmbH* | 11,177 | 13,760 | 16,342 |
| *WirWinzer GmbH* | 788 | 4,604 | 8,418 |

| NET EARNINGS BY CLASSIFICATION CATEGORY, 2017: € '000 | From interest | At fair value | At amortised cost | Currency translation | Impairment | From disposal | Net earnings 2017 |
|---|---|---|---|---|---|---|---|
| | | From subsequent measurement | | | | | |
| Loans and receivables (LaR) | 72 | – | – | – | –118 | – | –46 |
| Available for sale financial assets (AfS) | – | – | – | – | – | – | – |
| Financial instruments held for trading (FAHfT + FLHfT) | – | – | – | – | – | – | – |
| Financial liabilities measured at amortised cost (FLAC) | –546 | – | –1,955 | –8 | – | – | –2,509 |
| TOTAL | **–474** | **–** | **–1,955** | **–8** | **–118** | **–** | **–2,555** |

| NET EARNINGS BY CLASSIFICATION CATEGORY, 2016: € '000 | From interest | At fair value | At amortised cost | Currency translation | Impairment | From disposal | Net earnings 2016 |
|---|---|---|---|---|---|---|---|
| | | From subsequent measurement | | | | | |
| Loans and receivables (LaR) | 72 | – | – | – | 38 | – | 110 |
| Available for sale financial assets (AfS) | – | – | – | – | – | – | – |
| Financial instruments held for trading (FAHfT + FLHfT) | – | – | – | – | – | – | – |
| Financial liabilities measured at amortised cost (FLAC) | –384 | – | –1,816 | –156 | – | – | –2,356 |
| TOTAL | **–312** | **–** | **–1,816** | **–156** | **38** | **–** | **–2,246** |

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 miscellaneous other operating expenses. The income and expenses from currency translation for trade liabilities are included in the other operating income and other operating expenses.

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



# OTHER PARTICULARS

## 36. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The following contingencies and financial obligations in respect of third parties existed at 31 December 2017:

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Advance payments outstanding | 1,947 | 1,258 |
| Guarantees to third parties for rent deposits | 129 | - |

Obligations relating to advance payments outstanding for subscriptions received at 31 December 2017 were settled at the start of 2018.
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 € 49,899 thousand (previous year: € 18,862 thousand). The global obligations for lease and tenancy agreements are due as follows:

| € '000 | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Up to 1 year | 12,005 | 11,016 |
| Over 1 year, up to 5 years | 30,201 | 7,016 |
| Over 5 years | 7,693 | 830 |
| | **49,899** | **18,862** |

The other financial obligations from tenancy and lease agreements mainly relate to rented shop premises for the specialist retailing of wine, and a piece of land classified as an operating lease. There exists a purchase option for the property at the end of the contract's term. See also Note 13 for the expense from tenancy and lease agreements in 2017.

### *Contingent liabilities: litigation risks*

In connection with the amicable winding-up ("liquidation amiable") of the subsidiary *Château Classic – Le Monde des Grands Bordeaux SARL*, in liquidation the minority interest raised claims amounting to around € 2.9 million in total. The company rejected the claim as a whole. A provision totalling € 1.0 million had been created by 31 December 2015 for costs arising in this connection because the company takes the view that the claims of the level indicated are not enforceable. In the financial year Hawesko Holding AG reached an overall agreement with the minority interest and the remaining shareholders by way of definitively settling all previously raised and future claims of all business partners. In this connection the provision hitherto created was drawn or liquidated.

## 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 hedging instruments 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.

*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. Forward exchange transactions are also concluded to hedge such risks.

The group's risk management policy envisages hedging of around 80% of the anticipated cash flows (principally export sales) in Swedish krona.

If there is an effective hedging relationship between the underlying and hedging transactions (cash flow hedge), measurement is at fair value, with changes in the fair value recognised income-neutrally in the other result. 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 *interest rate risk* principally takes the form of movements in the short-term Eurocurrency market interest rates. In order to minimise the impact of interest rate fluctuations in this region, the Board of Management regularly specifies the desired mix of fixed and variable-rate financial liabilities and uses appropriate interest rate derivatives for this purpose.

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

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

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

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

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

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

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

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

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

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

There is no evidence of a *liquidity risk*, i.e. insufficient financial resources to pay off obligations (cf. Note 31).

*Exchange rate risk management*

Certain business transactions within the group are denominated in foreign currency. There consequently exist risks from exchange rate movements.

The carrying amount of the monetary debts of the group denominated in Swiss francs (CHF) at the reporting date is € 9,144 thousand (previous year: € 10,713) thousand; no monetary assets exist.

The group is principally exposed to exchange rate movements in the Swiss franc and the Swedish krona. Exchange rate risks in Swedish krona are managed by means of forward exchange transactions within the approved framework.

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.

From a group perspective a 10% rise (or fall) in the euro against the Swiss francs translates into a positive (or negative) earnings and equity effect of € 831 (or € –1,016) thousand.

*Hedges/derivative financial instruments*

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

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

| € '000 | Nominal volume 31/12/2017 | Nominal volume 31/12/2016 | Fair value 31/12/2017 | Fair value 31/12/2016 |
|---|---|---|---|---|
| Forward exchange transactions | 2,501 | 2,475 | 32 | –30 |

For estimates of the level of each risk, please refer to the risk report.

## 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 € 10,981 thousand at 31 December 2017 (previous year: € 509 thousand net liquidity).

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 34.3% was achieved in the year under review (previous year: 21.2%).

## 39. EMPLOYEES

The average number of employees was as follows:

| GROUP | 2017 | 2016 |
|---|---|---|
| Commercial and industrial employees | 923 | 897 |
| Apprentices | 31 | 43 |
| | **954** | **940** |

The average number of employees at the joint venture accounted for using the equity method was 46 in the financial year (previous year: 49).

