HAWESKO
HOLDING AG

Annual report 2012

NUMBER 1 IN THE TRADE WITH PREMIUM WINES

Financial calendar

7 May 2013	Annual press conference Analyst conference Interim report at 31 March 2013
17 June 2013	Annual Shareholders' Meeting
7 August 2013	Half-year interim report
6 November 2013	Interim report at 30 September 2013
Early February 2014	Press release with preliminary figures for 2013
Early May 2014	Annual press conference Analyst conference Interim report at 31 March 2014

Success with premium wines – substantial, profitable, lasting

FINANCIAL HIGHLIGHTS

		2012	2011	
NET SALES	(€ million)	**448.6**	411.4	+9.0%
GROSS PROFIT	(€ million)	**182.8**	162.7	+12.3%
CONSOLIDATED EBIT	(€ million)	**26.1**	26.8*	–2.3%
EARNINGS PER SHARE (NON-RECURRENT INCOME ELIMINATED)	(€)	**1.99**	1.99	±0%
EARNINGS PER SHARE (INCLUDING EXTRAORDINARY INCOME)	(€)	2.51	1.99	+26.0%
ROCE		**19%**	25%	–6%-points
DIVIDEND YIELD	(31/12)	**4.1%**	4.5%	–0.4%-points
EMPLOYEES		**847**	750	+12.9%

* *Figure for 2011 restated through early application of IAS 19 (revised)*

Complementary business segments open up high-end markets

WINE-SHOP RETAIL

- Trading names:
  Jacques' Wein-Depot
  (Germany/Austria)
- Target group:
  younger, more adventurous private customers
- Market segment:
  controlled quality wines – exclusive to *Jacques'* – average price: over € 6 per bottle
- Addresses base:
  approx. 1,300,000
- Number of outlets:
  Germany: 278,
  Austria: 4

Jacques'

MAIL-ORDER WINE

- Trading names:
  - *Hanseatisches Wein- und Sekt-Kontor*
  - *Carl Tesdorpf – Weinhandel zu Lübeck*
  - *The Wine Company* (Sweden)
  - *Wein & Vinos*
- Target group:
  epicurean, affluent private customers as well as business customers (Christmas gifts)
- Market segment:
  upmarket and premium wines, average price: € 8 per bottle
- Addresses base:
  approx. 1,800,000

Hanseatisches
Wein & Sekt Kontor

WHOLESALE & DISTRIBUTION

- Trading names:
  - *Wein Wolf* Group
  - *CWD Champagner- und Wein-Distributions-gesellschaft*
  - *Château Classic – Le Monde des Grands Bordeaux*
- Target group:
  top-class restaurants and re-sellers
- Market segment:
  upmarket and premium wines, average price: € 7 per bottle (at wholesale prices)
- Customer base:
  approx. 13,000

WEIN WOLF

Alexander Margaritoff, Chairman and Chief Executive Officer

Dear fellow shareholders,

Taking stock of the past financial year, we find that the Hawesko Group again grew faster than the market in 2012. With revenue gaining 9% to reach a new record high of € 449 million, we again increased our market share as, according to the German Wine Institute, the market for wine in Germany grew by a mere 1.2% over the same period.

Our successful growth strategy essentially rests on three pillars. First, we are developing our traditional, exceptionally well established sales channels as methodically as ever. Second, we are just as systematic in our quest for new ways of making even more people aware of our choice of products. In doing so, we see the challenges of ever swifter changes in customer behaviour as an opportunity. Today's customers are no longer tied to one specific sales channel; they use whichever option suits them at any given time. There is consequently a need for ever greater convergence between classic mail order, shop-based retailing and online trading if customers are to be consistently offered a recognisably coherent shopping experience, whatever the channel. And third, we are always on the lookout for acquisitions – in Germany or internationally – that represent a good strategic fit.

The evidence that this strategy works is in the fact that we are now reaping the rewards of having positioned ourselves as one of the pioneers of online trading as far back as the 1990s, and we have made a concerted, independent effort to drive that segment – with the result that in sales terms we are now the No. 1 for wines online. This is a status we intend not simply to hold on to, but to develop further, which is why we will be focusing much of our investment on this area in future.

So in terms of our competitive position in the wine market, the 2012 financial year was again clearly a success. None the less, we did not quite manage to repeat the previous year's record earnings. The operating result (EBIT) was down on 2011 at € 26.1 million. One year ago I wrote in this letter that for all the attention we devote to building on our growth, we are determined not to lose sight of profitability. That goes unequivocally for the 2012 financial year, too.

As with the retail trade in general, Christmas business is especially important for Hawesko. In that respect, atypical trading patterns at that time of year can potentially have an exceptionally big impact. We found ourselves in precisely such a situation in 2012: very late orders coincided with a software changeover in the mail-order segment.

Added to this, *Château Classic*, our subsidiary in Bordeaux, had to absorb a higher-than-expected loss. The bottom line was that sales and the operating result did not quite live up to our original expectations for 2012.

It is therefore all the more welcome that positive non-recurring effects within the financial result meant the consolidated net income after taxes and non-controlling interests still rose sharply by 26% to € 22.5 million, or € 2.51 per share (previous year: € 17.9 million or € 1.99 per share) – because that exceeded our expectations. However we naturally want to earn our money with the operating business, as that is the only way we will remain successful in the long term. Let me now turn to our individual operating segments:

Jacques' Wein-Depot maintained its long-standing track record of success and increased its sales by 3.8% to just under € 127 million. The sales figure adjusted for the change in selling space was up 2.4%, the seventh successive year of like-for-like growth. It is our declared aim to embed the multichannel strategy firmly within the day-to-day business of the retail outlets.

The wholesale segment experienced a slight drop in sales in 2012 due to the business performance of *Château Classic*, and was down 2.6% at € 176 million. By contrast, the other wholesale subsidiaries in Germany, Austria and Switzerland continued to grow. In Switzerland we have moreover extended our reach with the acquisition of a trader based in the French-speaking part of the country, thus lending our business development decidedly more momentum.

The mail-order segment achieved an impressive growth rate of 34% in 2012 following the inclusion of the Spanish wine specialist *Wein & Vinos* for the first time; its sales reached € 145 million. This segment is currently benefiting most from the online boom. For as I said earlier: Hawesko ranks No. 1 in terms of sales among e-commerce wine businesses worldwide, both with *Wein & Vinos* and with the group's online wine trading concepts developed in-house.

Dear shareholders, developing our business model in a way that anticipates market evolution demands first and foremost a sound financial basis. We currently have a robust financial structure and a very healthy equity ratio of 38%. 2012 saw us yet again exceed the strategic minimum of a 16% return on capital employed – in fact, we outperformed the benchmark comfortably in achieving 19%.

The capital market knows us to be a steady, well-rooted company and views our shares as an attractive long-term investment. Over the course of 2012 the trading price of Hawesko Holding AG shares again appreciated overall, though the gain of 14% is just below the performance of the SDAX index, Hawesko shareholders once more collected an attractive dividend in 2012. In keeping with this worthy tradition, we will again be proposing a higher dividend to this year's Shareholders' Meeting. Having distributed € 1.60 per share for the previous year, the management now proposes a payout of € 1.65 per share for the 2012 financial year.

We intend to maintain our profitable growth in the 2013 financial year that is currently under way, and are targeting a sales increase in the order of 6%. We are again looking to achieve a proportionately higher increase in the operating result (EBIT): our target is around € 28 million. We likewise aim to grow both sales and profit in 2014, and – with a bit of luck – could even reach the milestone sales figure of half a billion euros!

"To trade is to change" – so goes a saying in German that is maybe as old as trading itself. It is therefore impossible to be certain in which direction our journey will take us. That was something neither my father knew when he established the company in 1964, nor my brother and I when we took over the family firm in 1981. But this much is sure: the Hawesko Group will remain as active as ever in defining its business and market, and will invest systematically in new customers and new ways of accessing them.

And it is equally certain that such sustained success only comes if you have dedicated people who identify wholeheartedly with their company. I therefore take this opportunity, together with my Board of Management colleagues, to thank all our employees for yet again making an exceptional contribution to the development of the company. Our thanks also go to our partners both at *Jacques' Wein-Depot* and in the wholesale network, as well as to our suppliers from all parts of the world that enjoy that blessed status of wine-growing regions. We promise you all, along with loyal and new customers alike, that we will strive to earn your trust every day anew.

Yours sincerely,

Alexander Margaritoff

from left to right: Ulrich Zimmermann, Bernd Hoolmans, Alexander Margaritoff, Bernd G Siebdrat

THE BOARD OF MANAGEMENT OF HAWESKO HOLDING AG

Alexander Margaritoff, Chairman and Chief Executive Officer

Alexander Margaritoff (born 1952) graduated from the University of Sussex, England, with degrees in Economics (B.A.) and Contemporary European Studies (M.A.). In 1981 he joined the company *Hanseatisches Wein- und Sekt-Kontor*. He is responsible for all companies in which Hawesko Holding AG has shareholdings and in particular for the mail-order segment.

Bernd Hoolmans

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

Bernd G Siebdrat

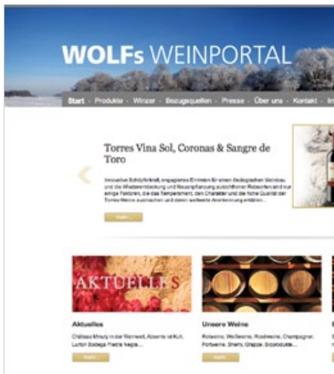
Bernd G Siebdrat (born 1956) is co-founder and managing director of *Wein Wolf Holding GmbH & Co. KG*, which was started in 1981 and became a subsidiary of Hawesko through its acquisition in 1999. His primary responsibility is the wholesale segment.

Ulrich Zimmermann, Chief Financial Officer

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

Innovative concepts for a product with tradition

Today more than ever, the trade faces the challenge of coming up with the right sales strategies for a world undergoing a rapid process of change.



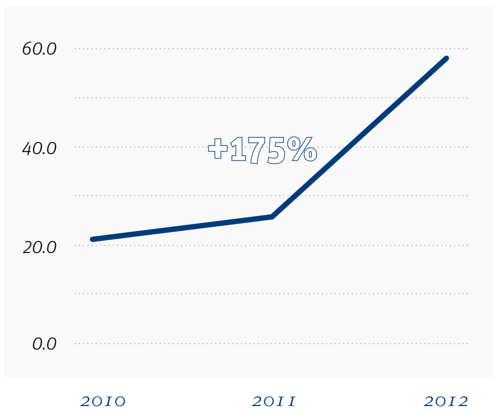
More than a mere commodity

Wine has been cultivated, traded and enjoyed for many millennia almost all over the world. Much has of course changed since its earliest days and the future will bring many a new development, too. But one thing has stayed the same: wine is more than a mere commodity; it is part of our culture, and therefore calls for particular appreciation and skill. From the very outset the Hawesko Group has succeeded in nurturing wine’s special character, on which it has built its economic success. And that is one aspect it does not plan to change.

The leading online wine trader

Since as far back as the mid-1990s, Hawesko has been investing systematically in online sales in all three segments of the group. It uses both well-established and new concepts to attract a steadily growing circle of customers by delivering exactly what they want. 24 hours a day. 7 days a week. From anywhere in the world. And always with the special touch that customers have come to expect from Hawesko. No wonder, then, that in terms of sales the group is now the biggest online wine mail order business in the world.

E-COMMERCE SALES (€ '000)



Winds of change from Spain

Having acquired a majority interest in the Spanish wine specialist Wein & Vinos, the Hawesko Group is using its involvement in the young, innovative company to bring its e-commerce activities even more sharply into focus.

Mad about Spanish wine

In the mid-1990s Wolf Wilder and Jörg Horn, two students from Berlin, get to know each other while travelling in Spain. They are both fascinated by the country – and especially by Spain's culture of wine. Back in Germany the subject captivates them, so they start *Wein & Vinos* in 1996 with two friends. Word soon gets around that the guys in the little shop in Berlin-Kreuzberg are really passionate about Spanish wine. Gradually, poco a poco, not only are more shops added but also an online business takes off.

Wein & Vinos founders Wolf Wilder and Jörg Horn

New discoveries

Today *Wein & Vinos* is Germany's biggest specialist dealer of high-quality Spanish wines; it offers a very special, personally selected range of wines that is a far cry from the customary, well-trodden path of Spanish wines, with some real insider tips and truly remarkable products of the Iberian wine culture. *Wein & Vinos* has over 1,800 exciting wines and sparkling wines on hand for wine lovers. Besides excellent wines for everyday drinking there is also a large number of elite products of Spanish viticulture. In addition *Wein & Vinos* is keen to identify new trends in Spanish wine-growing while at the same time developing its own innovative wine concepts.

Forward-looking business model

There are two pillars to *Wein & Vinos'* business – online trading and classic retail business. The company now generates the larger part of its sales online: having launched its first online shop at the end of the 1990s, the company has been making a concerted effort to build up its e-commerce arm since 2004. *Wein & Vinos* combines a focus on a younger clientele with intelligent use of the possibilities of the Internet, and also with straightforward, lean processes. Double-digit percentage growth confirms the sustainability of this approach – into the future as well.

Wein & Vinos contributes:

✓ Specific targeting of younger customers
✓ Shared expertise
✓ Expansion of the product range
✓ Ample potential for growth

European market leader with profitable growth

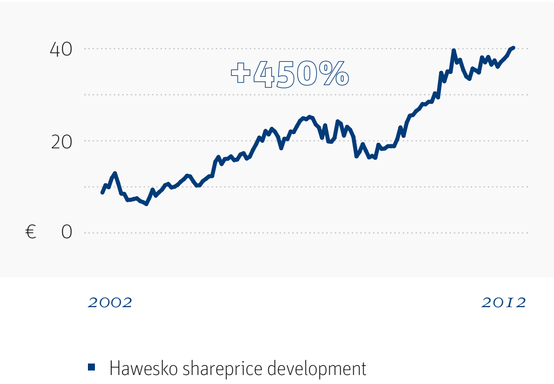
Based on a solid foundation and a clear strategy oriented toward its customers, the Hawesko Group is aiming at further growth in 2013 – as well as further continuity in its dividend policy.

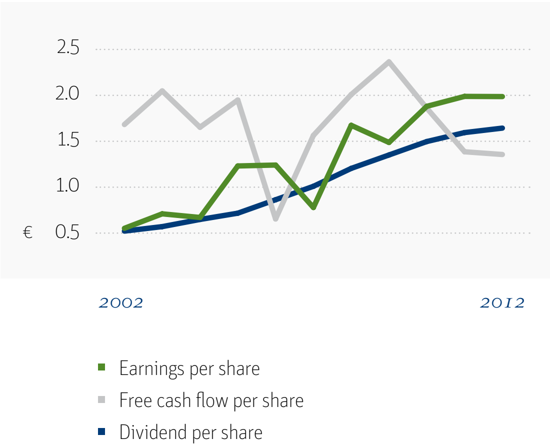
Faster than the market

With its uncompromising focus on quality – of products and service alike – the Hawesko Group has already been growing faster than the market for many years. Safeguarding its position right at the vanguard of the field of competitors is a forward-looking investment approach designed to expand all sales channels. 2012, for example, brought the introduction of new software that helps provide even better support for suppliers and customers. The systematic reinvestment of income is a vital part of preparing for further profitable growth.

Sharing our success with the shareholders

Hawesko's dividend policy aims for attractive distribution levels. In every single one of the past ten years, the dividend has been higher than in the previous year – topped up with the occasional bonus, too. The key factor to such a successful performance is the ability to manage change, and identify new challenges swiftly and systematically in order to respond promptly. That requires first and foremost financial leeway and a sound financial basis. With a strong equity ratio of 38% the group is able to take up the challenges of the future, too.





(2010 and 2012 non-recurrent income eliminated)

Acting now to safeguard tomorrow's success

Along all sales channels, but especially in the rapidly growing area of online business, Hawesko is continually testing new ways of increasing market success. New concepts specifically for online sales as a major priority as well as the integration of online and offline business in as practical a way as possible. Customers want to enjoy the best of both worlds: the possibilities of the web and the familiarity of the local shop.

2012: a successful year's trading overall

The Hawesko Group made great progress in 2012 above all in the expansion of online trading. However, the demand for top Bordeaux and the year-end business fell short of expectations.

COMBINED GROUP MANAGEMENT REPORT

of Hawesko Holding Aktiengesellschaft for the 2012 financial year

Hawesko Holding Aktiengesellschaft has its origins in the wine mail-order company *Hanseatisches Wein- und Sekt-Kontor*, founded in 1964, and the wine specialist retailer *Jacques' Wein-Depot*, which was established in 1974. Hawesko Holding AG was created on 1 January 1998 through the contribution of these companies, together with the wine wholesaler *CWD Champagner- und Wein-Distributionsgesellschaft*. In 1999, a majority shareholding of 90% was acquired in the *Wein Wolf Group*, one of the leading wine wholesalers in Germany, and increased to 100% in 2008. Since the merger with *Wein Wolf*, the Hawesko Group has been Germany's largest supplier of high-quality wines and champagnes.

The Hawesko Group trades wines of superior quality and offers them expertly to consumers (in the "specialist wine-shop retail" and "mail-order" segments) or retailers (in the "wholesale/distribution" segment). In 2012, approx. 89% (previous year: 86%) of consolidated sales were generated in the Federal Republic of Germany. Each of the group's three business segments is a leader in its respective market.

Long-standing relations with top wine producers and numerous exclusive distribution rights in Germany for wines of worldwide repute are among the mainstays of the company's business. The principal locations are Hamburg and Tornesch (management headquarters and administrative offices for the mail-order segment, logistics base for wholesale/distribution and mail-order operations), Düsseldorf (administrative offices for the specialist wine-shop retail segment through the market presence of *Jacques' Wein-Depot*) and Bonn (administrative offices for the wholesale/distribution segment). The subsidiary *Wein & Vinos* that has been part of the group since 2012 has its head office and six retail outlets in Berlin; there is a further outlet in Munich. *Jacques' Wein-Depot* has sales outlets throughout Germany. There moreover exist international branches for wholesale trade (Czech Republic, Austria, France, Switzerland) and of *Jacques' Wein-Depot* (Austria); trading under the name of *The Wine Company*, the mail-order segment serves the Swedish market from its centre in Hamburg.

GENERAL SITUATION

GERMAN ECONOMY 2012 – FURTHER GROWTH

2012 was another year of growth for the German economy, though its pace was slower than in the previous two years. According to calculations by the Federal Statistical Office, gross domestic product (GDP) as the lead indicator of overall economic output was up 0.7% on the previous year. GDP had grown by 3.0% in 2011 and by 4.2% in 2010. In those two years, the economy was dominated by a catching-up process following the global economic crisis of 2009, when GDP had contracted by 5.1% compared with 2008. Especially compared with the remainder of Europe, the German economy proved to be largely crisis-proof in a difficult environment, but it too experienced a marked slowdown in the second half of the year, and especially in the final quarter. Price-adjusted consumer spending was up 0.8% (previous year: 1.7%).

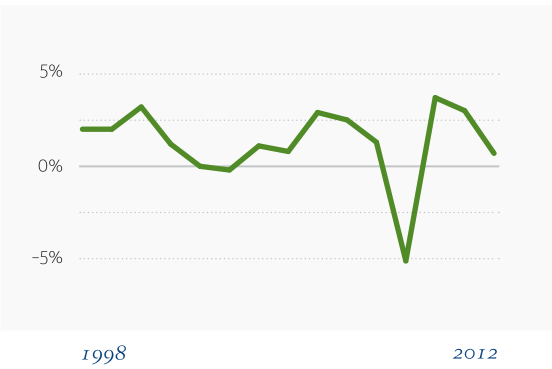
The consumer climate index compiled by Gesellschaft für Konsumforschung (GfK) held steady over the year as a whole, edging up to a five-year high in the autumn but yielding towards the end of the year. According to GfK's experts, domestic demand is playing an increasingly important economic role.

GERMAN WINE MARKET

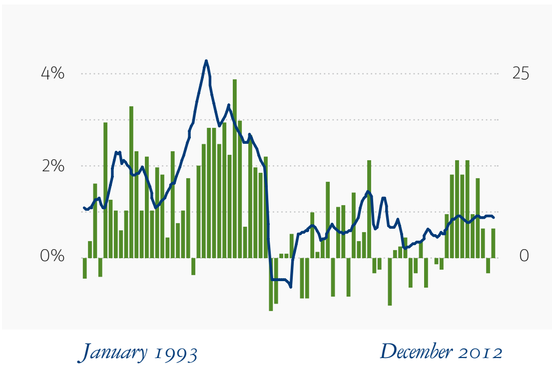
According to figures from the German Wine Institute, the German wine market achieved overall growth of 1.2% in terms of value, but its volume contracted by 2.8% compared with 2011. These figures supply further evidence of a fundamental trend in consumer behaviour: on average, people are spending more on wine. The Hawesko Board of Management estimates that the average price for the customary 0.75 l bottle in the food retailing trade, including discounters, was around € 2.00. GfK's research indicated a price of € 1.97 per bottle in the previous year.

According to estimates by the Hawesko Board of Management a continued revival in the upmarket segment of the German wine market (i.e. costing € 4.00 per bottle upwards) could be observed in 2012 compared with the depths of the crisis in 2009. The market as a whole is still dominated by the encroachment of grocery discounters. Over the five-year period from 2001 to 2005 those players succeeded in increasing their share of the market's overall volume from around one-third to approximately half – their share has since remained stable at that level, whereas the food retailing trade in the broader sense has increased its share.

GDP GROWTH (%)

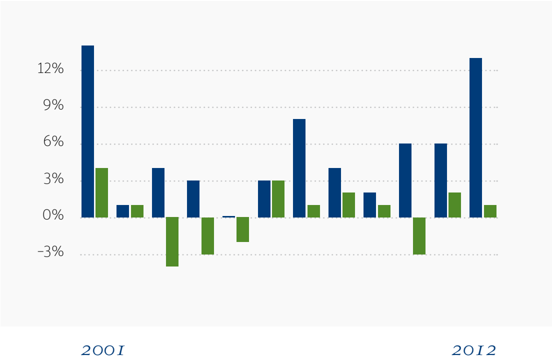


PRIVATE CONSUMPTION EXPENDITURE/CONSUMER CLIMATE



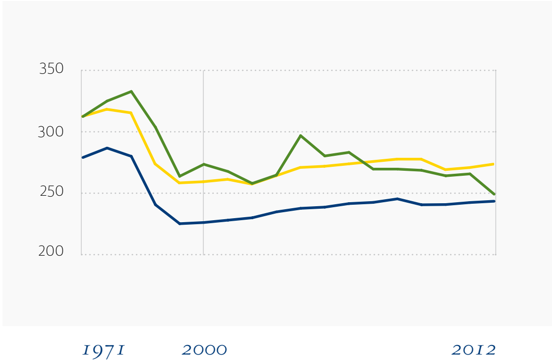
- Consumption expenditure of private domestic households, seasonally adjusted, change against the same quarter of the previous year (%)
- GfK consumer climate *(Source: Frankfurter Allgemeine Zeitung, 31 March 2005, supplemented by data from GfK)*

DOMESTIC SALES DEVELOPMENT HAWESKO GROUP



- Hawesko Group domestic sales
- Total German wine market

WORLD WINE PRODUCTION AND CONSUMPTION (mill. of hectolitres)



- Consumption
- Production
- Total use incl. distillation

(Sources: Das Deutsche Weinmagazin, 12 Jan 2010; Point de conjoncture OIV, Octobre 2012)

The Hawesko Management Board puts the value of the German market at almost € 7 billion, of which the upmarket segment (from € 4.00 per bottle) accounts for just over € 1 billion. Market data from the Geisenheim Research Institute for Wine gathered at the start of 2011 confirms this assessment of the overall wine market and suggests that the upmarket segment could actually be worth significantly more than € 1 billion. According to this study, a group of approx. 20% of all wine drinkers accounts for the lion's share of wine sales in the upmarket segment. The consequence of this for the Hawesko Group's strategy in Germany is, first, that it must know the requirements of that group of customers very accurately in order to respond to that demand, and second, that it should promote interest in superior and high-quality wine among the wider population, as well as knowledge of wine and how to enjoy it responsibly.

THE WINE MARKET OUTSIDE GERMANY

In 2012 the Hawesko Group generated 11% of its sales outside Germany. The markets for top wines outside Germany are therefore relevant. The group is already active in certain ones via subsidiaries, and Hawesko's Board of Management is increasingly turning its strategic focus to international potential for sales. The market for top wines is by its very nature international, and Germany accounts for only a very small portion of the world market.

The French subsidiary *Château Classic – Le Monde des Grands Bordeaux* has an especially strong international focus and supplies several export markets with high-quality Bordeaux wines. In the 2012 financial year it realised around one-third of its sales of almost € 12 million from customers in the Far East, and China in particular. The Chinese market for wine is highly dynamic and according to a study by the International Wine and Spirits Record issued in 2012 it is on track to become the second-biggest wine market by as early as 2016.

The Hawesko Group is also active in Switzerland in the wholesale trade through its subsidiary *Globalwine AG* and generated around € 14 million in sales there in 2012; the Swiss market is estimated to be worth around € 1.0 to 1.5 billion, with steady potential to develop – in contrast to Germany it is predominately upmarket (over € 4.00 per bottle). The market in Austria is estimated to be worth around € 1.5 billion. It is served by the subsidiaries *Jacques' Wein-Depot* (specialist wine-shop retailer) and *Wein Wolf* (wholesaler), which together achieved sales of around € 13 million in 2012; the Austrian market, too, is developing steadily.

The Swedish market has a total volume of approx. € 2 billion and is controlled by a state monopoly. In accordance with the relevant European Union regulations, the Hawesko subsidiary *The Wine Company* supplies wine to addresses in Sweden from its Hamburg centre. It generated sales of € 8 million with these customers. All in all, it is a fair assessment of the wine market that wine is universally regarded as an expression of a cultured lifestyle and that it is therefore steadily gaining in popularity. Many consumers are moreover attaching greater importance to the quality of the wines they drink.

Buying market characterised by oversupply, production down in 2012

The wine market has been characterised by a worldwide oversupply for many years. According to estimates by the International Organisation of Vine and Wine (OIV), wine production in 2012 was again below its ten-year peak of 2004. Overall, it is assumed that worldwide production in 2012 will have been 248 million hectolitres, which is therefore the lowest level since 1975. On the other hand, according to OIV estimates global wine consumption stabilised at 243 million hectolitres in 2012. It is therefore unchanged from 2011.

The oversupply primarily affects the lower-price market segment and basic-quality wines. The pressure this exerts on prices does also affect the medium quality categories further up the price range. Apart from the market for top-end wines from Bordeaux, which virtually ground to a halt in 2012 after a boom in 2010 and 2011, demand for many other top wines in higher price brackets held up. There will always be a relatively stable market for top-class wines in the top segment because it is fundamentally not possible to expand the world's choice locations; their products are accordingly usually in short supply. Tradition, the people behind the wines, their philosophy, their vintner's art, the weather and the quality of the harvest are the factors that determine the price a vintage commands.

At the turn of 2013, the assessment of the buying prices by the Hawesko Board of Management is that they offer stable market conditions, but with an upward overall trend.

Non-uniform trade structure for upmarket products

In the price category below € 4.00 per bottle, the German wine market is dominated by discount grocery retailers such as Aldi. On the other hand the upscale market segment – i.e. the price category of € 4.00 per bottle – is covered by a large number of smaller suppliers. That portion of the market, in which the Hawesko Group also operates, is largely fragmentary in nature.

Market share of the Hawesko Group continues to grow

The consolidation of the German wine market between 2002 and 2005 was the consequence of a tight domestic economy and the inroads made by cut-price suppliers. The more favourable economic conditions between 2006 and the first half of 2008 then enabled the Hawesko Group to accelerate its growth and gain access to new customer groups. Despite the difficult consumer environment that dominated events in 2009, the Hawesko Group still made further progress in that year with the acquisition of new customers in the specialist wine-shop retail (*Jacques'*) and mail-order segments, while there was a decline in wholesale trade due to the recession. In 2010 and 2011 the wholesale segment then benefited hugely from the economic recovery; all three segments together succeeded in further increasing the market share of the Hawesko Group. 2012 saw the group again increase its market share through organic growth and above all through the inclusion of the company *Wein & Vinos*.

STRATEGY

CORNERSTONES OF THE GROUP'S STRATEGY

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

THREE INDEPENDENT BUSINESS SEGMENTS

The Hawesko Group has a structure comprising three operating segments: specialist wine-shop retail, wholesale/distribution, and mail order; there in addition exists a "miscellaneous" segment. The Segment Report under Note 42 to the consolidated financial statements provides further information. Being active in three segments of the wine trade gives the group a degree of risk diversification and makes its business model correspondingly robust.

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

Specialist wine-shop retail

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

- *Target group:* The segment addresses affluent private customers with a higher level of education (in particular the 35 to 60 age bracket) who want to discover more about the world of wine. They are already familiar with the varieties and producing regions, and prefer complex, interesting wines. Under the motto "taste and choose, as at the vintners", *Jacques'* offers them the opportunity to taste around 200 wines in the range – a model that emphasises they are under no obligation to buy adds to their enjoyment of wine.
- *Market segment:* Upmarket wines of authenticated quality, available exclusively at *Jacques'*; average value over € 6.00 per bottle, with a focal price bracket of between € 4.00 and € 8.00.
- *Distribution:* There exists a system of independent partners (trade representatives) who in situ independently run the *Jacques' Wein-Depot* outlets that are rented from and fitted out by the group. The dedication and expertise of these partners give vital momentum to the company's success.
- *Growth:* Through the acquisition of new customers for the existing outlets (the advertising measures for which are handled centrally), through building up the online shop and dovetailing it with the wine-shop concept in order to promote its development into a multichannel concept encompassing communication and sales, through optimising the network of outlets and through moderate expansion of the network via the opening of new establishments.

Wholesale/distribution

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

- *Target group:* Catering trade, specialist wholesalers and retailers, department stores as well as upmarket segments of the food retailing trade.
- *Market segment:* Upmarket and premium wines; average value (wholesale) around € 7 per bottle, with a bandwidth from € 2.00 to € 1,000.00.
- *Distribution:* Trade agencies, own sales representatives in the field and direct mail-order sales.
- *Growth:* By acquiring new customers on the basis of the particular appeal of a range that includes many renowned exclusive wines, and by stepping up international activities (particularly in Germany's neighbouring countries, and with older vintages of Bordeaux wines).

Mail order

The mail-order segment comprises the subsidiaries *Carl Tesdorpf – Weinhandel zu Lübeck*, *Hanseatisches Wein- und Sekt-Kontor*, and *The Wine Company*, which has been supplying the Swedish market from Hamburg since autumn 2010. Since 2012, *Wein & Vinos* has extended the mail-order range of the Hawesko Group with its e-commerce approach to the distribution of Spanish wines.

- *Target group:* The segment focuses on private customers who have discerning tastes in wine, regard themselves as sophisticated connoisseurs and appreciate the convenience of being able to order choice wines from all over the world from the comfort of their own homes, then have them delivered to their doorstep. The range is in addition aimed at business customers who are looking for gifts for customers, particularly at Christmas.
- *Market segment:* Upmarket and premium wines; average value around € 8 per bottle, with a bandwidth from € 4.00 to € 1,000.00.
- *Distribution:* A main catalogue (spring/summer and autumn/winter issues) is sent out to the customer base twice a year, backed up by around 20 shorter promotional mail shots throughout the year, each introducing specific offers. As well as the established online shops and newsletters, the subsidiaries make use of Web 2.0 opportunities such as an array of social media.
- *Selective expansion:* The mail-order business has already achieved a high market share (in excess of 50%) in Germany in its relevant market. In addition to ongoing optimisation measures, business here is being expanded in selected areas, increasingly by means of e-commerce concepts. The emphasis is on accessing new customer groups. The inclusion of *Wein & Vinos* in the group has given this development further momentum. Distribution to Sweden by the subsidiary *The Wine Company* is to be stepped up further.

STRATEGIC TARGETS FOR GROWTH AND RATE OF RETURN, FINANCING TARGETS

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

- *Sales:* The sales growth of the Hawesko Group should always be higher than that of the market as a whole. Even if the overall market is not growing, the group's sales should rise. The Hawesko Group consequently has the objective of constantly increasing its market share.
- *Profit margin:* In 2000, the company set itself the long-term objective of boosting the EBIT margin permanently to 7%.
- *Capital turnover:* In 2000, the company set itself the long-term objective of increasing the capital turnover to a factor in excess of 1.3.
- *ROCE:* In 2005, the Hawesko Group set itself the long-term objective of consistently achieving a minimum return on capital employed of 16%.

Internal steering system, ratios

Financial steering within the Hawesko Group is based on the fundamental principle of profitable growth coupled with a systematic, permanent increase in the value of the company. The sales and earnings performance therefore serves as an important benchmark for the internal steering system. The strategic control parameters for the group's earnings performance are EBIT (earnings before interest and taxes) and the EBIT margin, along with their development; they gauge the short-term operating performance of the group and the individual segments. The group uses the ratio of return on capital employed (ROCE) as a regular benchmark of how profitably its business is performing in relation to the capital required to run it. The aim of the Hawesko Group is to earn the costs of capital derived from the capital market (see under "Financial position", page 35) in every segment of the group. The group is thus reasserting its objective of investing only in areas of business that generate value and therefore exceed their costs of capital in the long term. In the Hawesko Group, ROCE is calculated as follows: EBIT divided by the average capital employed, in other words by the balance sheet total plus capitalised lease commitments less interest-free liabilities, provisions and cash and cash equivalents.

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

ROCE

	2009	2010	2011	2012	*Anticipated minimum return*
Specialist wine-shop retail	42%	41%	43%*	40%	> 27%
Wholesale/distribution	14%	24%	21%	16%	> 17%
Mail order	26%	27%	28%	16%	> 22%
Group	22%	25%	25%	19%	> 16%

* *Figure for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

In addition to this value-oriented ratio, the free cash flow serves as a liquidity-oriented indicator in order to continue assuring adequate financial resources for ongoing business operations and future growth, as well as payment of a dividend that is in line with earnings per share. The sustained optimisation of working capital and effective investment management will perform a crucial role here (see under "Management and control", page 45. The group's objective is to secure a long-term capital structure and ratio of net financial liabilities to EBITDA, each corresponding to a bank rating of "investment grade".

OVERVIEW OF BUSINESS PERFORMANCE IN 2012

Hawesko Holding AG is again able to look back on a successful year's trading overall in the past financial year. In the first half the Group in general benefited very much from the delivery of the 2009 Bordeaux vintage. Alongside organic growth, the first-time inclusion of the Spanish wine specialist *Wein & Vinos* brought a 34% sales boost in the mail-order segment. Retail business at *Jacques' Wein-Depot* likewise made good progress: sales were up 3.8%, with the like-for-like figure reaching 2.4%. Preparations were also made for the further dovetailing of online and offline business.

By contrast, the wholesale segment performed more weakly than in the previous year because demand in the Far East for top Bordeaux wines virtually ground to a halt, after a boom in 2010 and 2011. Business for the group moreover fell short of expectations in the important fourth quarter – the very late receipt of orders for Christmas business and a software changeover in the mail-order segment proved burdensome. The negative non-recurring effects in the 2012 financial year led to a slight fall in the operating result (EBIT). This was absorbed at the level of net earnings by extraordinary positive effects in the financial result. As previously, the Hawesko Group enjoys a sound financial basis. Its strategic focus continues to be on the further strengthening of its market position and on continuing growth both at home and internationally.

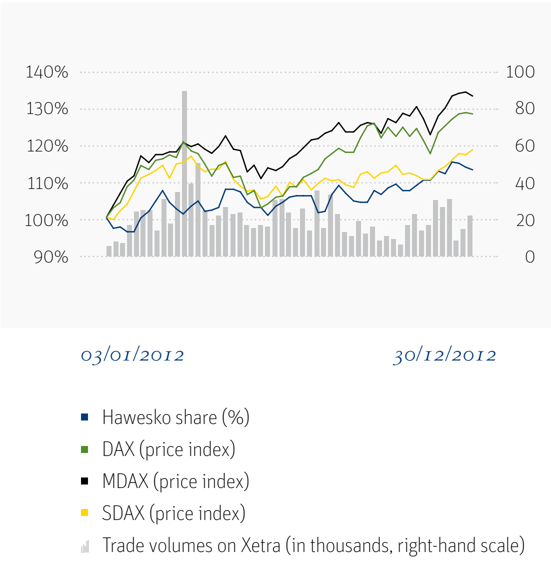
The following targets or long-term rate of return targets for 2012 were declared in the 2011 Annual Report, and achieved or not achieved as indicated:

	Objective	2012	*Attained*
Sales	Year-on-year percentage increase in sales clearly into double figures (previous year: € 411 million); stronger growth than the German wine market (2012: 1.2%)	€ 448.6 million (+9.0%, in Germany +12.9%)	–
EBIT	Clear double-digit percentage rise in operating result (EBIT) compared with previous year (€ 26.8 million) *	€ 26.1 million (–2.3%)	–
EBIT margin	Long-term margin of 7% of sales	5.8%	–
Capital turnover	Permanently exceeding a factor of 1.3	1.9	✔
ROCE	Achieving the long-term minimum target return (16%)	19%	✔
Free cash flow	Free cash flow of € 7–8 million after outpayment for the majority stake in *Wein & Vinos* (previous year: € 12.3 million)	€ –8.6 million	–

* *EBIT for 2011 restated from € 26.7 million through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

The fact that sales growth did not live up to original expectations is mainly because the French subsidiary *Château Classic* in the wholesale segment suffered considerably from the fact that demand for top Bordeaux wines ground to a halt in the Far East; the sales total of € 12 million thus did not match the prior-year figure of € 27 million. Due to the non-realisation of gross profit as well as the way the atypical pattern to year-end business in the mail-order segment weighed on the figures, EBIT of € 26.1 million fell short of the previous year. This also meant that the long-term target of a 7% EBIT margin was not achieved. On the other hand the minimum target for return on capital employed (ROCE) was again exceeded. The free cash flow of € –8.6 million did not achieve the target bandwidth of € 7–8 million because on the one hand earnings were below the target level and on the other hand inventories were higher than expected at year-end.