## 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 € 534 thousand and interest payments received totalling € 70 thousand. The cash inflows from current operations of € 13,792 thousand (previous year: € 28,852 thousand) include the changes in cash and cash equivalents from operating activities. Cash and cash equivalents comprise cash on hand as well as cash in banks and amounts due to banks at any time.

The composition of cash and cash equivalents is as follows:

| € '000 | 2017 | 2016 | Change |
|---|---|---|---|
| Cash in banking accounts and cash on hand | 10,736 | 13,581 | –2,845 |
| Due to banks (current accounts) | – | – | – |
| Cash and cash equivalents at end of period | 10,736 | 13,581 | –2,845 |

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

| € '000 | Weinart GmbH und Grand Cru Select GmbH |
|---|---|
| NET CASH OUTFLOW | |
| Consideration paid | 3,825 |
| Amount of cash of the companies over which control was acquired | 472 |
| AMOUNTS OF ASSETS AND DEBTS (EXCLUDING CASH) OVER WHICH CONTROL WAS ACQUIRED, CLASSIFIED BY MAIN CATEGORIES | |
| Intangible fixed assets | 2,667 |
| Property, plant and equipment | 68 |
| Shares in other affiliated companies | 28 |
| Inventories | 7,241 |
| Current receivables and sundry current assets | 2,061 |
| Non-current liabilities | – |
| Current liabilities | –5,127 |

## 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 € 45,191 thousand comprise the countries Switzerland (47%), Austria (29%) and Sweden (24%). The total external sales outside Germany amounted to 9% (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 comprise the following areas:

- *Omni-Channel (specialist wine-shop retailing)* (*Jacques' Wein-Depot*) sells wine via a network of retail outlets which are run by independent agency partners. The specialist wine-shop retail segment also includes *Jacques-IT GmbH*.

- *B2B (wholesale/distribution)* groups together business activities with retailers; wines and champagnes are sold both by distance selling (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein-Wolf Group*). The wholesale segment operates in the Swiss wine market through *Globalwine AG* and *Vogel Vins SA*. 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 Weinhandelsgesellschaft 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 *Digital (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 Digital 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 segment data has been calculated in the following way:

- Internal sales indicate the sales between segments. The transfer prices for intra-group sales are calculated on the basis of market prices.

- The segment result is defined as earnings before interest, taxes and any deduction for minority interest (EBIT).

- The segment assets are the sum of non-current and current assets required for current operations, excluding consolidating items within the segment and any income tax claims.

- The segment debts are the operating debts (provisions and interest-free liabilities), excluding consolidating items within the segment and income tax liabilities.

- The elimination of intra-group balances that is to be performed within a segment and the capital consolidation data (goodwill and goodwill impairment) are allocated to the respective segments.

- There are no significant non-cash income and expenses in the specialist wine-shop retail, wholesale and distance-selling segments.

| **SEGMENT REPORTING** € '000 | *Specialist wine-shop retail* | | *Wholesale/distribution* | | *Distance selling* | | *Miscellaneous* | | *Total* | | *Reconciliation/ consolidation* | | *Group, consolidated* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** | **2017** | **2016** |
| REVENUES | **152,285** | **146,363** | **196,455** | **181,343** | **188,212** | **175,808** | **22,529** | **22,383** | **559,481** | **525,897** | **-52,488** | **-44,967** | **506,993** | **480,930** |
| External | 152,270 | 146,323 | 184,171 | 171,876 | 170,526 | 162,715 | 26 | 16 | 506,993 | 480,930 | – | – | 506,993 | 480,930 |
| Internal | 15 | 40 | 12,284 | 9,467 | 17,686 | 13,093 | 22,503 | 22,367 | 52,488 | 44,967 | -52,488 | -44,967 | – | – |
| OTHER INCOME | **10,820** | **10,401** | **8,822** | **8,856** | **4,531** | **3,245** | **3,357** | **5,474** | **27,530** | **27,976** | **3,361** | **-3,177** | **30,891** | **24,799** |
| External | 10,820 | 10,401 | 8,689 | 8,699 | 2,770 | 1,820 | 1,890 | 3,879 | 24,169 | 24,799 | – | – | 24,169 | 24,799 |
| Internal | – | – | 133 | 157 | 1,761 | 1,425 | 1,467 | 1,595 | 3,361 | 3,177 | 3,361 | -3,177 | 6,722 | – |
| EBITDA | **18,418** | **18,172** | **10,767** | **9,283** | **13,888** | **12,730** | **-4,532** | **-3,072** | **38,541** | **37,113** | **32** | **-90** | **38,573** | **37,023** |
| DEPRECIATION AND AMORTISATION | **2,068** | **1,788** | **1,796** | **1,502** | **3,700** | **3,372** | **591** | **742** | **8,155** | **7,404** | **–** | **–** | **8,155** | **7,404** |
| EBIT | **16,350** | **16,384** | **8,971** | **7,781** | **10,188** | **9,358** | **-5,123** | **-3,814** | **30,386** | **29,709** | **32** | **-90** | **30,418** | **29,619** |
| FINANCIAL RESULT | **-64** | **-27** | **208** | **429** | **-304** | **-248** | **-1,487** | **-1,449** | **-1,647** | **-1,295** | **–** | **–** | **-1,647** | **-1,295** |
| Financial income | 0 | 13 | 27 | 22 | 15 | 14 | 869 | 733 | 911 | 782 | -839 | -710 | 72 | 72 |
| Financial expense | -64 | -40 | -668 | -511 | -319 | -262 | -2,356 | -2,182 | -3,407 | -2,995 | -839 | 710 | -2,568 | -2,285 |
| Investment result | – | – | 849 | 918 | – | – | – | – | 849 | 918 | – | – | 849 | 918 |
| EARNINGS BEFORE TAXES | **16,286** | **16,357** | **9,179** | **8,210** | **9,884** | **9,110** | **-6,610** | **-5,263** | **28,739** | **28,414** | **32** | **-90** | **28,771** | **28,324** |
| TAXES ON INCOME | – | – | – | – | – | – | – | – | – | – | **-9,600** | **-8,893** | **-9,600** | **-8,893** |
| CONSOLIDATED NET INCOME | – | – | – | – | – | – | – | – | – | – | – | – | **19,171** | **19,431** |
| | | | | | | | | | | | | | | |
| SEGMENT ASSETS | **48,562** | **42,789** | **118,528** | **100,917** | **88,598** | **81,837** | **211,046** | **197,902** | **466,734** | **423,445** | **-207,000** | **-192,157** | **259,734** | **231,288** |
| SEGMENT DEBTS | **31,235** | **25,472** | **57,676** | **49,901** | **31,766** | **28,908** | **31,012** | **34,828** | **151,689** | **139,109** | **3,257** | **-2,215** | **154,946** | **136,894** |
| INVESTMENT | **4,171** | **3,162** | **1,331** | **1,336** | **2,094** | **2,389** | **626** | **485** | **8,222** | **7,372** | **–** | **–** | **8,222** | **7,372** |