PRICE DEVELOPMENT
OF THE HAWESKO SHARE/TRADING VOLUMES



KEY DATA PER SHARE (€)

(2010 and 2012 non-recurrent income eliminated)

SHARE PRICE DEVELOPMENT AND CAPITAL MEASURES

2012 overall was a very good year for German stock markets. The German share index DAX started the year just above 6,000 points and closed the year on 7,600 points – a performance of nearly 30% over the year as a whole. Between these points the index slipped below 6,000 points in early June, followed by a thundering recovery and an upward trend that continued right until the end of the year. The euro zone's leading index, the EURO STOXX 50, grew by only 10% over the same period. The reasons for this development – the European sovereign debt crisis – are therefore more political in nature than anything to do with the company's fundamental data. German small-cap indices moved more or less in parallel with the DAX: the MDAX advanced to almost 12,000 points by the end of the year, again representing a gain of around 30% compared with the previous year, and the SDAX put on 17% to close 2012 on 5,249 points.

Hawesko shares are included in the German selective index for small caps (SDAX).

The trading price of the shares of Hawesko Holding AG was quoted at € 35.23 on the last day of trading in 2011 and closed 2012 on € 40.06. This 14% growth over the year under review meant Hawesko shares kept pace with the SDAX average. Over a longer time horizon, they have actually outstripped the SDAX. Over the ten-year period from 2002 to 2012, Hawesko shares have risen by 450%, or an average of more than 16% per year. Over the same period the SDAX grew by 259%, an increase of just under 10% per year. Hawesko shareholders furthermore received a dividend of € 1.60 per share in 2012 and consequently enjoyed an income from their investment – as has been the case every year since the IPO in 1998. A dividend of € 1.65 per share for the past financial year will be proposed to the Shareholders' Meeting.

No financial measures of strategic significance such as capital increases or bond issues were needed in the 2012 financial year. The acquisition of a majority interest in the company *Wein & Vinos* completed with effect from 2 January 2012 was financed by bilateral credit agreements with German banks with a first-class credit rating. No authorisation to buy back treasury shares exists.

The total number of shares remained unchanged throughout the year at 8,983,403, the same total as in 2011.

KEY SHARE FIGURES

Year-opening price	€	35.04
Market capitalisation (year-opening)	€ million	314.8
Year-end price	€	40.06
Market capitalisation (year-end)	€ million	359.9
Highest price (18 December)	€	41.60
Lowest price (24 January)	€	32.26
Average daily trading	shares	5,572
German securities code		604270
ISIN		DE0006042708
Ticker symbol		HAW
Stock exchanges		Frankfurt (Xetra), Hamburg
Market segment		Prime Standard
Reuters		HAWG.de
Bloomberg		HAW:GR
Indices		SDAX

INVESTOR RELATIONS

The investor relations activities of the Hawesko Group are designed to maintain an ongoing dialogue with fund managers and other institutional investors, as well as with other capital market participants and representatives. The business situation of the group and the expectations of its management are addressed within this dialogue. The shareholders of Hawesko Holding AG include institutional investors in Germany, the United Kingdom, France, Austria, Switzerland, Scandinavia, Spain and the USA. A total of 80 individual meetings (previous year: 95) were held with institutional investors in 2012, both at the group's headquarters and at roadshows; a member of the Board of Management attended 57 (previous year: 44) of these meetings. Hawesko Holding AG in addition held nine (previous year: eleven) company presentations in Frankfurt am Main, Hamburg, Munich and Zurich as well as at an equity forum of the German Association for Private Shareholders (DSW) in Munich, and introduced itself to investors at roadshows in Geneva, Frankfurt, Copenhagen, Helsinki and London. As previously, the development of Hawesko Holding AG was again regularly covered by a number of leading banks and institutions in 2012, including Bankhaus Lampe, Close Brothers Seydler Research, Commerzbank, Deutsche Bank, DZ BANK, GSC Research, M.M.Warburg & CO, Montega and Silvia Quandt & Cie.

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

FINANCIAL PERFORMANCE

Acquisition of Wein & Vinos and outstanding subscription business continue to drive group's growth in Germany – weak international demand for older Bordeaux wines

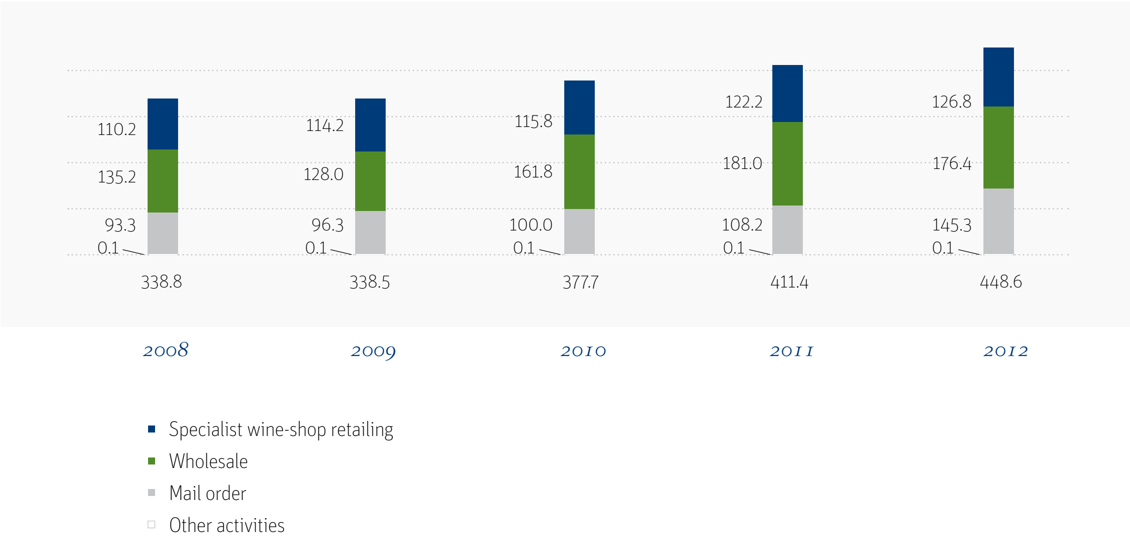
The net sales of the Hawesko Group climbed by 9.0% in 2012, from € 411.4 million to € 448.6 million. Wines from France accounted for around 33% of the total (previous year: 39%), Italian wines for approximately 29% (previous year: 30%), wines from Spain for some 17% (previous year: 9%) and German products for around 8% (previous year: 8%). The German market accounted for around 89% of sales – growth in sales in this region were up 12.9% compared to previous year figures. The total sales volume came to 68 million bottles or units (previous year: 63 million).

The group's higher sales are mainly as a result of the initial consolidation of the Spanish wine specialist *Wein & Vinos*. After elimination of these first-time sales proceeds, sales were up by slightly more than 1%; furthermore, after elimination of the sales decrease for *Château Classic* – which was exceptionally high in 2012 – consolidated sales rose by over 5%. The group's sales performance was helped by the delivery of the 2009 Bordeaux vintage, intensified working of the Swedish and Swiss markets, closer ties with existing customers, expanded online business and the steady acquisition of new customers.

Thanks to the significantly higher sales proceeds of the end customer segments mail-order and specialist wine-shop retail, structural changes pushed up the gross profit margin for the group: it came to 40.7% in the year under review, compared with 39.6% in the previous year.

Personnel costs comprise wages and salaries, as well as statutory, collectively negotiated and voluntary social contributions. This line item rose from € 40.2 million (previous year disclosure: € 40.3 million revised due to early application of IAS 19 (revised)) to € 45.9 million in the year under review, first and foremost because of the initial consolidation of *Wein & Vinos*. In addition, extra personnel were hired in connection with the development of projects above all in the e-commerce area and in new international markets in the other mail-order segment. The personnel expenses ratio rose from 9.8% of sales in the previous year to 10.2% in the 2012 financial year.

SALES BY SEGMENT (€ million)



Advertising expenses climbed year on year by € 5.7 million to € 39.7 million. The increase was prompted by the initial consolidation of *Wein & Vinos* and by the further development of the market presence in Sweden under the banner of *The Wine Company*, the stepping-up of efforts to acquire new customers and the reactivation of former customers. As a percentage of sales, this represents 8.9% (previous year: 8.3%). The basis for further growth through the acquisition of new customers was moreover increased: In 2012 the group gained around 320,000 new customers in the end customer segments (previous year: 230,000), including some 90,000 first-time customers of *Wein & Vinos*. As a result of higher sales, the delivery costs for the Hawesko Group grew by € 3.9 million to € 19.1 million. The initial consolidation of *Wein & Vinos* and the more extensive activities in Sweden prompted a rise in the delivery costs ratio from 3.7% in the previous year to 4.3% in the period under review.

Consolidated EBIT slightly down on previous year due to lower sales of Château Classic and higher investment in business expansion

The operating result (EBIT) of the Hawesko Group reached € 26.1 million in the year under review (previous year: € 26.8 million, revised from € 26.7 million as a result of the early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements). This represents an operating margin of 5.8% of sales (2011: 6.5%). After elimination of the initial consolidation of *Wein & Vinos* the total would be € 25.2 million (EBIT margin: 6.1%), and additionally after elimination of *Château Classic* business EBIT would amount to € 26.5 million (EBIT margin: 6.5%). There were positive effects on absolute EBIT from the growth in sales proceeds for the end-consumer segments, especially from the first-time inclusion of *Wein & Vinos*, and – with the exception of *Château Classic* – the wholesale segment as well. On the other hand an operating loss at *Château Classic* and higher expenditure was incurred for the expansion of business and for investment in service quality.

DEVELOPMENT IN EARNINGS

€ million / %	2009	2010	2011*	2012
EBITDA	**27.1**	**31.3**	**32.1**	**33.3**
– Year-on-year change	–9.6%	+15.4%	+2.5%	+4.0%
– EBITDA margin	8.0%	8.3%	7.8%	7.4%
EBIT	**22.4**	**25.7**	**26.8**	**26.1**
– Year-on-year change	–12.2%	+15.0%	+4.0%	–2.3%
– EBIT margin	6.6%	6.8%	6.5%	5.8%
EBT	**19.8**	**27.5**	**26.3**	**30.3**
– Year-on-year change	–11.0%	+39.1%	–4.4%	+15.2%
– EBT margin	5.8%	7.3%	6.4%	6.8%
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**13.1**	**20.0**	**17.9**	**22.5**
– Year-on-year change	–10.3%	+52.5%	–10.5%	26.0%
– Net margin	3.9%	5.3%	4.4%	5.0%

* *Figures for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

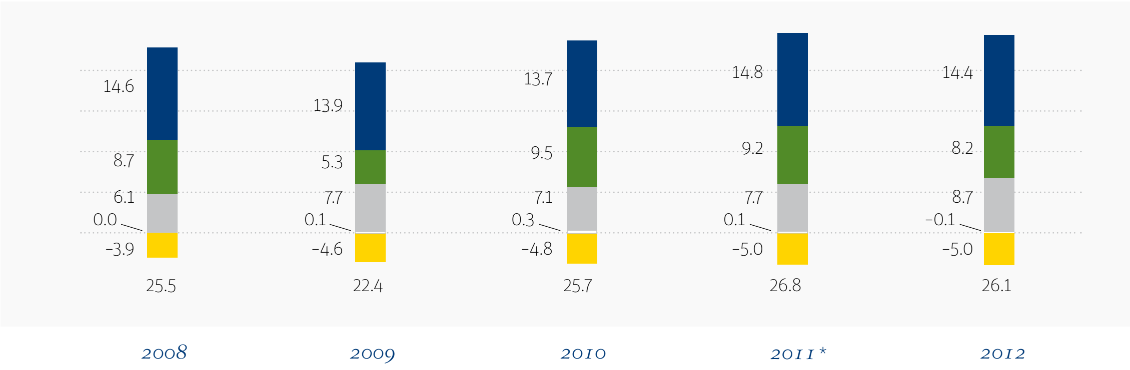
COST STRUCTURE

as % of sales	2009	2010	2011	2012
Personnel costs	–9.9%	–9.9%	–9.8%	–10.2%
Advertising costs	–8.2%	–8.2%	–8.3%	–8.9%
Delivery costs	–3.4%	–3.4%	–3.7%	–4.3%
Other operating income and expenses (balance)	–11.4%	–9.9%	–10.0%	–9.9%
Depreciation and amortisation	–1.4%	–1.5%	–1.3%	–1.6%
TOTAL	**–34.3%**	**–32.9%**	**–33.1%**	**–34.9%**

EBIT MARGINS

as % of sales	2009	2010	2011	2012
Specialist wine-shop retailing	12.1%	11.8%	12.1%	11.3%
Wholesale	4.2%	5.8%	5.1%	4.6%
Mail order	8.0%	7.1%	7.1%	6.0%

EBIT BY SEGMENT (€ million)



- Specialist wine-shop retailing
- Wholesale
- Mail order
- Other activities
- Costs of the holding company and consolidating items

* *Figures for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

Specialist wine-shop retail: Again more active customers thanks to ongoing optimisation of network and measures to retain existing and acquire new customers

Net sales for the specialist wine-shop retail business segment (*Jacques' Wein-Depot*) were increased by 3.8% in the year under review to € 126.8 million. Like for like, the rise in sales was 2.4%. The increased level of advertising and measures to retain existing customers and acquire new customers led to an increase in the number of active customers, with the result that the growth rate for sales just bettered the average for the past ten years.

Growth in the period under review was driven by a higher number of purchase transactions: this figure was up by more than 3%. It was helped especially by the higher advertising print run among regular customers, the successful efforts to acquire new customers and the reactivation of former customers. The average spend was maintained almost at the previous year's level.

In 2012 *Jacques' Wein-Depot* acquired 103,000 new customers (previous year: 97,000). The online shop contributed an increasing part of this growth. The number of active customers in the year under review was increased by 7.5% to 713,000.

At the end of the year under review, as in the previous year, there were 282 *Jacques' Wein-Depot* outlets, including four in Austria. At 31 December 2012, rental agreements for a further two outlets had been taken out. Three shops were opened, two were successfully relocated and three were closed. As a brand management measure, eleven outlets had been modernised in 2011, followed by a further 21 locations in the 2012 reporting period.

The operating result (EBIT) for over-the-counter trade fell from € 14.8 million (previous year disclosure: € 14.7 million revised due to early application of IAS 19 (revised)) to € 14.4 million in the reporting period, or by 2.8%. The lower EBIT for 2012 is attributable in part to a weaker trading margin and lower other operating income. In addition, expenditure on partners increased as a result of increased investment in service quality.

Wholesale/distribution:
Slump in demand in international market for Bordeaux wine weakens sales and EBIT margin for segment despite domestic boost for sales from subscription business and stable economy

The net sales of the wholesale/distribution segment were 2.6% down on the previous year, at € 176.4 million. This drop in sales stems almost exclusively from the Bordeaux-based subsidiary *Château Classic – Le Monde des Grands Bordeaux*, which specialises in trading top-class wines from that region. Demand for top wines from Bordeaux in the Far East virtually ground to a halt, following a boom in 2010 and 2011. In stark contrast to the prior-year sales total of € 26.6 million, this subsidiary achieved sales of € 11.6 million in the year under review. However disregarding the *Château Classic* result, the segment grew. The major factor here was more extensive deliveries on a subscription basis of the prized 2009 Bordeaux vintage and special offers by *Weinland Ariane Abayan* to mark its 30th anniversary. Other reasons for the increased sales along this sales channel were Germany's economic stability and the continuing growth in the number of sales representatives in the field both in Germany and internationally, latterly especially in Switzerland.

The operating result (EBIT) for wholesale business did not match the previous year due to the slump in sales at *Château Classic*: it came in at € 8.2 million, compared with € 9.2 million in the previous year. For the same reasons the EBIT margin for this sales channel declined by 0.5 percentage points compared with the previous year to 4.6% in the year under review (previous year: 5.1%).

Mail order:
Initial consolidation of Wein & Vinos and subscription business prompt a further rise in sales and EBIT

Net sales for 2012 increased by 34.4% to € 145.3 million in the mail-order segment. This increase was driven primarily by the first-time consolidation of *Wein & Vinos*. Disregarding this acquisition, the rate of increase would be 4.3% to € 112.8 million. The further rise in the number of active customers added to sales growth. For example, the ongoing development of mail-order business to Sweden (*The Wine Company*) from a still low base position produced growth of almost 70%. The measures to acquire new customers, especially through advertising in newspapers and magazines and in online media, had the desired effect. The 2011 level of new customers for established business was maintained in 2012 at approx. 127,000, and *Wein & Vinos* acquired a further 90,000 new customers (figures in each case excluding the normal annual attrition). At 31 December 2012 the mail-order segment had around 676,000 active customers on its books (of which included for first time for *Wein & Vinos*: 186,000); for this purpose an active customer is defined as someone who has placed at least one order in the past 24 months (prior-year reporting date: 460,000).

The special sales channels in the mail-order segment include gifts business, subscription business and the “Vino Select!” wine club. Sales proceeds for gifts business were down on the previous year due to a lower total number of orders from both corporate and private customers. Sales from gifts mainly in the run-up to Christmas totalled € 7.2 million, compared with € 8.6 million in the previous year. Subscription business relates almost exclusively to top-class Bordeaux wines. These are pre-sold shortly after the harvest and delivered approximately two years later, once the wine has been bottled. In the year under review the mail-order segment realised sales of € 5.9 million upon shipping of the 2009 vintage (previous year: € 1.5 million for the 2008 vintage). The “Vino Select!” wine club concept, which continues to be developed, repeated the previous year’s sales performance of € 11.7 million. Under this concept, each quarter members receive a carefully selected assortment of high-quality wines at a special price.

The subsidiary *Wein & Vinos* was included in consolidation for the first time from 2 January 2012. There are two pillars to *Wein & Vinos*’ business: online trading and classic retail business, though online trading brings in the greater portion of sales. The company generated sales of € 32.5 million in 2012.

The subsidiary *Carl Tesdorpf – Weinhandel zu Lübeck* focuses on the top-end segment of the wine market; in the year under review it further enhanced this market profile by continuing to focus on even higher-quality wines and rarities in its range and addressing the customer target group of particularly discerning wine connoisseurs. Sales were held at the previous year’s level of € 9 million even though the mid-price range was further streamlined in 2012.

Internet sales as a proportion of overall sales for the mail-order segment again grew substantially as a result of the first-time consolidation of *Wein & Vinos*: the proportion increased from 25% in the previous year to 39% (adjusted: 26%) in 2012.

Disregarding *Wein & Vinos*, the average number of bottles per order remained constant compared with the previous year and the average order value rose by 3%.

The operating result (EBIT) for the mail-order segment rose to € 8.7 million following the initial consolidation of *Wein & Vinos* (after elimination of *Wein & Vinos*: € 7.8 million), compared with € 7.7 million in the previous year. The management had expected a higher figure. The very late receipt of orders meant that in some cases sales could not be realised. Meanwhile efforts to clear the backlog in time for the holiday season involved extra outlay.

Lower operating result (EBIT) for logistics

The subsidiary *IWL Internationale Wein Logistik* in Tornesch, near Hamburg, complements the mail-order and wholesale activities through its logistics services. To an economically negligible extent it also performs logistics services on behalf of customers outside the group. *IWL* again achieved an almost balanced operating result (EBIT): it came in at € –0.1 million for the 2012 financial year, compared with € 0.1 million in the previous year.

At group level the costs for the holding company and consolidating items amounted to € 5.0 million in the year under review, as in the previous year.

Consolidated net income

The financial result showed a net income of just under € 4.2 million (previous year: net expense of € 0.5 million) attributable mainly to the remeasurement of a financial liability acc. to IAS 39 and the change in value of the variable purchase price component agreed in the purchase contract for *Wein & Vinos*. The consolidated earnings before taxes for the 2012 financial year thus came to € 30.3 million, up € 4.0 million on the prior-year figure. The effective tax rate likewise fell, mainly as a result of the processes described above involving the remeasurement and adjustment of the variable purchase price component, from 30.9% in the previous year to 24.5% in 2012 (cf. Note 16 to the consolidated financial statements). This, together with the higher earnings before taxes, produced earnings after taxes of € 22.9 million (previous year: € 18.2 million).

The consolidated net income excluding non-controlling interests came to € 22.5 million in the year under review. After elimination of the remeasurement acc. to IAS 39 and the adjustment for the variable purchase price component for *Wein & Vinos*, the consolidated net income amounted to € 17.9 million; the corresponding prior-year figure was likewise € 17.9 million.

Earnings per share came to € 2.51 (after elimination of the remeasurement acc. to IAS 39 and the adjustment for the variable purchase price component: € 1.99) (2011: € 1.99). The figures for both reporting years were based on 8,983,403 shares.

Net income for the year for Hawesko Holding AG

The statement of income of Hawesko Holding AG, as group parent, is dominated by its holding activities and – unlike the consolidated statement of income – is prepared in accordance with the German Commercial Code. The higher overall earnings of the subsidiaries meant that the investment result improved from € 27.6 million in the previous year to € 29.4 million in the year under review. After deduction of expenses and taxes, there remained net income of € 18.0 million (previous year: € 19.1 million). Taking account of the profit carryforward of € 1.3 million from the previous year and following allocation of € 4.0 million to the other retained earnings, there remains an unappropriated profit of € 15.2 million (previous year: € 15.7 million).

FINANCIAL POSITION

Principles and aims of financial management

The principles and aims of financial management were explained on pages 22–24 in the section "Strategy".

Financing analysis

The capital requirements of the Hawesko Group comprise the capital expenditure on tangible assets and the financing of operating activities. For these purposes, the Hawesko Group finances itself largely through short- and mid-term loans, finance leases and the cash flow from operations that it generates. At 31 December 2012 the cash resources of the group comprised cash amounting to € 12.3 million (previous year: € 20.4 million). Within undated credit lines for the financing of current business operations (working capital), there exist short-term credit facilities with a volume totalling € 20.0 million, of which € 2.0 million is available seasonally to finance Christmas business. At 31 December 2012 these credit facilities were drawn on to a level of 22% and 19% respectively. There were also non-current liabilities of € 10.4 million due to banks as a result of the acquisition of the majority interest in *Wein & Vinos*. Overall, the Hawesko Group reported short-term and long-term borrowings amounting to € 22.2 million at 31 December 2012. Of this total, € 9.5 million is due within the next twelve months. The long-term and short-term borrowings consist predominantly of bank loans from German banks on the basis of credit agreements. The contractual obligations of Hawesko Holding AG within these have always been met. The existing credit facilities moreover guaranteed adequate cash levels at all times during the year under review. The long-term borrowings show finance lease liabilities of € 2.2 million.

According to group calculations, the costs of the equity and borrowed capital made available to the group are currently 5.4%. They comprise the weighted costs of the equity capital of 6.1% on the one hand, and of the borrowed capital of 2.7% on the other. In calculating the cost of equity, the group works on the basis of a long-term risk-free interest rate of 2.0% and a risk premium of 6.0% at beta = 0.68.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2012

(rounding differences are possible)	*Short-term* € million	*Short-term* %	*Long-term* € million	*Long-term* %	*Total* € million
Due to banks	9.2	46.9	10.4	53.1	19.6
Finance lease	0.4	15.4	2.2	84.6	2.6
TOTAL	**9.5**	**42.8**	**12.7**	**57.2**	**22.2**

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2011

(rounding differences are possible)	*Short-term* € million	*Short-term* %	*Long-term* € million	*Long-term* %	*Total* € million
Due to banks	4.0	100.0	–	–	4.0
Finance lease	0.3	10.3	2.6	89.7	2.9
TOTAL	**4.3**	**62.3**	**2.6**	**37.7**	**6.9**

The long-term loans relate to the financing of the purchase price of *Wein & Vinos* and are subject to contractual clauses that require specified financial ratios to be met (financial covenants). The Hawesko Group has always met these. The short-term loans are rolling borrowings denominated in Swiss francs, in each case with a maturity of between one and three months. Please refer to the Notes to the consolidated financial statements from page 90 for the terms of the borrowings and details of the finance leases.

In the year under review of 2012 there was net debt of € 10.7 million (previous year: net liquidity of € 12.7 million). This reversal was due primarily to the financing of the purchase price for *Wein & Vinos* and the increase in working capital.

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

€ million	2012	2011
Due to banks	19.6	4.0
+ Finance leases	2.6	2.9
+ Provisions for pensions	0.9	0.7
= GROSS DEBT OWED	**23.0**	**7.6**
– Cash	–12.3	–20.4
= NET DEBT/LIQUIDITY	**10.7**	**–12.7**

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

Liquidity analysis

CONSOLIDATED CASH FLOW

€ million	2012	2011
Cash flow from current operations	17.9	16.9
Cash flow from investing activities	–25.4	–4.1
Cash flow from financing activities	–0.5	–17.2

The consolidated cash flow from current operations rose from € 16.9 million in the previous year to € 17.9 million. This change was driven by the higher earnings and a lower buildup of working capital than in the previous year. On the other hand there were higher income tax payments.

The cash flow from investing activities includes the payment of the purchase price for *Wein & Vinos* (€ 21.1 million), less liquid funds acquired of € 1.5 million, and cash outflows for property, plant and equipment and for intangible assets of € 6.3 million.

The investments in intangible assets (€ 1.7 million) were mainly for new financial and goods management software for the mail-order and wholesale segments. Capital expenditure on property, plant and equipment (€ 4.6 million) mainly comprised the purchase of land at the Tornesch location and the expansion and modernisation of retail outlets in the specialist wine-shop retail segment, as well as expansion and replacement investment.

The free cash flow (total of cash flows from current operations and investing activities less interest paid), an important performance indicator within the Hawesko Group, declined from € 12.3 million to € –8.6 million. This item includes non-recurring financing for the acquisition of *Wein & Vinos*. Disregarding this aspect, there is free cash flow of € 11.1 million.

The cash flow from financing activities mainly reflects the payment of dividends (€ –14.4 million) and the financing of the purchase price for *Wein & Vinos* (€ 20.0 million) as well as the redemption of credit and interest paid.

Investment analysis

The Hawesko Group invested € 6.3 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 4.3 million). In relation to sales, the investment ratio was thus approximately 1.4% (previous year: 1.1%).

Capital expenditure on property, plant and equipment totalled € 4.6 million (previous year: € 3.7 million), the bulk of which (€ 1.2 million) was in connection with the modernisation of the specialist wine-shop retail segment (*Jacques' Wein-Depot*). The brand profiling project alone accounted for the sum of € 0.4 million. Other capital expenditure on property, plant and equipment (replacement and expansion investment) in this segment came to € 0.1 million. In response to the need for increased capacity, *IWL Internationale Wein Logistik* also bought an additional piece of land directly adjoining the warehouse site for € 1.7 million, allowing the warehouse to be extended as necessary. The company moreover invested slightly more than € 0.2 million in property, plant and equipment. Further such investments included € 1.0 million for replacements and expansion in the wholesale segment, and € 0.4 million for the same purpose in the mail-order segment.

INVESTMENTS/DEPRECIATION/CASH FLOW (€ million)

NET WORTH

The consolidated balance sheet increased substantially from € 217.1 million in the previous year to € 236.8 million in the year under review. This represents a rise of 9.1%. The change was prompted first and foremost by the consolidation of *Wein & Vinos*.

There was a sharp drop in the long-term advance payments for inventories (under "Other") because demand for the 2011 Bordeaux vintage was significantly lower than for the previous 2010 vintage. The portion of advance payments for the 2010 Bordeaux vintage that was still classified as long-term in 2011 was reclassified as short-term. It mainly concerns subscribed Bordeaux wines, particularly of the 2010 vintage, that will be delivered in the coming twelve months. Current assets climbed from € 170.4 million to € 171.7 million. The items "Inventories" and "Trade receivables" likewise grew as a result of the consolidation of *Wein & Vinos*. The reclassification described above of the subscribed wines of the 2010 vintage had the opposite effect.

Consolidated equity fell year on year from € 95.7 million to € 90.0 million. Retained earnings were down € 14.6 million compared with the prior-year reporting date to € 48.1 million. The decrease is due to the first-time income-neutral recognition of the financial liabilities that would arise from the exercise of a put option by the original shareholders of *Wein & Vinos GmbH* in respect of Hawesko Holding AG. According to the shareholders' agreement the remaining 30% in *Wein & Vinos* could be put to Hawesko Holding AG from November 2016 based on a pre-agreed valuation schedule. The value stated represents the probable present value of this liability in the event of its being exercised, as envisaged by the current requirements of the International Financial Reporting Standards (IFRS). For that reason, the equity ratio (prior to distribution) is 38% of the balance sheet total (previous year: 44%). The initial consolidation of *Wein & Vinos* prompted a sharp increase in non-controlling interests.

The long-term provisions and liabilities amounted to € 34.6 million and were therefore higher by all of € 19.7 million. The long-term borrowings increased from € 2.6 million at the year-end reporting date to € 12.7 million following the majority interest acquired in *Wein & Vinos*. The scheduled repayment of part of a warehouse building reported under finance leases offset this slightly. The advances received for Bordeaux subscriptions fell in the year under review; there was lower demand for the 2011 vintage than for the 2010 vintage, which was reported under this item in the previous year.

Current liabilities rose by € 5.6 million to € 112.1 million. The portion of advances received from customers for the 2010 Bordeaux vintage that was still non-current in 2011 was transferred to a corresponding current item in 2012 because the wines are shipped within the next twelve months. Trade payables were higher as a result of sales growth in the year under review.

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

The capital turnover was 1.9, as in the previous year.

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

There also existed contingencies and financial obligations in respect of third parties at 31 December 2012. The minimum total for non-discounted future lease and rental payments amounts to € 12.9 million (previous year: € 12.6 million). Obligations amounting to € 1.6 million (31 December 2011: € 2.3 million) from outstanding advances received for subscriptions on the books at 31 December 2012 were settled at the start of 2013. Finally, there exist guarantees of € 0.1 million (31 December 2011: likewise € 0.1 million) as well as contractual obligations of € 0.3 million (31 December 2011: € 1.5 million).

Soft assets

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

The specialist wine-shop retail and mail-order segments in Germany and Austria and supplying Sweden numbered just over 1.2 million end customers in 2012. The average spend of those customers during the past year was € 223 (previous year: approx. € 225) net. The customer base of the wholesale segment comprises around 13,000 customers, predominantly in Germany; they are made up of grocery retailers, specialist wine retailers and the catering branch.

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

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

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2012		2011	
(rounding differences are possible)	€ million	*as % of balance sheet total*	€ million	*as % of balance sheet total*
NON-CURRENT ASSETS				
Intangible assets	35.8	15%	10.7	5%
Property, plant and equipment	20.5	9%	19.9	9%
Other financial assets	0.2	0%	0.2	0%
Deferred tax	2.2	1%	2.1	1%
Other	6.4	3%	13.8	6%
	65.0	**27%**	**46.7**	**22%**
CURRENT ASSETS				
Inventories	100.0	42%	97.0	45%
Trade receivables	52.5	22%	47.9	22%
Cash and other current assets	19.2	8%	25.4	12%
	171.7	**73%**	**170.4**	**78%**
BALANCE SHEET TOTAL	**236.8**	**100%**	**217.1**	**100%**

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES	2012		2011*	
(rounding differences are possible)	€ million	*as % of balance sheet total*	€ million	*as % of balance sheet total*
SHAREHOLDERS' EQUITY				
Subscribed capital	13.7	6%	13.7	6%
Capital reserve	10.1	4%	10.1	5%
Retained earnings	48.1	20%	62.7	29%
Accumulated other equity	–0.2	–0%	0.1	0%
Unappropriated group profit	11.6	5%	8.3	4%
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG	**83.2**	**35%**	**94.9**	**44%**
Non-controlling interests	6.8	3%	0.8	0%
	90.0	**38%**	**95.7**	**44%**
LONG-TERM DEBT				
Provisions	1.6	1%	1.1	1%
Borrowings	12.7	5%	2.6	1%
Other non-current liabilities and deferred tax liabilities	20.4	9%	11.2	5%
	34.6	**15%**	**14.9**	**7%**
SHORT-TERM LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	0	0%	0	0%
Borrowings	9.5	4%	4,3	2%
Advances received	12.6	5%	16.5	8%
Trade payables	65.2	28%	57.7	27%
Other liabilities	24.8	10%	28.1	13%
	112.1	**47%**	**106.5**	**49%**
BALANCE SHEET TOTAL	**236.8**	**100%**	**217.1**	**100%**

* *Adjusted to reflect early application of IAS 19 (revised), Note 2 to consolidated financial statements*

EMPLOYEES

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

The group employed an average of 847 people in the 2012 financial year, predominantly in Germany; this compares with 750 in the previous year (joint ventures included pro rata). Women make up 45% of the group's workforce (previous year: 50%), and 21% of its management (24%). The year under review brought an increase in the number of employees in the mail-order segment, above all as a result of the inclusion of *Wein & Vinos*. The employee total in the remaining areas of the Hawesko Group remained on a par with the previous year.

Qualifications and training

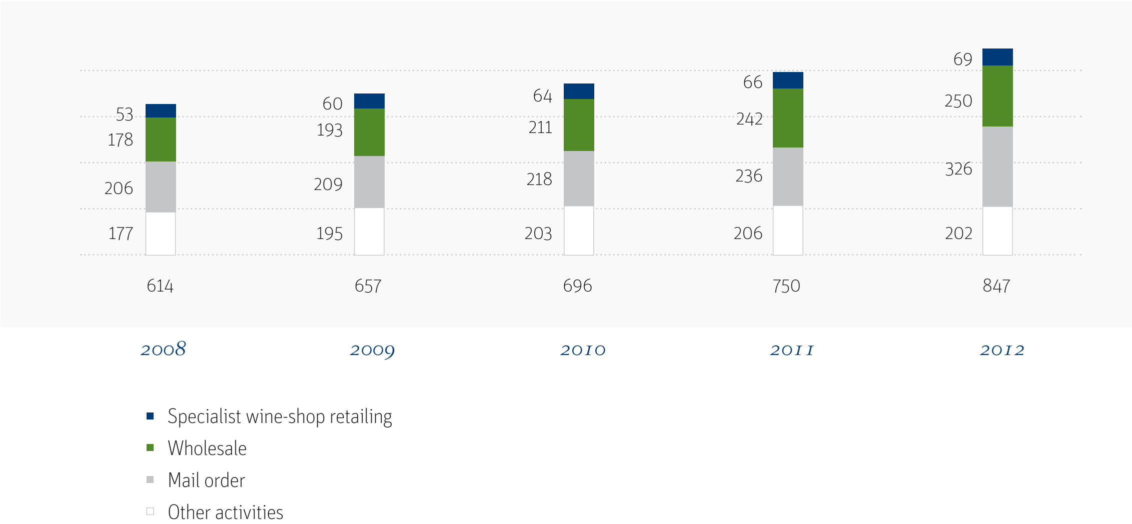
Ongoing training for employees is treated as a high priority by all companies in the Hawesko Group. Only well trained employees will be capable of achieving the high standards that the market and our customers expect. The Hawesko Group therefore provides both demand-led training and specific further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

The successful recruitment of junior employees starts with offering a diverse range of options for school-leavers. In the year under review, the group had 25 apprentices (previous year: 26). Traineeships are predominantly in commercial vocations such as wholesale or export clerks, or dialogue marketing clerks. Those at the start of their career can also train in information technology and warehouse logistics.

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

The further training measures available within the Hawesko Group are based on courses designed to develop the personal performance profiles and personalities of individual employees. Employees are in addition offered internal training courses, focusing predominantly on goods management and on the handling of user software. Expenditure on training and advancement measures in the year under review amounted to € 0.2 million, as in the previous year.

TOTAL EMPLOYEES (inclusive of pro-rata consolidated joint ventures)



Social responsibility

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

Examples of how the company contributes towards promoting the health of its employees are the "Health Day", a day-long fact-finding event for employees at Tornesch, the provision of fresh fruit during winter and mineral water in the summer, and support for a variety of preventive measures.

The compatibility of professional and family life is an important concern for the Hawesko Group. The group head office in Tornesch received the "Hamburg Family-Friendly Seal" in 2010 for its family-friendly human resources policy. This seal is awarded by the "Hamburg Alliance for Families", a joint initiative of the Hamburg Senate and the Hamburg Chamber of Crafts. The human resources policy also includes giving employees personal advice on the topics maternity leave, parental leave and parental benefit payments. Parents are offered flexible working hours, part-time and home-based work, as well as assistance with the financing of childcare arrangements; events aimed at all the family are also held.

There is a wide range of fringe and welfare benefits available to the Hawesko Group's employees. These include most notably retirement benefit arrangements and schemes, and opportunities for employees to participate in the company's success through profit-sharing schemes.

Hawesko Holding AG is a member of the Pensionskasse des Handels pension fund. Our membership paves the way for providing all domestic employees of the Hawesko Group with effective retirement benefit arrangements, including cover for invalidity and surviving dependants. The combination of employer subsidies and a component taken directly from the individual employee's salary makes it possible to build up a stable provision for old age through contributions that are exempt from tax and social insurance contributions. At 31 December 2012, 382 employees (prior-year reporting date: 354) of the group belonged to this pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

RESEARCH AND DEVELOPMENT

As a trading company, the Hawesko Group does not perform research and development in the narrower sense. The cost of developing exclusively marketed vintages in partnership with renowned wine producers – including the registration and protection of brands – does not exceed an amount of € 0.1 million per year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Board of Management of Hawesko Holding AG is satisfied with the business performance in the year under review. At the start of 2013 it is of the opinion that the group enjoys a very good position, and is confident about its prospects for further business development. Please refer to the relevant sections below for notes on the principal opportunities and risks.