## *Geographical segmentation*

| **INFORMATION BY REGION** | *Group, consolidated* | |
|---|---|---|
| € '000 | **2017** | **2016** |
| Germany | 461,802 | 436,569 |
| Rest of Europe | 45,191 | 44,361 |
| Other | – | – |
| | **506,993** | **480,930** |

| **INFORMATION BY REGION** | *Investment* | | *Non-current assets* | |
|---|---|---|---|---|
| € '000 | **2017** | **2016** | **2017** | **2016** |
| Germany | 7,903 | 7,125 | 71,487 | 70,243 |
| Rest of Europe | 319 | 247 | 4,148 | 3,112 |
| GROUP, CONSOLIDATED | **8,222** | **7,372** | **75,635** | **73,355** |

## 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, *Jacques-IT 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 Wolf Holding GmbH & Co. KG, Wein Wolf Import GmbH & Co. Vertriebs KG, 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 29 March 2017 and is made permanently available on the Internet at 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 € 83 thousand (previous year: € 87 thousand) were sold to PIUS WEINWELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence. In addition, goods to the value of € 203 thousand (previous year: € – thousand) were purchased from St. Antony Weingut GmbH & Co. KG, over which Detlev Meyer equally exercises considerable influence.

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 2017 financial year (previous year in brackets):

| € '000 | Variable remuneration | Fixed remuneration | Attendance fees | Remuneration for services rendered in person | Total |
|---|---|---|---|---|---|
| Detlev Meyer | 33 | 8 | 27 | – | **68** |
| | (35) | (8) | (29) | (–) | (72) |
| Thomas R. Fischer | 19 | 5 | 16 | – | **40** |
| | (17) | (4) | (14) | (–) | (35) |
| Dr. Jörg Haas (from 1 December 2017) | 1 | 0 | 2 | – | **3** |
| | (–) | (–) | (–) | (–) | (–) |
| Gunnar Heinemann (until 30 November 2017) | 15 | 4 | 8 | – | **27** |
| | (17) | (4) | (11) | (–) | (32) |
| Dr.-Ing. Wolfgang Reitzle (until 19 June 2017) | 12 | 3 | 3 | – | **18** |
| | (26) | (6) | (11) | (–) | (43) |
| Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker | 17 | 4 | 14 | – | **35** |
| | (17) | (4) | (11) | (–) | (32) |
| Wilhelm Weil (from 19 June 2017) | 10 | 2 | 4 | – | **16** |
| | (–) | (–) | (–) | (–) | (–) |
| Kim-Eva Wempe | 17 | 4 | 8 | – | **29** |
| | (17) | (4) | (7) | (–) | (28) |
| TOTAL | 124 | 30 | 82 | – | **236** |
| | (129) | (30) | (83) | (–) | (242) |

In addition, sales of € 0 thousand (previous year: € 45 thousand) were realised in 2017 with Gebr. Heinemann SE & Co. KG, of which Gunnar Heinemann is limited partner and executive director. Equally, sales of € 225 thousand (previous year: € 192 thousand) were realised with Gerhard D. Wempe KG, of which Kim-Eva Wempe is managing partner. In addition, goods to the value of € 390 thousand were purchased from Weingut Robert Weil, of which Wilhelm Weil is director.

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 coshareholder. 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 2017 financial year (previous year in brackets):

| € '000 | Nonperformancerelated | Performance-related | Total |
|---|---|---|---|
| Thorsten Hermelink | 450 | 300 | **750** |
| | (450) | (300) | (750) |
| Raimund Hackenberger (from 01/03/2017) | 250 | 167 | **417** |
| | (–) | (–) | (–) |
| Alexander Borwitzky | 240 | 160 | **400** |
| | (240) | (160) | (400) |
| Nikolas von Haugwitz | 245 | 160 | **405** |
| | (245) | (160) | (405) |
| Bernd G. Siebdrat (until 31/12/2017) | 482 | 320 | **802** |
| | (482) | (320) | (802) |
| Ulrich Zimmermann (until 31/07/2016) | – | – | **–** |
| | (848) | (–) | (848) |
| TOTAL | 1.667 | 1.107 | **2.774** |
| | (2.265) | (940) | (3.205) |

The Board of Management member Raimund Hackenberger took up his post on 1 March 2017 and therefore drew no remuneration in the previous year.