LEGAL STRUCTURE OF THE GROUP AND INFORMATION REQUIRED UNDER TAKEOVER LAW

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

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,708,934.14 at the 2012 reporting date is divided into 8,983,403 no par value bearer shares, all of which are equipped with identical rights and obligations. The company is not aware of any restrictions affecting voting rights or the transfer of shares. Equally, no other classes of share exist. Under the articles of incorporation the Board of Management is, with the consent of the Supervisory Board, authorised until 31 May 2013 to increase the capital stock by up to a total of € 6,140,553.86, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act exists. An amendment to the articles of incorporation requires a shareholders' resolution carried by at least three-quarters of the capital stock represented.

The principal agreements of Hawesko Holding AG, which contain a clause in the event of the takeover of Hawesko Holding AG, relate to agreements with various suppliers on exclusive sales rights, bilateral credit facilities with German banks and employment contracts with two members of the Board of Management. In the event of a takeover, the respective suppliers and lenders have the right to terminate the agreement or credit facility and, if appropriate, to call in any loans; two members of the Board of Management are entitled to compensation in the event of termination of their employment following a change of control (in this connection please refer to the Note 46 to the consolidated financial statements). A takeover is assumed to have taken place if a third party obtains control of Hawesko Holding AG; this may also be a group acting jointly.

The Board of Management Chairman, Alexander Margaritoff, is the biggest shareholder of Hawesko Holding AG, holding 30.0% of the shares through Alexander Margaritoff Holding GmbH. He is followed by Detlev Meyer with a shareholding of 29.5% through Tocos Beteiligung GmbH, and Michael Schiemann, with a 5.0% shareholding through Augendum Vermögensverwaltung GmbH. The remaining approx. 35.5% are held by institutional and private investors. There are no employee shares as defined in Sections 289 (4) No. 5, 315 (4) No. 5 of German Commercial Code.

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

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Strategy", page 20).

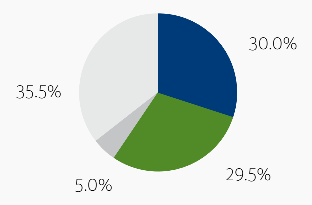
MANAGEMENT AND CONTROL

Independent responsibility for the running of the company and for the appointment of representatives for transactions with third parties rests with the Board of Management of Hawesko Holding AG. It comprises 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 Supervisory Board appoints the members of the Board of Management. Members of the Board of Management may be appointed for a maximum of five years. The reappointment or extension for a maximum of five years requires a renewed resolution by the Supervisory Board.

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

SHAREHOLDER STRUCTURE (%)



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

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

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

The Board of Management uses EBIT and ROCE as the basis for its steering approach. The target minimum rates of return were outlined above under "Strategy". The targets and the development of the individual segments on the basis of these benchmarks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies. By incorporating EBIT margins and the return on capital employed into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.

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

Pursuant to Section 289a of German Commercial Code, publicly listed companies are to prepare a corporate governance declaration and incorporate it into their management report as a separate section. It may also be made publicly accessible on the company's website. This declaration, which contains the declaration pursuant to Section 161 of German Stock Corporation Law as well as relevant disclosures on corporate management practices implemented over and above the statutory requirements, a description of the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of their committees, is published in the Annual Report (pages 115–118) and can also be accessed on the Internet at http://www.hawesko-holding.com -> Investor Relations -> Corporate Governance.

REMUNERATION REPORT

The remuneration level and system for the Board of Management are determined by the Supervisory Board based on preparatory resolutions by the Personnel and Nominating Committee and examined at regular intervals. As part of its preparations, the Supervisory Board also commissions external remuneration studies. The remuneration system applicable for the year under review for the Board of Management members was approved by the 2010 Shareholders' Meeting by a majority of 96.22% in a consultative vote pursuant to Section 120 (4) of the German Stock Corporation Act.

The remuneration of the Board of Management members comprises a fixed and a variable component. The criteria by which the appropriateness of remuneration is gauged are the tasks of the individual Board of Management member, his personal performance, and the economic situation, success and future prospects of the company compared with its context. The variable component comprises a performance-related payment that is fundamentally based on the net income. In 2012, as in the previous year, the remuneration did not include any stock options, stock appreciation rights which work in the same way as stock options or any other share-based components. However the Supervisory Board will, to the extent that is contractually possible, reach a new remuneration agreement that complies with the new German stock corporation legislation and takes account of long-term corporate results and personal performance. This committee has already agreed new contracts for the period 2013 to 2017 with two Board of Management members whose contracts expired at the end of 2012; the new contracts are compliant with the new stock corporation law and contain both an earnings component that reflects the medium-term performance of the company and a component that is based on personal performance. The earnings component is based on the development in EBIT and ROCE over a three-year period, and the personal performance component reflects qualitative targets tailored to each individual. A cap on the variable remuneration is specified.

The remuneration of the Board of Management for 2012 is shown in the following table:

€ '000	*Fixed*	*Variable*	*Total*
Alexander Margaritoff	982	885	1,867
Bernd Hoolmans	450	393	843
Bernd G Siebdrat	254	511	765
Ulrich Zimmermann	240	142	382
TOTAL	**1,926**	**1,931**	**3,857**

The Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay; a provision totalling € 184 thousand (previous year: € 148 thousand) was recognised for this commitment at 31 December 2012. The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay, having reached the age of 65. The company paid € 10 thousand (previous year: € 10 thousand) into a benevolent fund for this commitment in the year under review.

Two members of the Board of Management are entitled to compensation in the event of termination of their employment contract following a change of control.

The remuneration of the Supervisory Board was supplemented by a variable component by shareholders' resolution dated 8 June 2000, paid in addition to the fixed component. The Supervisory Board members currently receive a fixed payment of € 4,200.00 per year plus reimbursement of expenses (as well as any VAT, if due, on their Supervisory Board activities). Each Supervisory Board member in addition receives € 1,050.00 in attendance fees for each plenary or committee meeting attended. The Chair receives twice this amount, and the Deputy Chair one and a half times it. The remuneration of the Supervisory Board for 2012 is shown in the following table:

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Prof Dr Dr Dr Franz Jürgen Säcker	46	8	40	89	183
Gunnar Heinemann	34	6	22	–	62
Thomas R Fischer	23	4	17	–	44
Elisabeth Kamper (from 22/11/2012)	2	0	1	–	3
Detlev Meyer	23	4	16	–	43
Kim-Eva Wempe	23	4	9	–	36
TOTAL	**151**	**26**	**105**	**89**	**371**

The shares held by members of the Board of Management and Supervisory Board are likewise indicated in Note 46 to the consolidated financial statements. Pursuant to Section 15a of German Securities Trading Law, the members of the Board of Management and Supervisory Board are obliged to disclose significant acquisitions or disposals of shares in Hawesko Holding AG.

ENVIRONMENTAL REPORT

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

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

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

For all direct mail campaigns, the addresses targeted in each mail shot are chosen using intelligent selection principles. This makes the use of mail shots more effective and equally cuts consumption of paper and energy. Print runs can consequently be planned more accurately, and waste at the printers can be avoided. Environmentally friendly printing processes ideally on recycled paper or paper manufactured according to Forest Stewardship Council (FSC) standards are used for the production of advertising media. *CWD Champagner- und Wein-Distributionsgesellschaft* launched CO_2-neutral direct mail campaigns in the year under review, with *Hanseatisches Wein- und Sekt-Kontor* following suit in 2013.

Lighting systems with a particularly high energy consumption are being identified and replaced at individual *Jacques' Wein-Depot* outlets. An energy-optimised lighting concept is always used whenever outlets are refurbished or new outlets opened. At 31 December 2012, over 110 *Jacques'* locations as well as the head office in Düsseldorf were supplied with power from renewable sources. The resulting CO_2 saving amounts to more than 260,000 kg. For a number of years, every *Jacques' Wein-Depot* shop has been collecting wine corks for recycling. Over eight million corks were again collected at the outlets during 2012 and passed on to specialist recyclers. *Jacques'* offers this service as the only nationwide network of specialist wine retail outlets in Germany.

The group's climate-controlled logistics centre is located at Tornesch and prepares consignments of wine for the wholesale and mail-order segments. A computer-aided precision control function in the heating and climate control system ensures that energy is put to optimum use. The climate control system takes account of the sun's position, providing more cooling output to whichever side of the building is more exposed to the sun. The building control system was again optimised in the year under review, reducing energy consumption by a further 10% compared with the previous year. Activation of the lighting systems has been changed

over from manual switches to movement sensors. Based on an analysis of peaks in energy demand, the storage and retrieval systems are now ramped up gradually, realising further savings. There are plans to green the outdoor areas around the logistics centre in 2013, to pave the way for further energy savings. Transport packaging is used economically and effectively, to avoid unnecessary waste. Both locations use a central data processing system for precision daily planning, stock control, pre-sorting of goods by destination and paperless coordination with the forwarding agents DHL and Hermes Logistik Service, with a view to making maximum use of their capacity and therefore minimising energy consumption. For their part, both DHL and Hermes Logistik Service use highly environmentally friendly processes and are accredited to DIN 14001 (Environmental Management Systems).

REPORT ON POST-BALANCE SHEET DATE EVENTS

Acquisition of majority interest in Vogel Vins SA

With effect from 1 February 2013 the Hawesko Group acquired an interest in *Vogel Vins SA* with its registered office in Grandvaux, Switzerland, which is fully consolidated within the wholesale segment from that date. 70% of the shares were purchased via the subsidiary *Globalwine AG* in Zurich, so the group ultimately holds a 55.3% interest in *Vogel Vins*. *Vogel Vins* supplies specialist dealers, hotels and catering establishments in Western Switzerland. It also serves end customers directly through four wine bars operated under the name of “Yatus”. The company realised sales of CHF 9.8 million (around € 8.1 million) in 2012.

A total purchase price of CHF 4.0 million (around € 3.3 million) is due for the purchase of the shares. At the time of preparation of the financial statements, CHF 3.6 million (around € 2.9 million) had been paid.

The takeover of *Vogel Vins* establishes another base in Switzerland and is thus an important strategic addition for the Hawesko Group.

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

RISK REPORT

RISK MANAGEMENT AND RISK REPORT

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

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

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

In addition to the general business risk, the group is exposed to the following risks:

Risks from the economy in general

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

11% of consolidated sales were achieved outside Germany in the year under review. The neighbouring countries Austria and Switzerland account for half of these sales. Due to the sharp drop in demand for Bordeaux wines exported to China, the risks to which the subsidiary *Château Classic – Le Monde des Grands Bordeaux* is exposed in that sales region will be lower in future years. Particularly the Far East market could experience major fluctuations in sales of absolutely top-class Bordeaux wines.

Risks from the trade

The risks from the trade include in particular:

- *Wine as a natural product – procurement risks*

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

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

Quality assurance for the wines we buy starts with a visit to the vineyard where they are produced, and continues with tests conducted in the Hawesko Group's laboratories. Quality problems are rare. The vintners know the Hawesko Group and the high standards it expects; moreover, they pride themselves on the quality of their wines. In the year under review, only an insignificant proportion of deliveries was rejected by the Hawesko Group's companies for quality reasons.

- *The competition – sales risks*

The wine market is characterised by growing competition, both from specialist niche suppliers and from larger, financially strong groups. Within this context, the Hawesko Group is pursuing the strategy of consolidating its market position based on high-quality products through its expertise in database marketing and customer logistics, and of strengthening this position both in Germany and abroad.

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

- *Seasonal business*

The Hawesko Group publishes its business results each quarter. These results reflect fluctuations that are attributable to the seasonal nature of its business. In particular the sales and results for the individual quarters fluctuate e.g. as a result of the number of advertising mail shots, which is determined on the basis of when the various public holidays fall each year. The Hawesko Group in addition regularly generates a large portion of its sales and earnings in the final quarter of the year. Adverse weather conditions at that time of year may put pressure on sales and earnings. In the year under review, around 2% of consolidated sales were generated by preselected gifts in the run-up to Christmas. The result particularly for the third quarter of each year reflects the costs of assembling selections and pre-packaging goods, as well as increased handling costs in view of the greater volume of incoming goods.

- *Public debate on duty on alcohol and advertising ban*

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

- *Data protection*

Since 2012 there has been a public debate in Germany about an amendment to the Data Protection Act because of a draft European Union Data Protection Directive. The changes proposed include broadening the concept of personal data, the automatic expiry of consent regarding the use of such data, major restrictions on the analysis of customer data for advertising purposes and the abolition of the "list privilege" in Germany, which permits and regulates the transfer and use of personal data for advertising, market and opinion research purposes as well as for data processing in the context of business operations.

The Hawesko specialist wine-shop retail and mail-order segments each acquire a considerable portion of their new customers by methods that come under the "list privilege" and have for many years been committed to the responsible use of customer data that goes beyond the statutory requirements. However if the EU Data Protection Directive becomes law in the form of the current draft, this would introduce significant restrictions and necessitate the revising of the current business models in these segments.

Financial risks

There exist a number of financial risks within the Hawesko Group. These include in particular influences of exchange rate and interest rate movements, as well as the non-payment and liquidity risk.

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

The purchase price for the 70% interest acquired in *Wein & Vinos GmbH* at 2 January 2012 was financed through long-term loans from renowned banks with a first-class credit rating. In this connection, interest rate derivatives were taken out during the 2012 financial year to hedge against the interest rate risk. The maturities, interest payments and capital repayments reflect the underlying transaction (bank loan).

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

Legal and fiscal risks

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

The company is not aware of any fiscal risks which have a significant influence on the economic situation of the Hawesko Group. A provision was created as a precautionary measure for risks arising in connection with the tax investigation that was not yet completed at the time of compiling this report.

IT risks

The IT infrastructure within the Hawesko Group reflects the structure according to the sales segments of specialist wine-shop retail, wholesale/distribution and mail order. IT systems are modernised and extended as necessary, on the basis of existing plans. On a group-wide scale, risks of IT failures are largely excluded by means of redundant hardware and back-up systems. Appropriate technical methods of protection and monitoring are installed to regulate external and remote access.

In the specialist wine-shop retail segment, the individual outlets are connected to the head office in Düsseldorf by a computer-aided goods management and marketing system using ISDN dial-up connections. Failures may occasionally occur at individual tills, but this does not constitute a risk that threatens the existence of the entire company. Any such failures are rectified within four hours on the basis of a service package agreement with the company Wincor Nixdorf. The entire system has been running without problems since 2001 and is regularly updated in line with new standards. The system is capable of accommodating further growth in the network of outlets without it being likely that a significant risk could occur.

Electronic data processing is used within the wholesale segment for administration, goods management and accounting purposes; one wholesale subsidiary uses the mail-order system (see below). A new IT system based on SAP was implemented in 2012 without incident. The risk from the changeover thus no longer exists.

In the mail-order area, customer orders and movements of goods are controlled by stock administration, goods management and financial accounting software based on SAP, introduced in 2006. The call centre's telecommunications system is complemented by a back-up system which ensures that business operations can continue in the event of the main system failing. In such an event, the system supplier guarantees to repair the main system within no more than 24 hours. The risk of business operations being entirely paralysed by a total breakdown is rated as low both for the customer ordering and goods system and for the telecommunications system.

Management risks and personnel risks

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

The future economic development of the Hawesko Group depends to a high degree on the dedication and performance of our employees. We respond to increasing competition for highly qualified specialists and managers by nurturing close contacts with selected professional institutes and through personnel development measures. By providing focused employee development, we counter the risk of being unable to hold onto valued employees in the long term.

Other risks

Business is influenced to a substantial degree by the ability of the Hawesko Group to maintain agreements securing it the status of exclusive distributor for renowned wine producers. If such an agreement were not to be extended, sales would suffer in the short term. At the beginning of 2013 this was the case in connection with an Italian producer. However, the Hawesko Board of Management expects the resulting loss of sales to be mostly compensated through higher sales of other exclusively-distributed wines already in 2013.

No other substantial risks are currently identifiable.

OTHER RISK MANAGEMENT SYSTEM/OPPORTUNITIES MANAGEMENT SYSTEM

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

OVERALL STATEMENT ON THE RISK SITUATION OF THE HAWESKO GROUP

By way of an overall assessment of the risk situation, as matters stand and on the basis of the information known it can be established that there exist no risks that pose a threat to the company as a going concern, nor are any such risks identifiable in the future.

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

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

As part of the internal system of control, the risk management system methodically records and evaluates the risks identified as part of the risk inventory, which is conducted twice a year. In respect of group financial reporting, the aim of the risk management system is to reflect the risks appropriately in the consolidated financial statements (e.g. through the creation of provisions) and thus to limit the risk of incomplete presentation of the net worth, financial position and financial performance. Further notes on the risk management system are given in the Risk Report on page 51.

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

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

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

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

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

The internal system of control in respect of the consolidation process

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

All consolidation processes as well as the reconciliation of the local separate financial statements with IFRS accounting standards are carried out and documented by the central department “Group Accounting and Investment Controlling”. The internal and external data required for the notes to the consolidated financial statements and management report is also evaluated and consolidated at group level.

The effectiveness and adequacy of Group Accounting in preparing the accounts are overseen directly by the Finance Director and the individuals appointed by him to perform that task within Group Accounts.

REPORT ON EXPECTED DEVELOPMENTS

DIRECTION OF THE HAWESKO GROUP IN THE NEXT TWO FINANCIAL YEARS

No fundamental changes to the business policy of the Hawesko Group are envisaged in the next two years; there will merely be shifts in emphasis in individual areas. The Hawesko Group will continue to maintain and build on its already strong market position in Germany, but in parallel the Board of Management will continue to look to expand its international activities. In that respect it will focus on the one hand on markets in nearby European countries and on the other hand on serving the high-growth Far East markets from Europe. With regard to activities in Germany, the group is continually examining how the individual subsidiaries can work together even more effectively and seize any new opportunities that present themselves. Apart from the majority interest acquired in *Vogel Vins SA* with effect from 1 February 2013, no other acquisition plans have taken on sufficiently firm contours to merit reporting. No fundamental change to business processes or the type of business is envisaged.

GENERAL ECONOMIC SITUATION

Anticipated future developments in economy as a whole

As in the previous year, the consequences of the euro crisis are the focus of interest when assessing the economic outlook for 2013. For example the ifo Institute concludes that economic activity slowed in the course of 2012 because of continuing uncertainty caused by the euro crisis. The institute forecasts a loss of economic momentum for the fourth quarter of 2012 but expects there to be a recovery as early as the first quarter of 2013. “With domestic demand the main driver,” write the ifo experts, “the economy should get back on track in the coming year provided that there is no renewed escalation in the European sovereign debt crisis.” In its forecast for 2013, Gesellschaft für Konsumforschung (GfK) bases its outlook on the fact that although the European sovereign debt crisis has not yet been overcome, financial markets have been calmed and uncertainty has not spread. It rated the state of the German labour market at the start of 2013 as good, and therefore beneficial for consumption. It also identified a continuing trend towards purchases of big-ticket items, with German retail sales still growing slightly. According to GfK calculations, consumer spending overall is ahead of the forecast growth in gross domestic product (GDP). GfK expects GDP to gain +0.8%, with ifo forecasting +0.7%.

The Hawesko Board of Management echoes this economic forecast; with regard to the outlook, it points in particular to the increasingly positive momentum forecast by the ifo Institute in the course of 2013. The Board expects the economic trend to remain on the whole positive throughout 2013 and 2014 in Germany, the domestic market which is also of key significance. The wine market, too, should stand to benefit from this.

Future situation in the trade

The prospects for the German wine market likewise remain favourable in 2013 – especially if economic confidence is buoyed. The already longer-established trends for wines in the upscale market segments are continuing and are being aided by demographic change. As in many other industries, the significance of online business is steadily growing for the wine trade, too, and more and more customers – especially younger people – are using this sales channel in preference to others. In other Central European countries apart from Germany, the trends in wine consumption being observed fundamentally resemble the pattern in Germany. In the Far East markets, demand for high-quality Bordeaux wines stabilised at the end of 2012 – though at a lower level than one year earlier. The Hawesko Board of Management hopes that China's stable transition to a new government will induce a slight recovery in demand in the Far East. However, the 2011 and 2012 vintages in themselves are unlikely to provide any particular impetus.

Notwithstanding that, the existing quality trends will continue over the next two years: growing professionalism in the world of wine, increasingly discerning consumers and a concentration of consumption in Europe will in all probability continue to dominate the wine trade in 2013 and 2014. Outside Europe, there are already signs that wine consumption is on the up – a development that is moreover set to continue. Supply and demand on wine markets worldwide are almost in equilibrium. The consequence of this is that the virtues that the Hawesko Group has carefully nurtured over many decades are more important than ever as a unique selling proposition in the marketplace: an extensive range of top-class wines, expert handling and shipping of wine, and excellent customer service.

ANTICIPATED FINANCIAL PERFORMANCE

The target of the Hawesko Board of Management remains profitable growth continuing into the long term. In the 2013 financial year, with the exception of *Wein & Vinos* the group subsidiaries in Germany are expected to achieve percentage growth in low to mid-range single figures. In the mail-order segment, the Board of Management expects both *Wein & Vinos* and *The Wine Company* to expand by between 10% and 20%. In the wholesale segment, the newly acquired subsidiary company from Western Switzerland, *Vogel Vins*, will provide an extra lift to sales in the mid single-digit million range, and business in top Bordeaux wines for *Château Classic* should remain at the previous year's level. Overall, the Board of Management expects the Hawesko Group to achieve sales growth of around 6% in 2013.

With regard to the gross profit margin for the group, 2013 will bring a slight improvement on the previous year (2012: 40.7%). According to estimates by the Board of Management made in early March 2013, the total of all operating income and expenses will probably reach the previous year's level (–34.9% of sales). On this basis, as matters stand a consolidated operating result (EBIT) of around € 28 million can be expected for 2013 (2012: € 26.1 million). The financial result is expected to show a net expense of approx. € 1.5 million (2012: net income of € 4.2 million). The profit due to non-controlling interests will reach an anticipated € 0.8 million (previous year: € 0.3 million). With the financial result likely to fall, consolidated net income is expected to be below the prior-year figure (€ 22.5 million). For 2014, the Board of Management expects a further rise in sales, EBIT and consolidated net income. It forecasts a free cash flow of around € 15 million for 2013 and a further rise for 2014. Assuming these figures materialise, the dividend level is to be at least maintained. As usual, Hawesko's Board of Management will promptly communicate its expectations and the outlook for the future in the next interim reports.

The separate financial statements of the parent company Hawesko Holding AG are likely to reveal a net income for 2013 on a par with the 2012 level (€ 18.0 million), with the figure rising in 2014.

ANTICIPATED FINANCIAL POSITION

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

From a net debt position of € 10.7 million at 31 December 2012, the company's plans envisage this item being brought down again by the 2013 reporting date.

Capital expenditure on property, plant and equipment and intangible assets in the 2013 financial year is likely to come in at between € 4 million and € 5 million. The planned investment spending is for modernisation and expansion in the specialist wine-shop retail segment, and for expansion and replacement investment in the wholesale and mail-order segments.

Beside the acquisition of majority shareholdings in *Vogel Vins SA* as of 1 February 2013, no further investments in financial assets nor acquisitions are currently budgeted, because the relatively short-term nature of such decisions makes it inadvisable to build them into the basic scenario as fixed components. The Hawesko Group continues to have adequate financial leeway for handling a potential acquisition in accounting terms.

OPPORTUNITIES AND RISKS

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

At present the Hawesko Board of Management does not expect to see any further clear-cut opportunities in 2013 considering the prevailing economic environment. The Board of Management is of the opinion that there is unlikely to be much leeway for positive surprises, given the already very healthy basis for the Hawesko Group's domestic business activities. The market researchers at GfK are forecasting a 1.0% rise in consumer spending in 2013 and therefore virtually no change in the propensity to consume compared with 2012 (1.5%). Broadly, the Hawesko Board of Management currently expects consumption of high-end wines commanding a price of more than € 4.00 per bottle to remain stable over the year as a whole, or possibly achieve slight growth.

In international markets, above all those generating high sales of Bordeaux wines, demand for these wines at the absolute top quality level from *Château Classic* currently remains at the previous year's low level. Based on current estimates, a moderate recovery could add up to one percentage point to growth in 2013. In view of the cyclical nature of demand for these products, the Board of Management assumes that to compensate for quiet phases lasting several years there will also be phases of lively demand.

The Hawesko Group enjoyed very healthy balance sheet ratios at the reporting date of 31 December 2012. The Board of Management assumes that most of its competitors do not share this financial strength.

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

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

If the Hawesko Group were to be able to secure exclusive distribution rights for further renowned producers – depending on the sales volumes in question – this could prompt a further rise in sales and, in the medium term, boost earnings. The prospects for the Hawesko Group to gain exclusive distribution rights for Switzerland too have improved with its majority shareholding in *Vogel Vins SA*.

OVERALL STATEMENT ON THE ANTICIPATED DEVELOPMENT OF THE GROUP

In light of the above individual factors and the assessment of the wine market's development, the Board of Management considers a steady upward development in the Hawesko Group over the next two years to be realistic. A healthy development is likewise forecast for the parent company Hawesko Holding AG. The group's focus remains on growth, above all outside Germany. The Hawesko Board of Management continues to aim for profitable growth with a return on sales of around 7%. Consistently exceeding a return on capital employed (ROCE) of at least 16% remains an important target. The attainment of financial targets is merely the outward manifestation of an effective business model and will only succeed if due regard is likewise paid to the human dimension of economic activity: satisfied customers, motivated employees, and fair treatment of and by business partners are all values which give our business that vital authenticity, and which the Hawesko Board of Management deems are worthy of continuing to advocate.

CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2012 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2012

	Notes	2012 € '000	2011* € '000
SALES REVENUES	10	**448,581**	**411,409**
Increase/decrease in finished goods inventories		207	480
Other production for own assets capitalised		501	91
Other operating income	11	19,696	19,048
Cost of purchased goods		–265,812	–248,662
Personnel expenses	12	–45,942	–40,223
Depreciation and amortisation	13	–7,196	–5,312
Other operating expenses	14	–123,809	–109,882
Other taxes		–81	–187
RESULT FROM OPERATIONS		**26,145**	**26,762**
Interest income	15	562	88
Interest expense	15	–919	–335
Other financial result	15	4,507	–210
EARNINGS BEFORE TAXES		**30,295**	**26,305**
Taxes on income and deferred tax	16	–7,422	–8,117
CONSOLIDATED NET INCOME		**22,873**	**18,188**
Profit due to controlling interests		–328	–291
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS		**22,545**	**17,897**
Earnings per share (basic) (€)	17	2.51	1.99

** Figures for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2012

	2012	2011*
	€ '000	€ '000
CONSOLIDATED NET INCOME	**22,873**	**18,188**
Effects from cash flow hedge losses incl. deferred tax	–254	–
Actuarial gains/losses from performance-oriented pension plans incl. deferred tax	–75	–37
Currency translation differences	35	–43
AMOUNTS RECOGNISED DIRECTLY IN EQUITY	**–294**	**–80**
OVERALL RESULT	**22,579**	**18,108**
of which		
– allocable to the shareholders of Hawesko Holding AG	22,237	17,835
– allocable to non-controlling interests	342	273

** Figures for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

CONSOLIDATED BALANCE SHEET

at 31 December 2012 (IFRS)

ASSETS	Notes	31/12/2012	31/12/2011	01/01/2011
		€ '000	€ '000	€ '000
NON-CURRENT ASSETS				
Intangible assets	18	35,787	10,704	11,379
Property, plant and equipment	19	20,494	19,925	20,110
Other financial assets	20	238	240	265
Advance payments for inventories	22	5,319	12,886	15,908
Receivables and other assets	23	1,039	897	1,066
Deferred tax	21	2,157	2,095	3,877
		65,034	**46,747**	**52,605**
CURRENT ASSETS				
Inventories	22	100,028	97,012	74,297
Trade receivables	23	52,508	47,941	46,682
Other assets	23	4,918	3,918	2,666
Accounts receivable from taxes on income	23	1,927	1,136	828
Cash in banking accounts and cash on hand	24	12,345	20,350	24,705
		171,726	**170,357**	**149,178**
		236,760	**217,104**	**201,783**

SHAREHOLDERS' EQUITY AND LIABILITIES	*Notes*	31/12/2012	31/12/2011*	01/01/2011*
		€ '000	€ '000	€ '000
SHAREHOLDERS' EQUITY				
Subscribed capital of Hawesko Holding AG	25	13,709	13,709	13,709
Capital reserve	26	10,061	10,061	10,061
Retained earnings	27	48,054	62,699	47,299
Accumulated other equity	28	–164	144	206
Unappropriated group profit	29	11,554	8,289	21,513
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG		**83,214**	**94,902**	**92,788**
Non-controlling interests	30	6,824	839	751
		90,038	**95,741**	**93,539**
LONG-TERM PROVISIONS AND LIABILITIES				
Provisions for pensions	31	850	722	648
Other long-term provisions	32	705	373	269
Borrowings	33	12,676	2,596	2,926
Advances received	34	3,447	10,876	16,355
Other liabilities	34	1	18	138
Other financial liabilities	34	16,342	–	–
Deferred tax liabilities	35	568	277	293
		34,589	**14,862**	**20,629**
SHORT-TERM LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	34	2	2	4
Borrowings	33	9,510	4,288	4,965
Advances received	34	12,627	16,461	5,068
Trade payables	34	65,215	57,694	52,996
Income taxes payable	34	1,124	4,012	2,829
Other liabilities	34	23,655	24,044	21,753
		112,133	**106,501**	**87,615**
		236,760	**217,104**	**201,783**

* *Figures for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2012

		Notes	2012	2011**
			€ '000	€ '000
	Earnings before taxes	41	30,295	26,305
+	Depreciation of intangible and tangible assets		7,196	5,312
+/–	Other non-cash expenses and income		–	–217
+	Interest result	41	–4,150	457
+/–	Result from the disposal of intangible and tangible assets		10	–142
+/–	Change in inventories		6,993	–19,694
+/–	Change in receivables and other assets		–3,921	–2,342
+/–	Change in provisions		355	177
+/–	Change in liabilities (excluding borrowings)		–8,775	12,529
–	Taxes on income paid out	41	–10,152	–5,461
=	**NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS**		**17,851**	**16,924**
–	Outpayments for acquisition of consolidated companies exluding net-cash position acquired		–19,650	–
–	Outpayments for tangible assets and intangible assets		–6,264	–4,349
+	In-/outpayments from the disposal of intangible and tangible assets		528	207
+	Inpayments from the disposal of financial assets		2	15
=	**NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES**		**–25,384**	**–4,127**
–	Outpayments for dividends		–14,373	–15,721
–	Outpayments to minority interests*		–405	–185
–	Payments of finance lease liabilities		–331	–1,464
+	Change in short-term liabilities		436	672
+	Inpayments from mid- and long-term financial liabilities		20,000	–
–	Repayments of mid- and long-term financial liabilities		–4,750	–
–	Interest paid out and received	41	–1,049	–454
=	**OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES**		**–472**	**–17,152**
=	**NET DECREASE/INCREASE OF FUNDS**		**–8,005**	**–4,355**
+	Funds at start of period		20,350	24,705
=	**FUNDS AT END OF PERIOD**	41	**12,345**	**20,350**

* *Including outpayments to minority interests in unincorporated firms*

** *Figures for 2011 restated through early application of IAS 19 (revised), cf. Note 2 to the consolidated financial statements*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2010 to 31 December 2011

€ '000	*Subscribed capital*	*Capital reserve*	*Retained earnings*	*Balancing item from currency translation*	*Re-valuation component retirement benefit obligation*	*Re-valuation reserve*	*Unappro-priated group profit*	*Ownership interest of Hawesko Holding AG share-holders*	*Non-control-ling interests*	*Share-holders' equity*
31/12/2010	**13,709**	**10,061**	**47,299**	**70**	**–**	**–**	**21,649**	**92,788**	**751**	**93,539**
First-time adoption IAS 19 incl. deferred tax	–	–	–	–	136	–	–136	–	–	–
1/1/2011 revised due to IAS 19 application	13,709	10,061	47,299	70	136	–	21,513	92,788	751	93,539
Appropriation to retained earnings	–	–	15,400	–	–	–	–15,400	–	–	–
Dividends	–	–	–	–	–	–	–15,721	–15,721	–185	–15,906
Deferred tax on changes in equity	–	–	–	–	15	–	–	15	–	15
Overall result	–	–	–	–25	–52	–	17,897	17,820	273	18,093
31/12/2011	**13,709**	**10,061**	**62,699**	**45**	**99**	**–**	**8,289**	**94,902**	**839**	**95,741**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2011 to 31 December 2012

€ '000	*Subscribed capital*	*Capital reserve*	*Retained earnings*	*Balancing item from currency translation*	*Re-valuation component retirement benefit obligation*	*Re-valuation reserve*	*Unappro-priated group profit*	*Ownership interest of Hawesko Holding AG share-holders*	*Non-control-ling interests*	*Share-holders' equity*
31/12/2011	**13,709**	**10,061**	**62,699**	**45**	**99**	**–**	**8,289**	**94,902**	**839**	**95,741**
Appropriation to retained earnings	–	–	4,907	–	–	–	–4,907	–	–	–
Partial disposals	–	–	0	–	–	–	–	–	61	61
Successive acquisition	–	–	–183	–	–	–	–	–183	–117	–300
Consolidation changes	–	–	–	–	–	–	–	–	5,868	5,868
Put option non-controlling interests	–	–	–19,369	–	–	–	–	–19,369	–	–19,369
Dividends	–	–	–	–	–	–	–14,373	–14,373	–169	–14,542
Deferred tax on changes in equity	–	–	–	–	30	102	–	132	–	132
Overall result	–	–	–	21	–105	–356	22,545	22,105	342	22,447
31/12/2012	**13,709**	**10,061**	**48,054**	**66**	**24**	**–254**	**11,554**	**83,214**	**6,824**	**90,038**

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2012

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Other intangible assets*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST					
POSITION AT 1/1/2012	**11,439**	**9,737**	**–**	**2,218**	**23,394**
Extension on the basis of consolidation	15	8,710	17,973	–	26,698
Additions	1,599	–	–	63	1,662
Disposals	0	0	–	−7	−7
Appreciation	–	–	–	–	–
Transfers	2,268	–	–	−2,268	–
POSITION AT 31/12/2012	**15,321**	**18,447**	**17,973**	**6**	**51,747**
ACCUMULATED DEPRECIATION					
POSITION AT 1/1/2012	**9,011**	**3,679**	**–**	**–**	**12,690**
Extension on the basis of consolidation	–	–	–	–	–
Additions	1,921	13	1,336	–	3,270
Disposals	–	–	–	–	–
Appreciation	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2012	**10,932**	**3,692**	**1,336**	**–**	**15,960**
CARRYING AMOUNTS					
POSITION AT 31/12/2012	**4,389**	**14,755**	**16,637**	**6**	**35,787**

PROPERTY, PLANT AND EQUIPMENT € '000	*Land and buildings*	*Other fixtures and fittings, tools and equipment*	*Construction in progress*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2012	**32,010**	**23,544**	**93**	**55,647**
Extension on the basis of consolidation	–	419	–	419
Additions	1,885	2,551	166	4,602
Disposals	−435	−1,154	–	−1,589
Appreciation	–	–	–	–
Transfers	128	–	−128	–
POSITION AT 31/12/2012	**33,588**	**25,360**	**131**	**59,079**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2012	**19,549**	**16,173**	**–**	**35,722**
Extension on the basis of consolidation	–	–	–	–
Additions	1,284	2,642	–	3,926
Disposals	−19	−1,044	–	−1,063
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2012	**20,814**	**17,771**	**–**	**38,585**
CARRYING AMOUNTS				
POSITION AT 31/12/2012	**12,773**	**7,590**	**131**	**20,494**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Other loans*	*Total*
ACQUISITION OR MANUFACTURING COST			
POSITION AT 1/1/2012	**185**	**55**	**240**
Extension on the basis of consolidation	–	–	–
Additions	–	–	–
Disposals	–	–2	–2
Appreciation	–	–	–
Transfers	–	–	–
POSITION AT 31/12/2012	**185**	**53**	**238**
ACCUMULATED DEPRECIATION			
POSITION AT 1/1/2012	**–**	**–**	**–**
Extension on the basis of consolidation	–	–	–
Additions	–	–	–
Disposals	–	–	–
Appreciation	–	–	–
Transfers	–	–	–
POSITION AT 31/12/2012	**–**	**–**	**–**
CARRYING AMOUNTS			
POSITION AT 31/12/2012	**185**	**53**	**238**

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2011

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2011	**11,115**	**9,569**	**1,985**	**22,669**
Extension on the basis of consolidation	–	–	–	–
Additions	339	–	266	605
Disposals	–48	–	–	–48
Appreciation	–	168	–	168
Transfers	33	–	–33	–
POSITION AT 31/12/2011	**11,439**	**9,737**	**2,218**	**23,394**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2011	**7,627**	**3,663**	**–**	**11,290**
Extension on the basis of consolidation	–	–	–	–
Additions	1,434	16	–	1,450
Disposals	–50	–	–	–50
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**9,011**	**3,679**	**–**	**12,690**
CARRYING AMOUNTS				
POSITION AT 31/12/2011	**2,428**	**6,058**	**2,218**	**10,704**

PROPERTY, PLANT AND EQUIPMENT € '000	*Land and buildings*	*Other fixtures and fittings, tools and equipment*	*Construction in progress*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2011	**31,029**	**21,919**	**4**	**52,952**
Extension on the basis of consolidation	–	–	–	–
Additions	1,086	2,568	89	3,743
Disposals	–105	–943	–	–1,048
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**32,010**	**23,544**	**93**	**55,647**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2011	**18,012**	**14,830**	**–**	**32,842**
Extension on the basis of consolidation	–	–	–	–
Additions	1,606	2,256	–	3,862
Disposals	–69	–913	–	–982
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**19,549**	**16,173**	**–**	**35,722**
CARRYING AMOUNTS				
POSITION AT 31/12/2011	**12,461**	**7,371**	**93**	**19,925**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Participating interests*	*Other loans*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2011	**185**	**28**	**57**	**270**
Extension on the basis of consolidation	–	–	–	–
Additions	–	–	–	–
Disposals	–	–28	–2	–30
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**185**	**–**	**55**	**240**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2011	**–**	**5**	**–**	**5**
Extension on the basis of consolidation	–	–	–	–
Additions	–	–	–	–
Disposals	–	–5	–	–5
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**–**	**–**	**–**	**–**
CARRYING AMOUNTS				
POSITION AT 31/12/2011	**185**	**–**	**55**	**240**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2012 financial year

PRINCIPLES AND METHODS APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL PRINCIPLES

Pursuant to EU Order 1606/2002, the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU at the balance sheet date. The supplementary requirements of German commercial law were additionally taken into account, pursuant to Section 315a Para. 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 2012.