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 € 271 thousand (previous year: € 270 thousand) was recognised for this commitment at 31 December 2017. Mr Hoolmans has been drawing a monthly retirement pension of € 1 thousand from this since August 2015. In addition his leave of absence from 31 December 2014 while continuing to draw his pay until 31 July 2015 was agreed; a provision of € 0.5 million created for this purpose in 2013 was gradually reversed in the previous year apart from the management bonus (€ 110 thousand), which was paid out in 2016. The Board of Management member Ulrich Zimmermann who retired with effect from 31 July 2016 is entitled to supplementary retirement pay after reaching the age of 65. The company paid an amount of € 30 thousand into a benevolent fund for this commitment in the previous year, including € 20 thousand from salary conversion. On the basis of his employment contract, the sum of € 2,743 thousand is due to the former Chief Executive Officer who died in 2016, and therefore to his estate, for the period 1 January 2016 to 31 May 2016. The net amount was deposited with the Local Court of Hamburg on 1 November 2017 and the applicable income tax paid.

There existed no loans to members of the Board of Management or Supervisory Board in the 2017 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 € 1,139 thousand (previous year: € 1,598 thousand). Of this amount, in the previous year € 408 thousand was in respect of continuing payments from the employment contract of the Board of Management member Ulrich Zimmermann, whose contract was terminated with effect from 31 December 2016.

At 31 December 2017, 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 2017.

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 | 2017 | 2016 |
|---|---|---|
| Audit services | 463 | 481 |
| Tax consultancy | 97 | 108 |
| Other services | 22 | 403 |
| TOTAL | **582** | **992** |

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 the preparation of tax returns for the 2016 assessment period.

## 48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No other events affecting the financial position, net worth and financial performance of the company for the year under review of 2017 occurred after the balance sheet date.

Hamburg, 28 March 2018

**The Board of Management**

Thorsten Hermelink        Alexander Borwitzky

Raimund Hackenberger        Nikolas von Haugwitz

# 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, 28 March 2018

**The Board of Management**

Thorsten Hermelink Alexander Borwitzky

Raimund Hackenberger 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 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2017 as well as the 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 2017. In accordance with the requirements of German law, we have not examined the content of the components of the group management report stated in the "Other information" section of our Auditor's Report.

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 at 31 December 2017 as well as of its financial performance for the financial year from 1 January to 31 December 2017, 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 those parts of the group management report listed in the "Other information" section of the group management report.

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 2017. 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 WEINART HANDELSGESELLSCHAFT MBH

3. MEASUREMENT OF PUT OPTIONS OF THE MINORITY INTEREST IN WEIN & VINOS GMBH AND 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 € 18.7 million is reported under the balance sheet item "Intangible assets", and thus represents around 7% 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 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 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 WEINART HANDELSGESELLSCHAFT MBH

1. The company acquired a majority interest of 51% in *Weinart Handelsgesellschaft mbH*, Geisenheim, from a related party in the financial year. The purchase price for this company acquisition was € 3.8 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 € 2.8 million attributable to the company, there is acquired goodwill of € 1.0 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, the complexity of the measurement and the additional disclosures required in the notes because of the acquisition of the companies from a related party, 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. The disclosures required in the notes in connection with the share acquisition from a related party were in addition evaluated. Overall, we were able to satisfy ourselves that the acquisition of the shares and the disclosures made concerning the related parties 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. MEASUREMENT OF PUT OPTIONS OF THE MINORITY INTEREST IN WEIN & VINOS GMBH AND WIRWINZER GMBH

1. Hawesko Holding AG has granted the minority interests in *Wein & Vinos GmbH*, Berlin, and *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 € 18.4 million at the balance sheet date and therefore represent around 7% of the balance sheet total.

   Both put options are measured at fair value. The company determines this essentially on the basis of the expected future earnings of the companies (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 threeyear 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 following components of the group management report, which we obtained prior to the date of our auditor's report:

- The Corporate Governance Declaration pursuant to Section 289f of HGB and Section 315d of HGB contained in the section "Management and control" of the group management report

- The separate non-financial report according to Section 289b (3) of HGB and Section 315b (3) of HGB

The other information comprises further the remaining parts of the annual report, which we obtained prior to the date of our auditor's report – excluding further cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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



Our audit opinions of 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. 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 auditing 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 19 June 2017. We were engaged by the Supervisory Board on 8 January 2018. 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, 6 April 2018

**PricewaterhouseCoopers GmbH**
**Wirtschaftsprüfungsgesellschaft**

| | |
|---|---|
| Thorsten Dzulko | ppa. Claudia Niendorf-Senger |
| Wirtschaftsprüfer | Wirtschaftsprüferin |