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 market value.

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

The consolidated financial statements prepared by the Board of Management are to be submitted to the Supervisory Board on 15 March 2013 for signing off at the Supervisory Board meeting devoted to the annual accounts on 21 March 2013.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2012 of Hawesko Holding AG are published in the Federal Gazette. Copies of the annual financial statements and the combined management report for the group and the parent company can in addition be requested directly from Hawesko Holding AG.

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

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

- *Amendment to IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets"*

  The amendments concern the widening of the qualitative and quantitative disclosure requirements upon the transfer of financial assets. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Amendment to IAS 19 (2011) "Employee Benefits"*

  IAS 19 includes the new provision that actuarial gains and losses are in future fully recognised income-neutrally within equity in the year in which they arise. Application of the standard is fundamentally mandatory for financial years commencing on or after 1 January 2013. Earlier application is permitted. The option of early application was used in the financial year. As a result of the retrospective first-time application of IAS 19 (2011), the comparative figures for the 2011 financial year contained in the consolidated financial statements for the 2012 financial year differ to some extent from the figures published in the previous year in the consolidated financial statements at 31 December 2011. The first-time application of IAS 19 (2011) results in the following adjustments:

€ '000	2012	2011
Retirement benefit obligations revaluation component	24	99
Unappropriated group profit	–24	–99
Equity of the shareholders of Hawesko Holding AG	–	–
Personnel expenses	+103	+52
Result from operations	+103	+52
Interest expense	+2	–
Earnings before taxes	+105	+52
Deferred tax	–30	–15
Earnings after taxes	+75	+37
Earnings per share (basic)	+0.01	+0.00

The effects on the periods prior to 2011 are not stated separately here, as the work involved in their period-specific determination would be inordinate. The statement of changes in equity shows a reconciliation with the changes at 1 January 2011.

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 2012 financial year, as endorsed by the European Union. The option of applying new standards and interpretations before they become binding was only exercised in respect of IAS 19 (cf. Note 2).

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 2012:

- *IFRS 1 "First-Time Adoption of International Financial Reporting Standards – Government Loans" (endorsed on 11 December 2012)*
- *IFRS 1 "First-Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" (endorsed on 11 December 2012)*
- *Amendments to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities" (endorsed on 13 December 2012)*
- *IFRS 9 "Financial Instruments" (not yet endorsed)*
- *IFRS 10 "Consolidated Financial Statements" (endorsed on 11 December 2012)*
- *IFRS 11 "Joint Arrangements" (endorsed on 11 December 2012)*
- *IFRS 12 "Disclosure of Interests in Other Entities" (endorsed on 11 December 2012)*
- *IFRS 13 "Fair Value Measurement" (endorsed on 11 December 2012)*
- *Amendments to IAS 1 "Presentation of Components of Other Comprehensive Income" (endorsed on 6 June 2012)*
- *Amendments to IAS 12 "Deferred Tax – Recovery of Underlying Assets" (endorsed on 11 December 2012)*
- *IAS 27 (2011) "Separate Financial Statements" (endorsed on 11 December 2012)*
- *IAS 28 (2011) "Investments in Associates and Joint Ventures" (endorsed on 11 December 2012)*
- *IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities" (endorsed on 13 December 2012)*
- *Amendments from the "Improvements to IFRS 2009–2011 Cycle"*
- *IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (endorsed on 11 December 2012)*

The five standards published together that deal with consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), separate financial statements (IAS 27 (2011)) and investments in associates and joint ventures (IAS 28 (2011)) are to be applied for financial years beginning on or after 1 January 2014.

IFRS 10 supersedes the requirements on consolidated financial statements in IAS 27 and also SIC-12 on the consolidation of special-purpose entities and now defines a uniform principle of control.

IFRS 11 supersedes IAS 31 and SIC-13 and regulates the classification of joint arrangements. According to IFRS 11, among other changes exclusively the equity method must be applied when accounting for joint ventures.

IFRS 12 is a standard that concerns itself with disclosures and contains much more far-reaching disclosure requirements than the standards that are currently valid.

The application of the five standards may have a material influence on the consolidated financial statements. The application of IFRS 11 may lead to changes in the treatment of the joint venture *Global Eastern Wine Holding*, Bonn, and of its subsidiary *Global Wines, s.r.o.*, Prague (Czech Republic), which are currently consolidated on a pro rata basis. No detailed analysis of the impact of the new standards has yet been carried out, with the result that it is not yet possible to quantify their effect.

IFRS 13 summarises uniform guidelines on fair value measurement and the resulting disclosures. The standard is applied whenever a different IFRS calls for fair value measurement for financial and non-financial items. The standard is to be applied for financial years beginning on or after 1 January 2013, and may influence the values stated in the consolidated financial statements and result in extensive disclosures.

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

It is planned to apply the other standards and interpretations from the point in time when they become mandatory. As matters stand it is not yet possible to state the extent to which changes to individual standards will affect the consolidated financial statements.

4. CONSOLIDATION PRINCIPLES

The consolidated financial statements of Hawesko Holding AG include all significant domestic and foreign subsidiaries or joint ventures where the company directly or indirectly has the scope to control the financial and business policy of those companies or exercise considerable influence over them.

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

The consolidation of joint ventures is performed on a pro rata basis according to the same principles. The goodwill arising was written off in full in the first year of consolidation.

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

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

No reductions for impairment or reversals were applied in the year under review.

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. Pursuant to IAS 23 borrowing costs for inventories were not capitalised.

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 within equity in the year in which they arise. The service cost from pension commitments is shown under personnel expenses. The interest expense from pension commitments is reported in the financial result.

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

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

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

A *financial instrument* is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The financial assets include in particular cash in banking accounts and cash on hand, trade receivables, other loans originated by the enterprise and primary and derivative 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. 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.

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

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

Other loans are measured at amortised cost.

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

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

Financial liabilities are measured at fair value upon initial recognition. Their subsequent measurement depends on how they are classified:

- *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 primary 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.

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 accumulated other equity (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.

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

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

6. ESTIMATES AND ASSUMPTIONS

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

Goodwill is tested annually for impairment in accordance with IAS 36. The recoverable amount is determined on the basis of the fair value less disposal costs. Determining the fair value in particular requires estimates of the future cash flow based on group planning. The most important assumptions on which the calculation of fair value is based include estimates of growth rates, weighted capital cost rates and tax rates. The carrying amount of goodwill was € 14,744 thousand at 31 December 2012 (previous year: € 6,034 thousand).

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 € 1,139 thousand at 31 December 2012 (previous year: € 1,128 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 € 634 thousand at 31 December 2012 (previous year: € 533 thousand).

Provisions for pensions are measured according to actuarial principles. These methods are based on actuarial parameters such as the discounting rate, income and pension trend, and life expectancy. In view of the fluctuating market and economic situation, the underlying assumptions may depart from the actual development and have a material impact on the obligation for retirement benefit payments post-employment. The carrying amount of the provisions for pensions was € 850 thousand at 31 December 2012 (previous year: € 722 thousand).

The determination of *liabilities* from customer bonus programmes depends substantially on the assessment of how likely it is that the credit acquired will be redeemed. For this purpose assumptions are made based on customer quality and the credit levels. The carrying amount of the customer bonus liabilities was € 3,725 thousand at 31 December 2012 (previous year: € 3,730 thousand).

CONSOLIDATED COMPANIES

7. CONSOLIDATED COMPANIES

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 24 (previous year: 23) domestic and foreign companies, as well as one domestic joint venture and its foreign subsidiary, in which Hawesko Holding AG directly or indirectly holds a majority of voting rights or over which it exercises joint control.

FULLY CONSOLIDATED SUBSIDIARIES

	Registered office	*Segment*	*Shareholding* %
Alexander Baron von Essen Weinhandels GmbH	Tegernsee	Wholesale	100.0
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	Hamburg	Wholesale	100.0
Deutschwein Classics GmbH & Co. KG	Bonn	Wholesale	95.0
Gebr. Josef und Matthäus Ziegler GmbH	Freudenberg	Wholesale	100.0
Globalwine AG	Zurich (Switzerland)	Wholesale	78.96
Le Monde des Grands Bordeaux Château Classic SARL	St-Christoly, Médoc (France)	Wholesale	90.0
Wein Wolf Holding GmbH & Co. KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	Wholesale	100.0
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	Wholesale	100.0
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	Wholesale	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Salzburg (Austria)	Specialist wine-shop retail	100.0
Jacques-IT GmbH	Vaterstetten	Specialist wine-shop retail	100.0
Multi-Weinmarkt GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Viniversitaet Die Weinschule GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Carl Tesdorpf GmbH	Lübeck	Mail order	97.5
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	Mail order	100.0
Sélection de Bordeaux SARL	St-Christoly, Médoc (France)	Mail order	100.0
The Wine Company Hawesko GmbH	Hamburg	Mail order	100.0
Weinlet.de GmbH, formerly Winegate New Media GmbH	Hamburg	Mail order	100.0
Wein & Vinos GmbH	Berlin	Mail order	70.0
IWL Internationale Wein Logistik GmbH	Tornesch	Miscellaneous	100.0
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	Miscellaneous	100.0

The joint venture *Global Eastern Wine Holding*, Bonn, and its subsidiary *Global Wines, s.r.o.*, Prague (Czech Republic), are included in the consolidated financial statements on a pro rata basis, and allocated to the wholesale segment (value of investment: € 73 thousand).

The following particulars indicate the pro rata values at which these joint ventures were included in the consolidated financial statements.

SHARE OF ASSETS AND DEBTS

€ '000	31/12/2012	31/12/2011
Non-current assets	29	8
Current assets	1,768	1,597
ASSETS	**1,797**	**1,605**
Shareholders' equity	1,167	1,152
Short-term provisions and liabilities	630	453
EQUITY AND LIABILITIES	**1,797**	**1,605**

SHARE OF INCOME AND EXPENSES

€ '000	31/12/2012	31/12/2011
Sales revenues	2,583	2,671
Other operating income	83	81
Cost of materials	–1,626	–1,589
Personnel expenses	–174	–174
Depreciation and amortisation	–10	–3
Other operating expenses	–322	–419
RESULT FROM OPERATIONS	**534**	**567**
Interest income	10	4
Interest expense	–	–1
RESULT FROM ORDINARY ACTIVITIES	**544**	**570**
Taxes on income	–109	–118
NET INCOME	**435**	**452**

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

NON-CONSOLIDATED SUBSIDIARIES

	Registered office	*Shareholding* %	*Capital* € '000	*Net earnings* 2012 € '000
Wein Wolf Import GmbH	Bonn	100.0	28	2
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	34	1
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	100.0	27	1
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	100.0	41	6
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	36	1
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	95.0	31	1
C.C.F. Fischer GmbH	Tornesch	100.0	19	–1

8. CHANGE IN CONSOLIDATED COMPANIES

On 2 January 2012 Hawesko Holding AG acquired 70% of the shares of *Wein & Vinos GmbH*, with its registered office in Berlin *Wein & Vinos GmbH* is the leading multichannel distributor of Spanish wines in Germany; as well as its main e-commerce sales channel it has seven retail branches in Berlin and Munich. *Wein & Vinos GmbH* comes under the mail-order segment.

The acquisition costs for the shares came to € 22,403 thousand. These comprise a fixed component (€ 21,110 thousand) and a variable component (€ 1,293 thousand). The variable component has been recognised as a non-current liability and is dependent on the economic development of *Wein & Vinos GmbH*. The variable amount was therefore based on the anticipated average EBIT for the 2012 and 2013 financial year at the time of initial consolidation. New findings came to light in the course of 2012, leading to an adjustment of the targets and therefore an adjustment of the EBIT expectations used for calculating the variable component. At the balance sheet date an expected value of € 57 thousand was taken as the variable component. The adjustment of the variable component was made through profit and loss in the financial result. The fixed component was already paid in the year under review. Credit amounting to € 20 million was raised for that purpose, with a residual carrying amount of € 15.3 million at 31 December 2012.

In the course of the acquisition process, receivables with a fair value of € 1,059 thousand were recorded. The gross amount is € 1,096 thousand. Of this total, € 37 thousand will probably be uncollectible.

The carrying amount of the non-controlling interests (30% of the shares of *Wein & Vinos GmbH*) is measured at the date of acquisition as a minority interest in the acquired assets and debts (purchase method) and totals € 5,868 thousand.

Goodwill in the tax balance sheet (value at 1 January 2012: € 20,318 thousand, value at 31 December 2012: € 18,962 thousand) was stated and is amortised over 15 years.

By virtue of its focus on a younger clientele and its intelligent use of the scope of the Internet and online communication, *Wein & Vinos GmbH* is an important strategic addition for the Hawesko Group. This potential is reflected in the derivative goodwill.

Wein & Vinos GmbH was first included in the consolidated financial statements with effect from 2 January 2012. Consolidated sales rose by € 32,530 thousand through the acquisition. This company contributed around 3% of consolidated net income in the year under review.

There were also acquisition-related costs of € 7 thousand in the year under review. These costs, along with the acquisition-related costs in the previous year (€ 218 thousand) were recognised as an expense and reported under other expenses in the consolidated statement of income.

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	17,987
Property, plant and equipment	419
Deferred tax assets	588
Inventories	2,445
Receivables and other assets	1,321
Cash on hand	1,460
Trade payables	–2,898
Other liabilities	–1,761
Net assets excl. differences	**19,561**
Of which 70% acquired	13,693
Derivative goodwill	**8,710**
ACQUISITION COST	**22,403**

In January 2012 5.0% of the shares of *Globalwine AG*, Zurich, were sold. The reduction in the shareholding to a present 78.96% is of minor significance for the net worth, financial position and financial performance.

In January 2012 a further 7.5% of the shares of *Alexander Baron von Essen Weinhandels GmbH*, Tegernsee, were acquired. The increase in the shareholding to a present 100% is of minor significance for the net worth, financial position and financial performance.

Winegate New Media GmbH, already included in consolidation, was renamed as the subsidiary *Weinlet.de GmbH* in the year under review.

9. BUSINESS COMBINATION AFTER THE REPORTING DATE

On 1 February 2013 *Globalwine AG*, Zurich, Switzerland, acquired 70% of the shares of *Vogel Vins SA* with registered office in Grandvaux, Switzerland. *Vogel Vins SA* supplies specialist dealers, hotels and catering establishments in French-speaking Switzerland. It also serves end customers directly by operating four wine bars under the name of “Yatus”. *Vogel Vins SA* is part of the wholesale segment.

At the time of preparation of the consolidated financial statements no final purchase price allocation is available yet for the acquisition, as the acquisition date was shortly after the balance sheet date. The acquired assets and debts are therefore stated at carrying amount. There may be changes in particular to the measurement of intangible assets, inventories and deferred tax.

A total purchase price of CHF 3,957 thousand is due for the acquisition of the shares. CHF 3,561 thousand had already been paid by the time of preparation of the financial statements.

The acquisition-related costs at the time of preparation of the consolidated financial statements amounted to € 29 thousand, of which € 25 thousand was carried as an expense allocable to the year under review and reported under other expenses in the consolidated statement of income.

The book value for 100% of the acquired assets and debts on the date of acquisition are as follows:

€ ’000	*Carrying amounts*
Intangible assets	155
Property, plant and equipment	706
Inventories	3,964
Receivables and other assets	3,411
Cash on hand	846
Trade and other payables	–4,077
Deferred tax liabilities	–515
NET ASSETS EXCL. DIFFERENCES	**4,490**

The takeover of *Vogel Vins SA* establishes another base in Switzerland and is thus an important strategic addition for the Hawesko Group.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

10. SALES REVENUES

€ '000	2012	2011
Specialist wine-shop retail	126,787	122,153
Wholesale	176,413	181,039
Mail order	145,329	108,164
Miscellaneous	52	53
	448,581	**411,409**

The sales revenues include € 236 thousand from counter-transactions, mainly in respect of advertising services.

11. OTHER OPERATING INCOME

€ '000	2012	2011
Rental income	7,259	7,071
Advertising expense subsidies	5,572	5,418
Income from cost refunds	2,001	2,582
Income from the reversal of provisions	400	363
Miscellaneous	4,464	3,614
	19,696	**19,048**

12. PERSONNEL EXPENSES

€ '000	2012	2011
Wages and salaries	39,487	34,705
Social security and other pension costs	6,455	5,518
– *of which in respect of old age pensions*	*163*	*127*
	45,942	**40,223**

The employee benefit expenses include payments from defined contribution plans totalling € 140 thousand (previous year: € 105 thousand) and from defined benefit plans totalling € 23 thousand (previous year: € 22 thousand).