# SHAREHOLDINGS

*pursuant to Section 313 (2) of German Commercial Code on 31 December 2017*

| | Registered office | Equity € '000 | Ownership interest % | Net earnings **2017** € '000 |
|---|---|---|---|---|
| A. DIRECT PARTICIPATIONS | | | | |
| *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* | Hamburg | 5,165 | 100 | 7,293** |
| *Jacques' Wein-Depot Wein-Einzelhandel GmbH* | Düsseldorf | 537 | 100 | 16,235** |
| *CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG* | Hamburg | 512 | 100 | 567 |
| *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.* | Hamburg | 42 | 100 | 1 |
| *WirWinzer GmbH* | Munich | –662 | 65,67 | –994 |
| *Wein Service Bonn GmbH (Vormals: Wein Wolf Holding GmbH)* | Bonn | 8,443 | 100 | 1,756** |
| *IWL Internationale Wein Logistik GmbH* | Tornesch | –249 | 100 | –259** |
| *Wein & Vinos GmbH* | Berlin | 5,042 | 70 | 4,042 |
| *Château Classic – Le Monde des Grands Bordeaux S.A.R.L. i.L.* | Bordeaux (France) | –4,122 | 100* | –25 |
| *Sélection de Bordeaux S.A.R.L.* | Straßbourg (France) | 5 | 100 | 1 |
| *Globalwine AG**** | Zürich (Switzerland) | –566 | 95 | 318 |
| *Weinart Handelsgesellschaft mbH* | Geisenheim | 4,497 | 51 | 497 |
| B. INDIRECT PARTICIPATIONS | | | | |
| Participating interests of *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*: | | | | |
| *Carl Tesdorpf GmbH* | Lübeck | –708 | 100 | -39 |
| *The Wine Company Hawesko GmbH* | Hamburg | –1,805 | 100 | 69 |
| *Wine Dock GmbH* | Hamburg | 3,071 | 100 | –325** |
| Participating interest of *Jacques' Wein-Depot Wein-Einzelhandel GmbH*: | | | | |
| *Jacques' Wein-Depot Weinhandels m.b.H.* | Salzburg (Austria) | 103 | 100 | –3 |
| *Jacques'-IT GmbH* | Oberhaching / Deisenhofen | 25 | 100 | –24** |
| Participating interests of *Wein Service Bonn GmbH*: | | | | |
| *Wein Wolf Import GmbH & Co. Vertriebs KG* | Salzburg (Austria) | 678 | 100 | 749 |
| *Verwaltungsgesellschaft Wein Wolf Import GmbH* | Salzburg (Austria) | 69 | 100 | 6 |
| *Wein Wolf GmbH (Vormals: Wein Wolf Holding Verwaltungs GmbH)* | Bonn | 2,752 | 100 | –175 |
| *Gebrüder Josef und Matthäus Ziegler GmbH* | Freudenberg | 3,486 | 100 | 101 |
| *Alexander Baron von Essen Weinhandelsgesellschaft mbH* | Bonn | 686 | 100 | 72 |
| *Global Eastern Wine Holding GmbH* | Bonn | 1,673 | 100 | 692 |
| *Weinland Ariane Abayan GmbH (Vormals: Weinland Ariane Abayan GmbH & Co. KG)* | Hamburg | 3,767 | 100 | 3,236 |
| *Weinland Ariane Abayan Verwaltungsgesellschaft mbH* | Hamburg | 27 | 100 | 2 |
| *Deutschwein Classics GmbH & Co. KG* | Bonn | 800 | 90 | 316 |
| *Deutschwein Classics Verwaltungsgesellschaft mbH* | Bonn | 35 | 90 | 10 |
| Participating interest of *Globalwine AG*: | | | | |
| *Vogel Vins SA**** | Grandvaux (Switzerland) | 4,402 | 70 | 16 |
| Participating interest of *Weinart Handelsgesellschaft mbH*: | | | | |
| *Grand Cru Select Weinhandelsgesellschaft mbH* | Rüdesheim | 701 | 75 | 85 |
| *Weinart Handels- und Beteiligungs-GmbH* | Geisenheim | 42 | 100 | 1**** |

* *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 EUR/CHF1.4836 and the net income for the year at a rate of EUR/CHF 1.1100.*
**** *Net income for the financial year from 1 April 2016 to 31 March 2017*

# REPORT OF THE SUPERVISING BOARD

*Dear shareholders,*

The Hawesko Group achieved its growth and profitability targets for 2017: growth was stepped up significantly with sales putting on 5.4% overall and 15% online compared with previous years, and the efficiency and profitability of core business was increased. At € 507 million, consolidated sales crossed the threshold of half a billion euros for the first time in the history of the company. The 2017 EBIT-level operating result of € 30.4 million equally represents an all-time high. Despite investments in growth initiatives, the EBIT margin was maintained at 6.0%, the same as last year's comparable basis. The Supervisory Board considers the group to be in robust health and is confident about the medium and long-term outlook for business development.

## INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2017 financial year the Supervisory Board performed the tasks for which it is responsible in accordance with the legal requirements and the articles of incorporation. It was kept informed about the situation of the company both at regular meetings and in meetings of its committees, supported the Board of Management in an advisory capacity, oversaw it throughout and passed all the necessary resolutions. Over and above its routine meetings, the Board of Management in addition reported to the Supervisory Board on other important matters. The regular oral and written reports submitted to the Supervisory Board pertained to the overall position of the company and current business developments as well as to the medium-term strategy of the company, including its investment, financial and earnings plans 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 2017 financial year to assure itself of the lawfulness and regularity of the company's management, and was prepared and supported through the meetings of the Audit and Investment Committee and of the Personnel and Nominating Committee. The topics of the reports and discussions of the Supervisory Board included the current trading position of the group, the principles of corporate governance and their implementation in the company, personnel matters, compliance and risk management within the group, and also the strategic business plans. The following individual topics were considered and discussed in depth by the full board:

- Acquisitions and external growth opportunities
- The strategy, management and integration function of Hawesko Holding for the group, as well as the sensible pooling of back-office functions and logistics
- The e-commerce strategy and the market positioning of individual subsidiaries
- The reinforcing of a group-wide compliance and risk management system as well as its implementation in the individual subsidiaries
- The status of the integration of *WirWinzer, Grand Cru Select, WeinArt*
- The proposal to appoint Wilhelm Weil as successor to Prof Dr-Ing Wolfgang Reitzle and Dr Jörg Haas as successor to Gunnar Heinemann on the Supervisory Board
- The election of Thomas R Fischer as Deputy Chairman of the Supervisory Board
- The three-year plan for the financial years 2018 to 2020
- The proposal that the Shareholders' Meeting of the company appoint PricewaterhouseCoopers GmbH as auditors of the consolidated and annual financial statements for the 2017 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. No transactions on this scale were conducted in the 2017 financial year, so consent was not required.

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

All 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 2017 financial year, including the bookkeeping, were examined by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 19 June 2017. 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 2017 financial year, and the audit reports of the independent auditors on the examination of the annual and consolidated financial statements and the Board of Management's proposal on the appropriation of earnings to the Audit and Investment Committee for review. At its meeting on 23 March 2018, 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 discussed at length and examined in detail by the whole Supervisory Board at its meeting on 6 April 2018. The Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2017 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 2017 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 2017, and the Personnel and Nominating Committee on four occasions.

## 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 22 March 2017 the committee discussed the accounts of the subsidiaries in the presence of the auditors, as well as compliance and risk management topics. On 8 May 2017 it gave further consideration to the compliance and risk management system in the group. On 26 July 2017 it dealt with the strategic direction of one subsidiary as well as one firm acquisition project. On 2 November 2017 audit priorities were defined for the 2017 audit of the financial statements and topics relating to compliance and risk management were again discussed, including the setting-up of a system that enables employees and third parties to report legal violations in the company along a secure channel (whistle-blowing). The meeting on 28 November 2017 was devoted to the three-year plan as well as a discussion of the market development and the group strategy.

## WORK OF THE PERSONNEL AND NOMINATING COMMITTEE

At its meeting on 29 March 2017, the Personnel and Nominating Committee considered personnel matters, the remuneration system for management personnel in the group, the proposal to appoint Wilhelm Weil as successor to Prof Dr-Ing Wolfgang Reitzle and the competency profile for the composition of the Supervisory Board. On 19 June 2017 it also addressed the remuneration system for management personnel in the group, the competency profile for the composition of the Supervisory Board, as well as the appointment of a third director at Hawesko.de. On 11 September 2017 it considered the proposal to appoint Dr Jörg Haas to the Supervisory Board as successor to Mr Gunnar Heinemann. On 6 December 2017 it dealt with personnel matters.

## CORPORATE GOVERNANCE

On 29 March 2017 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 substantively 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 161); the document is also available on the Internet at 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*
Raimund Hackenberger was appointed Chief Financial Officer with effect from 1 March 2017.

*Supervisory Board*
On 19 June 2017 Prof Dr-Ing Wolfgang Reitzle resigned from the Supervisory Board after the close of the Shareholders' Meeting and Wilhelm Weil was simultaneously elected to the Supervisory Board by the Shareholders' Meeting. Gunnar Heinemann resigned with effect from 30 November 2017 and the Local Court of Hamburg appointed Dr Jörg Haas as his replacement with effect from 1 December 2017. The Supervisory Board would like to thank Wolfgang Reitzle and Gunnar Heinemann for their dedicated work on this board.

*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, 6 April 2018

**The Supervisory Board**

Detlev Meyer
Chairman



# CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

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

## A. FUNADAMENTALS 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 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 2017 financial year. They jointly declare that, from 29 March 2017 (date of submission of the last Declaration of Compliance) the recommendations of the German Corporate Governance Code ("Code") as amended on 5 May 2015 (published in the official section of the Federal Gazette on 12 June 2015) were complied with, excepting the discrepancies stated in the following under Nos. 2–4, and that 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, excepting the discrepancies stated under Nos. 1–4. Hawesko Holding AG will continue to comply with the recommendations of the Code as amended on 7 February 2017, excepting the discrepancies stated in the following under Nos. 1–4. 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/.

1. *Establishment of a whistleblower system*
   Article 4.1.3 of the Code recommends granting employees a suitable opportunity to report legal violations in the company along a secure channel, and also extending this scope to third parties.

Hawesko Holding AG takes the view that a whistleblower system constitutes an important tool for revealing legal violations in the company. For that reason the Board of Management drew up an effective whistleblower system in 2017 and expects it to be implemented in the second quarter of 2018.

2. *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.

3. *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.

4. *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, 11 April 2018

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

## 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. In the case of the subsidiaries where the shareholding is not 100%, the respective directors hold a minority interest. The parent company Hawesko Holding AG and the majority of the subsidiaries are domiciled in the Federal Republic of Germany. The subsidiaries not based in Germany are all domiciled in other European Union countries or in Switzerland.

The Hawesko Group is essentially divided into three business segments (referred to as "brand units") (cf. "Strategy" section in the combined management report).

The Board of Management uses EBIT and ROCE as the basis for its management approach. The target minimum rates of return are presented in the "Management system" section of the combined management report. The targets and the development of the individual 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.

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

According to the articles of incorporation the Supervisory Board comprises six members, elected by the Shareholders' Meeting. It elects a Chairman and a

*__EBIT:__ earnings before interest and taxes. It is an indicator of the company's operating profitability.*
*__ROCE:__ return on capital employed. This is the ratio of EBIT to the average amount of capital employed and provides an indication of the return on the capital employed in the period under review.*

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 in addition coordinates personnel affairs regarding 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 hc 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.

*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 endeavours also to take diversity aspects into consideration, and not solely specialist and personal qualifications of the candidates, in making its election proposals to the Shareholders' Meeting. The defined target for the proportion of women on the Supervisory Board remains at least one woman by the deadline of 30 June 2022. It is currently met.

*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 the Supervisory Board of Hawesko Holding AG that contains both key statutory requirements and recommendations of the Code on the composition of the Supervisory Board and also the objectives of the Supervisory Board regarding its composition and 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 including the disclosures 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. To that extent 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 more 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.

To avoid potential conflicts of interest, no more than two former Board of Management members are to serve on the Supervisory Board. 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 a proportion of at least one woman and 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 hc 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. The requirements profile for the Supervisory Board did not yet apply in the 2017 financial year because it had not yet been approved at the time of the election of Mr Weil and the appointment by court of Mr Haas. Their appointment nevertheless contributes towards attaining the targets in the requirements profile.

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

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

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.

Since 1 January 2011 a compliance code passed 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/.

### *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 four 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 plays a 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 0–30% 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.

This expertise need not have been acquired through university studies or another form of training; it may also have been acquired by other means within or outside the Hawesko Group.

(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. The diversity concept was not yet applied in the 2017 financial year because the appointment of Mr Raimund Hackenberger as Board of Management member with effect from 1 March 2017 was resolved before the approval of the diversity concept. His appointment nevertheless contributes towards attaining the targets in the diversity concept.

## D. FINANCIAL REPORTING AND AUDITING OF FINANCIAL STATEMENTS

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

The following was agreed with the independent auditors:
1. The Chairman of the Audit and Investment Committee shall be informed without delay if potential reasons for exclusion or conflicts of interest that cannot be rectified without delay come to light during the audit.
2. The independent auditor shall report on all findings and occurrences identified while conducting the audit of the financial statements that are of material significance for the work of the Supervisory Board.
3. If the independent auditor should, while conducting the audit of the financial statements, identify facts that have led to a misstatement in the Declaration of Compliance issued by the Board of Management and Supervisory Board in respect of the Corporate Governance Code (Section 161 of the German Stock Corporation Act), it shall note this in the audit report and inform the Chairman of the Supervisory Board of this.

## 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 Interim 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, 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 2017, 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, 11 April 2018

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

# BOARD OF MANAGEMENT AND SUPERVISORY BOARD

## MEMBERS OF THE BOARD OF MANAGEMENT

*Thorsten Hermelink, Chief Executive Officer, Hamburg*
Thorsten Hermelink (born 1969) completed his business studies at the University of Lüneburg in 1994 with a Business Administration degree. He subsequently held senior positions at international-scale trading companies. He has been Chief Executive Officer of Hawesko Holding AG since December 2015 and has been responsible for the brand unit B2B (wholesale/distribution segment) since January 2018.

*Alexander Borwitzky, Düsseldorf*
Alexander Borwitzky (born 1968) completed his MBA at Nottingham University Business School in 1992. After management positions in several international retail groups he has been a director of *Jacques' Wein-Depot* since 2013 and has responsibility for the brand unit Omni-Channel (specialist wine-shop retail segment) as a member of the Board of Management since January 2015.

*Raimund Hackenberger, Hamburg (since 01/03/2017)*
Raimund Hackenberger (born 1968) studied at the University of Trier (degree in Business Administration). After senior positions in leading German and international consumer-goods companies he became Chief Financial Officer of Hawesko Holding in March 2017.

*Nikolas von Haugwitz, Hamburg*
Nikolas von Haugwitz (born 1968) studied at the Free University of Berlin and received a degree in Economics. Since 2003 he has held senior management positions in the Hawesko Group. He has been responsible for the brand unit digital (distance-selling segment) in the Board of Management since January 2015.

*Bernd G. Siebdrat, Bonn (until 31/12/2017)*
Bernd G Siebdrat (born 1956) is co-founder of Wein Wolf Holding, which was started in 1981 and acquired by Hawesko Holding in 1999. In January 2008 he joined the Board of Management of Hawesko Holding AG, where he was responsible for the brand unit B2B (wholesale/distribution segment) before leaving the Board of Management at the end of 2017.



## MEMBERS OF THE SUPERVISORY BOARD

*Detlev Meyer[1]*
– Chairman –
Managing Director of Tocos Beteiligung GmbH, Hamburg

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

*Prof. Dr.-Ing. Wolfgang Reitzle[1] (until 19/06/2017)*
– Deputy Chairman –
Former Chairman of the Executive Board of Linde AG

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:
Axel Springer SE, Berlin;
Continental AG, Hanover;
Ivoclar Vivadent AG, Schaan, Liechtenstein;
Linde AG, Munich;
Medical Park AG, Amerang

*Thomas R. Fischer[2]*
– Deputy Chairman – (from 11/09/2017)
Speaker of the Board of Management of Marcard Stein & Co. AG, Hamburg, and Managing Director of Marcard Family Office Treuhand GmbH, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:
Bianco Footwear A/S, Kolding, Denmark;
Hannover 96 GmbH & Co. KGaA, Hanover;
HF Fonds X. Unternehmensbeteiligungs-GmbH, Hanover;
WARBURG INVEST Kapitalanlagengesellschaft mbH, Hamburg

*Dr. Jörg Haas[2] (from 01/12/2017)*
Chief Executive Officer, HW Partners AG, Bonn; Managing Partner of BonnVisio Group and Invite Group (both domiciled in Bonn)

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:
Digital Hub Region Bonn AG, Bonn

*Gunnar Heinemann[2] (until 30/11/2017)*
Former Managing Partner of Gebr. Heinemann KG, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:
Gebr. Heinemann SE & Co. KG, Hamburg

*Professor Dr. iur. Dr. rer. pol. Dres. h.c. Franz Jürgen Säcker[2]*
Executive Director of the Institute for Energy and Regulatory Law e. V., Berlin

*Wilhelm Weil[1] (from 19/06/2017)*
Director of Robert Weil Winery, Kiedrich

*Kim-Eva Wempe[1]*
General and Managing Partner of Gerhard D. Wempe KG, Hamburg

*[1] Member of the Personnel and Nominating Committee. Detlev Meyer is Chairman.*
*[2] Member of the Audit and Investment Committee. Prof Dr Dr Dres hc Franz Jürgen Säcker is Chairman. Thomas R. Fischer fulfills the function of financial expert in accordance with the regulatory requirements of Section 100 (5) German Stock Corporation Law (AktG).*

# KEY FINANCIAL DATA OF HAWESKO GROUP

| € million | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net sales | 338.8 | 338.5 | 377.7 | 409.1 | 446.4 | 465.2 | 472.8 | 476.8 | 480.9 | 507.0 |
| Gross profit | 135.6 | 138.4 | 150.1 | 161.7 | 181.8 | 190.5 | 198.0 | 198.4 | 204.4 | 212.9 |
| – as % of net sales | 40.0 % | 40.9 % | 39.7 % | 39.5 % | 40.7 % | 40.9 % | 41.9 % | 41.6 % | 42.5 % | 42.0 % |
| Operating result before depreciation and amortisation | 30.0 | 27.1 | 31.3 | 31.5 | 32.8 | 29.4 | 26.9 | 27.4 | 37.0 | 38.6 |
| – as % of net sales | 8.9 % | 8.0 % | 8.3 % | 7.7 % | 7.3 % | 6.3 % | 5.7 % | 5.7 % | 7.7 % | 7.6 % |
| Depreciation and amortisation | 4.5 | 4.7 | 5.6 | 5.3 | 7.2 | 6.8 | 6.8 | 7.3 | 7.4 | 8.2 |
| Operating result (EBIT) | 25.5 | 22.4 | 25.7 | 26.2 | 25.6 | 22.6 | 20.1 | 20.1 | 29.6 | 30.4 |
| – as % of net sales | 7.5 % | 6.6 % | 6.8 % | 6.4 % | 5.7 % | 4.8 % | 4.2 % | 4.2 % | 6.2 % | 6.0 % |
| Consolidated net income (after taxes and minority interest) | 14.6 | 13.1 | 20.0 | 17.9 | 22.5 | 16.2 | 14.8 | 12.2 | 18.5 | 18.5 |
| Cash flow from current operations | 24.7 | 28.8 | 21.8 | 16.9 | 17.5 | 31.1 | 19.3 | 26.1 | 28.9 | 13.8 |
| Cash flow from investing activities | –5.8 | –7.1 | 2.5 | –4.1 | –25.4 | –7.5 | –5.1 | –5.8 | –15.4 | –10.5 |
| Free cash flow | 17.5 | 20.8 | 23.8 | 12.3 | –8.9 | 22.7 | 13.1 | 19.7 | 13.1 | 2.8 |
| Proposed dividend distribution for the current year (parent company) | –10.6 | –11.9 | –15.7 | –14.4 | –14.8 | –14.8 | –11.7 | –11.7 | –11.7 | –11.7 |
| Non-current assets | 44.7 | 46.5 | 52.6 | 47.6 | 65.9 | 64.7 | 60.3 | 60.3 | 73.4 | 75.6 |
| Current assets | 125.4 | 127.1 | 149.2 | 168.8 | 170.0 | 169.5 | 156.9 | 159.5 | 157.9 | 184.1 |
| Equity less proposed dividend | 66.6 | 70.2 | 77.8 | 81.1 | 74.9 | 77.3 | 79.4 | 79.6 | 82.7 | 93.1 |
| – as % of balance sheet total | 39.1 % | 40.5 % | 38.6 % | 37.5 % | 31.8 % | 33.0 % | 36.6 % | 36.2 % | 35.8 % | 35.8 % |
| Total assets | 170.1 | 173.6 | 201.8 | 216.4 | 235.8 | 234.3 | 217.2 | 219.8 | 231.3 | 259.7 |
| Capital employed | 102.9 | 103.1 | 101.8 | 105.7 | 140.3 | 140.8 | 137.5 | 137.3 | 139.5 | 154.9 |
| Return on total assets | 14.7 % | 13.0 % | 13.7 % | 12.5 % | 11.3 % | 9.6 % | 8.9 % | 9.2 % | 13.1 % | 11.6 % |
| Return on capital employed | 24.8 % | 21.7 % | 25.3 % | 24.8 % | 18.3 % | 16.0 % | 14.6 % | 14.7 % | 21.2 % | 19.6 % |
| Earnings per share (€) | 1.67 | 1.48 | 2.24 | 1.99 | 2.51 | 1.80 | 1.65 | 1.36 | 2.06 | 2.06 |
| Regular dividend per share (€) | 1.20 | 1.35 | 1.50 | 1.60 | 1.65 | 1.65 | 1.30 | 1.30 | 1.30 | 1.30 |
| Bonus dividend payment (€) | – | – | 0.25 | – | – | – | – | – | – | – |
| Total dividend per share (€) | 1.20 | 1.35 | 1.75 | 1.60 | 1.65 | 1.65 | 1.30 | 1.30 | 1.30 | 1.30 |
| Total shares (average number outstanding in the year. '000) | 8,742 | 8,835 | 8,915 | 8,983 | 8,983 | 8,983 | 8,983 | 8,983 | 8,983 | 8,983 |
| Year-end share price (€) | 19.43 | 23.00 | 29.42 | 35.23 | 40.06 | 38.25 | 41.52 | 41.48 | 43.30 | 51.00 |
| Market capitalisation at end of year (€) | 171.7 | 203.4 | 264.3 | 316.5 | 359.9 | 343.6 | 372.9 | 372.6 | 389.0 | 458.2 |
| Total employees (average for year) | 614 | 657 | 696 | 739 | 835 | 925 | 925 | 933 | 940 | 954 |

# FINANCIAL CALENDAR

| | |
|---|---|
| **19 APRIL 2018** | Annual press conference/Analyst conference |
| **9 MAY 2018** | Interim report at 31 March 2018 |
| **11 JUNE 2018** | Annual Shareholders' meeting |
| **2 AUGUST 2018** | Half-year interim report |
| **8 NOVEMBER 2018** | Interim report at 30 September 2018 |

| | |
|---|---|
| **STOCK EXCHANGES** | Frankfurt XETRA, Hamburg |
| **CODE** | HAW, HAWG |
| **ISIN** | DE0006042708 |
| **SHARES ISSUED** | 8,983,403 no par-value bearer shares |
| **SUBSCRIBED CAPITAL** | € 13,708,934.14 |
| **INDUSTRY SEGMENT** | Retail, wholesale, internet trade (B2B, B2C), trade |



# IMPRINT

**PUBLISHED BY**
Hawesko Holding AG
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This annual report is published in German and English. In case of discrepancies, the German version shall prevail.

**CONCEPT AND DESIGN**
H4 Agentur für Markenentwicklung & Markenkommunikation GmbH
Hamburg, Germany

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Flaschen Wein in einer Zeile
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