13. DEPRECIATION AND AMORTISATION

€ '000	2012	2011
Intangible assets	3,270	1,450
Property, plant and equipment	3,926	3,862
	7,196	**5,312**

14. OTHER OPERATING EXPENSES

€ '000	2012	2011
Advertising	39,748	34,011
Commissions to partners	32,193	31,586
Delivery costs	19,107	15,170
Rental and leasing	10,236	9,458
IT and communication costs	3,432	2,340
Legal and consultancy costs	1,927	1,955
Other personnel expenses	1,674	1,349
Miscellaneous	15,492	14,013
	123,809	**109,882**

15. INTEREST INCOME, INTEREST EXPENSE AND OTHER FINANCIAL RESULT

€ '000	2012	2011
Interest income	562	88
Interest expense	–919	–335
Interest for finance leases	–171	–211
Income from put option and write-down of earn-out	4,677	–
Net profit for the year due to minority interests in unincorporated subsidiaries	1	1
	4,150	**–457**
of which: from financial instruments of the classification categories pursuant to IAS 39		
Loans and receivables	562	88
Financial assets held for trading (FAHfT)	–	–
Financial liabilities held for trading (FLHfT)	–	–
Available for sale financial assets (AfS)	–	–
Financial liabilities measured at amortised cost	3,759	–334

16. TAXES ON INCOME AND DEFERRED TAX

€ '000	2012	2011
Current tax	6,472	6,337
Deferred tax	950	1,780
	7,422	**8,117**

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	2012	2011
Current year	6,484	6,282
Previous years	–12	55
	6,472	**6,337**

Expenses for deferred taxes are attributable to the following:

€ '000	2012	2011
From restructuring measures with an effect on taxes	1,801	1,761
From loss carryforwards	–842	162
Other temporary differences	–9	–143
	950	**1,780**

The actual tax expense for the year 2012 of € 7,422 thousand is € 1,252 thousand lower than the anticipated tax expense of € 8,674 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 28.63% (previous year: 28.63%) and is obtained as follows:

Trade tax (average municipal factor 365%)	12.80%
Corporation tax (15% of profits)	15.00%
Solidarity surcharge (5.5% of corporation tax)	0.83%
Total tax burden on pre-tax earnings	**28.63%**

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

€ '000	2012	2011
Anticipated tax expense	8,674	7,532
Reclassification of minority interest	0	0
Tax expenses/income unrelated to the accounting period	–12	55
Nonrecognition of fiscal loss carryforwards	4	306
Capitalisation of loss carryforwards	–193	–
Tenancy and leasing commitments to be included	152	121
Nondeductible portion of Supervisory Board remuneration	41	35
Effect of divergent national tax rates	–36	–10
Tax-free financial income	–1,339	–
Other tax effects	131	78
ACTUAL TAX EXPENSE	**7,422**	**8,117**
Effective tax rate (%)	24.50	30.86

In the year under review the fair values of the derivatives in the amount of € –356 thousand were charged directly to equity. Deferred tax assets of € 102 thousand were created for that purpose. In addition, deferred tax assets of € 30 thousand were created for the actuarial losses of € 105 thousand.

Furthermore the previous year was adjusted to reflect the early application of IAS 19, with the result that the amount of deferred tax from items credited directly to equity in 2011 came to € 40 thousand.

17. EARNINGS PER SHARE

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

	2012	2011
Consolidated earnings (€ '000)	22,545	17,897
Average number of shares ('000)	8,983	8,983
Basic earnings per share (€)	2.51	1.99

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. INTANGIBLE ASSETS

The development in intangible assets in the year under review and in the previous year is shown in the consolidated assets movement schedule on pages 66–69.

€ '000	31/12/2012	31/12/2011
Software	4,389	2,428
Other intangible assets including advance payments	16,643	2,218
Goodwill	14,755	6,058
	35,787	**10,704**

The item "Software" includes the development of an IT system, completed during 2006, for registering orders and processing customers in the mail-order segment at a cost of € 10 thousand (previous year: € 127 thousand) by way of a self-constructed asset. Depreciation amounting to € 117 thousand (previous year: € 117 thousand) was applied. The self-constructed asset was written off in full at the end of January 2013. The figures also include € 501 thousand for the development of two web shops in the mail-order segment by way of self-constructed assets. Depreciation of € 66 thousand was applied on this in the year under review.

The item "Other intangible assets" includes € 16,637 thousand (value at 1 January 2012: € 17,973 thousand) for the measurement of customer contacts and exclusive agreements from the initial consolidation of *Wein & Vinos GmbH*.

As well as goodwill from the consolidation of capital, goodwill also includes a customer base which *Jacques' Wein-Depot* acquired at a cost of € 11 thousand (previous year: € 24 thousand).

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

€ '000	*Acquisition cost* 01/01/2012	*Accumulated impairment* 31/12/2012	*Carrying amount* 31/12/2012
Wein Wolf Group	6,690	2,209	4,481
Le Monde des Grands Bordeaux C.C. SARL	615	426	189
Carl Tesdorpf GmbH	457	457	–
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	47	11	36
Sélection de Bordeaux SARL (formerly Edition Reiss SARL)	–19	–19	–
Jacques-IT GmbH	453	–	453
Globalwine AG	875	–	875
The Wine Company Hawesko GmbH	–2	–2	–
Wein & Vinos GmbH	8,710	–	8,710
	17,826	**3,082**	**14,744**

For purposes of testing for impairment, the carrying amount of the cash-generating unit is compared with its recoverable amount. The recoverable amount is determined as the fair value less disposal costs based on the future discounted cash flows. The anticipated cash flows for future years are rolled over in group planning for the next three years and discounted at the balance sheet date. The calculation is based on a risk-adjusted growth rate of 0.75% (previous year: 0.75%), and the after-tax rates for purposes of discounting the cash flows in the determination of the net realisable value were 5.43%–5.51% in 2012 (previous year: 6.14%–6.34%).

The impairment tests carried out during the financial year revealed no impairment. Nor would a 10% fall in the forecast cash flow or a rise of one percentage point in the discounting rates lead to any impairment.

19. PROPERTY, PLANT AND EQUIPMENT

The development in property, plant and equipment for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 66–69.

€ '000	31/12/2012	31/12/2011
Land and buildings, including buildings on third-party land	12,773	12,461
Other fixtures and fittings, tools and equipment	7,590	7,371
Advance payments and construction in progress	131	93
	20,494	**19,925**

The carrying amount of the land and buildings in finance lease totalled € 1,927 thousand at 31 December 2012 (previous year: € 2,184 thousand). Depreciation amounting to € 257 thousand (previous year: € 571 thousand) was applied. This land is not freely at the company's disposal. For additional notes, please refer to pages 90–91 (cf. Note 33).

20. OTHER FINANCIAL ASSETS

The development in financial assets for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 66–69.

€ '000	31/12/2012	31/12/2011
Shares in affiliated companies	185	185
Other loans	53	55
	238	**240**

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

€ '000	31/12/2012	31/12/2011
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
Weinland Ariane Abayan Verwaltungs GmbH	24	24
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	25	25
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	34	34
Deutschwein Classics Verwaltungsgesellschaft mbH	25	25
C.C.F. Fischer GmbH	25	25
	185	**185**

The other loans amounting to € 53 thousand (previous year: € 55 thousand) relate to one (previous year: one) loan to an employee. The loan accrues interest at 6% and matures in August 2015.

21. DEFERRED TAX

€ '000	31/12/2012	31/12/2011
Previous year	2,095	3,877
Deferred tax asset *Wein & Vinos*	6,011	–
Increase	1,145	63
Decrease	–1,748	–1,292
Offsetting	–5,346	–553
	2,157	**2,095**

Deferred tax assets are made up as follows:

€ '000	31/12/2012	31/12/2011
Temporary differences:		
– from restructuring measures with an effect on taxes	5,726	1,876
– from loss carryforwards	1,238	396
– from the fair value measurement of derivative financial instruments	102	–
– from finance leases	191	212
– from inventories	36	56
– from provisions for pensions	209	104
Other	1	4
Offsetting	–5,346	–553
	2,157	**2,095**

The reported deferred tax assets from loss carryforwards relate to the tax loss carryforwards that are available for future use for the subsidiaries *Wein Wolf Import GmbH & Co. Vertriebs KG*, Salzburg, *Jacques' Wein-Depot Wein-Einzelhandel GmbH*, Salzburg, *Carl Tesdorpf GmbH*, Lübeck, *The Wine Company Hawesko GmbH*, Hamburg, and *Le Monde des Grands Bordeaux Château Classic SARL*, St-Christoly, Médoc.

The conversion of the 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* from incorporated firms to unincorporated firms at 1 January 1998 resulted in fiscally allowable goodwill which is amortised over 15 years. Deferred tax assets with an effect on income totalling € 38,212 thousand were entered in the accounts at 1 January 1998; they are reversed by the straight-line method over the amortisation period, booked as an expense. These deferred tax assets are used up at 31 December 2012. The portion reversed with an effect on income came to € 1,699 thousand in the year under review.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 2,507 thousand (previous year: € 3,044 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 490 thousand (previous year: € 1,929 thousand) is expected to be realised from the deferred tax assets within twelve months.

22. INVENTORIES

€ '000	31/12/2012	31/12/2011
Raw material and consumables used	1,092	1,242
Work in progress	3,913	3,574
Finished goods and merchandise	79,184	72,070
Advance payments	21,158	33,012
	105,347	**109,898**

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

Inventories totalling € 5,889 thousand (previous year: € 4,988 thousand) were recognised at their net realisable value. An addition to impairment totalling € 11 thousand (previous year: € 43 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.

23. RECEIVABLES AND OTHER ASSETS

€ '000	31/12/2012	31/12/2011
Trade receivables (gross)	*53,142*	*48,474*
Less uncollectable receivables	*–634*	*–533*
Trade receivables	**52,508**	**47,941**
Accounts receivable from taxes on income	1,927	1,136
Other receivables and other assets	5,957	4,815
	60,392	**53,892**
Of which with a term of:		
– up to 1 year	59,353	52,995
– over 1 year	1,039	897

€ '000	*Carrying amount*	*Of which neither impaired nor overdue at reporting date*	*Of which not impaired but overdue by the following time bands at reporting date*				
			<30 days	*30–60 days*	*61–90 days*	*91–180 days*	*>180 days*
	31/12/2012						
Trade receivables	52,508	40,509	10,757	1,882	270	406	46
	31/12/2011						
Trade receivables	47,941	37,542	8,645	1,277	240	2	–

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	2012	2011
Impairment at 1 January	533	484
Added	361	375
Used up	–228	–260
Reversed	–32	–66
IMPAIRMENT AT 31 DECEMBER	**634**	**533**

Other receivables and other assets:

€ '000	31/12/2012	31/12/2011
Due from participating interests	59	40
Tax refund claims	421	1,040
Receivables from trade representatives	429	461
Rent deposits	774	686
Accrued costs	969	605
Miscellaneous	3,305	1,983
	5,957	**4,815**

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

The remainder of the assets were neither impaired nor overdue.

There is no evidence at the reporting date that the debtors will not meet their payment commitments.

24. CASH IN BANKING ACCOUNTS AND CASH ON HAND

Cash in banking accounts and cash on hand totalling € 12,345 thousand (previous year: € 20,350 thousand) relates substantially to balances with banks.

25. 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 2012, as in the previous year, no treasury shares are held.

A regular dividend of € 1.60 per share was paid in the financial year, amounting to € 14,373 thousand in total (previous year: regular dividend of € 1.50 per share and a bonus dividend of € 0.25 per share, € 15,721 thousand in total).

Approved capital

The Board of Management is authorised to increase the capital stock on one or more occasions by up to a total of € 6,600,000.00 within the period ending 31 May 2013, with the consent of the Supervisory Board, by issuing new no par value bearer shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right. With the permission of the Supervisory Board, the Board of Management is, however, authorised to exclude the shareholders' statutory subscription,

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

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

c) for residual amounts.

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

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

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

The approved capital at 31 December 2012 amounted to € 6,140,553.86 (previous year: € 6,140,553.86).

26. CAPITAL RESERVE

€ '000	31/12/2012	31/12/2011
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 2001 convertible bond. 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).

27. RETAINED EARNINGS

€ '000	31/12/2012	31/12/2011
Retained earnings	48,054	62,699

The group's retained earnings include amounts allocated in the past from earnings generated by companies included in the consolidated accounts.

The financial liability (€ 19,369 thousand) that could arise through the exercise of a put option by the original shareholders of *Wein & Vinos GmbH* was booked income-neutrally against retained earnings. The changes in value of € 3,440 thousand that have occurred since the initial consolidation date of 2 January 2012 are reported in the financial result.

28. ACCUMULATED OTHER EQUITY

The changes in equity with no income effect totalling € –164 thousand (previous year: € 144 thousand) comprise on the one hand translation differences from the translation of the functional currency of foreign group companies. These are reported in the consolidated financial statements directly under the other result and accumulated within the balancing item from currency translation. No taxes on income are due on the translation differences. On the other hand the fair values of the derivatives in the amount of € –356 thousand were charged directly to equity in the year under review. Deferred tax assets of € 102 thousand were created for that purpose. This item also contains the revaluation component for retirement benefit obligations. The amount of € –105 thousand less deferred taxes of € 30 thousand were allocated to this revaluation component in the year under review.

29. UNAPPROPRIATED GROUP PROFIT

The unappropriated group profit includes the consolidated earnings for the financial year, the undistributed earnings from previous years 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 € 15,240 thousand (previous year: € 15,658 thousand).

The individual components of the equity and its development in the years 2011 and 2012 are shown in the consolidated statement of changes in equity on page 65.

30. 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 or on a pro rata basis (cf. details of consolidated companies).

31. PROVISIONS FOR PENSIONS

For old-age pension purposes, four (previous year: four) active employees and three (previous year: three) retired employees of the subsidiary *Jacques' Wein-Depot Wein-Einzelhandel GmbH* have an entitlement to supplementary retirement pay. A life-long retirement pension or disability pension and a pension for surviving dependents 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	2012	2011
Present value of retirement benefit obligations at 1 Jan	722	648
Current service cost	10	10
Interest expense	32	31
Actuarial losses (+)/gains (–)	105	52
Payments made	–19	–19
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 31 DEC	**850**	**722**

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

%	2012	2011
Discounting rate	3.4	4.5
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.

The present value of the obligation has developed over time as follows:

€ '000

31/12/2012	31/12/2011	31/12/2010	31/12/2009	31/12/2008
850	722	648	617	615

Outpayments of € 20 thousand are expected for 2013.

A change in the actuarial interest rate of +30/–50 base points at 31 December 2012 assuming other factors remained constant would have had the following effect on the present value of the retirement benefit obligations:

€ '000	–50 base points	31/12/2012	+30 base points
Present value of retirement benefit obligations	905	850	819

32. OTHER LONG-TERM PROVISIONS

€ '000	01/01/2012	Drawn (D) Liquidated (L)	Allocated	31/12/2012
Provisions for personnel	373	– (D) 4 (L)	336	705

The provisions for personnel in the main consist of death benefit and partial retirement.

In 2012, the provisions for personnel increased by € 11 thousand as a result of the interest expense (previous year: € 9 thousand).

33. BORROWINGS

€ '000	31/12/2012	31/12/2011
Banks	19,590	3,957
Finance lease	2,596	2,927
	22,186	**6,884**
Of which with a term of:		
– up to 1 year	9,510	4,289
– 1 to 5 years	11,818	1,418
– over 5 years	858	1,177

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

Term	*Credit facility* € '000 **2012**	*Credit facility* € '000 **2011**
Open-ended	20,000	20,000

The interest rates of short-term loans raised in 2012 were between 1.11% and 2.30% (previous year: between 1.22% and 2.50%).

Of the amounts due to banks, € 10,431 thousand has a term of one to five years, and € 9,159 thousand a term of up to one year.

The reconciliation with the finance lease liabilities at 31 December 2012 is as follows:

€ '000	*Term up to 1 year*	*Term over 1 and up to 5 years*	*Term over 5 years*	*Total*
Minimum lease payments	503	1,773	938	**3,214**
Interest component	152	386	80	**618**
Principal repaid	351	1,387	858	**2,596**

The reconciliation with the finance lease liabilities at 31 December 2011 is as follows:

€ '000	*Term up to 1 year*	*Term over 1 and up to 5 years*	*Term over 5 years*	*Total*
Minimum lease payments	503	1,889	1,323	**3,715**
Interest component	171	471	146	**788**
Principal repaid	332	1,418	1,177	**2,927**

The leased object here is the mail-order 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 mail-order logistics centre at the time of formation of the contract. The present value was calculated using effective interest rates ranging from 5.5% to 7%, depending on the contract.

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

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

	Carrying amount	*Cash flows*											
		2013			2014			2015–2017			> 2017		
€ '000	31/12/2012	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*
PRIMARY FINANCIAL LIABILITIES													
Due to banks	19,590	–	-204	-9,137	–	-128	-4,729	–	-78	-5,724	–	–	–
Finance lease liabilities	2,596	-151	–	-351	-129	–	-372	-257	–	-1,015	-80	–	-858
Other financial liabilities	15,986	–	–	–	–	–	-57	–	–	-15,929	–	–	–
Other non-interest-bearing liabilities	65,215	–	–	-65,215	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	356	-456	187	–	-304	128	–	-173	78	–	–	–	–
Forward exchange transactions without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
CREDIT COMMITMENTS	–	–	–	–	–	–	–	–	–	–	–	–	–

The scheduled does not show plan figures; it only shows financial instruments held at 31 December 2012 and for which contractual agreements on payments exist.

€ '000	*Carrying amount* 31/12/2011	*Cash flows* 2012 *Fixed interest*	*Variable interest*	*Principal*	2013 *Fixed interest*	*Variable interest*	*Principal*	2014–2016 *Fixed interest*	*Variable interest*	*Principal*	> 2016 *Fixed interest*	*Variable interest*	*Principal*
PRIMARY FINANCIAL LIABILITIES													
Due to banks	3,957	–	–7	–3,957	–	–	–	–	–	–	–	–	–
Finance lease liabilities	2,927	–171	–	–332	–151	–	–351	–320	–	–1,067	–146	–	–1,177
Other non-interest-bearing liabilities	57,694	–	–	–57,694	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
Forward exchange transactions without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
CREDIT COMMITMENTS	n.a.	609	–	4,750	456	–	4,750	476	–	10,500	–	–	–

34. OTHER LIABILITIES

€ '000	31/12/2012	31/12/2011
Minority interest in the capital of unincorporated subsidiaries	2	2
Advances received	16,074	27,337
Trade payables	65,215	57,694
Income taxes payable	1,124	4,012
Other financial liabilities	16,342	–
Other liabilities	23,656	24,062
	122,413	**113,107**
Of which with a term of:		
– up to 1 year	102,623	102,213
– 1 to 5 years	19,790	10,894
– 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 2013 and 2014.

The advances received include liabilities with a term of between one and five years totalling € 3,447 thousand (previous year: € 10,876 thousand).

The other financial liabilities include on the one hand the liability that could arise through the exercise of a put option by the original shareholders of *Wein & Vinos GmbH*. Its value at 31 December 2012 is € 15,929 thousand. The variable component of the purchase price, reported as € 57 thousand is also reported here. This line item in addition contains the market values of the interest rate derivatives of € 356 thousand.

The other liabilities include liabilities with a term of between one and five years totalling € 1 thousand (previous year: € 18 thousand). There no longer exist any other liabilities with a term of over five years, as in the previous year.

The other liabilities are composed of the following:

€ '000	31/12/2012	31/12/2011
Sales tax and other taxes	11,049	11,279
Liabilities in respect of social insurance	222	228
Liabilities to employees	5,390	5,545
Customer bonuses	3,725	3,730
Liabilities to other company members	2	2
Due to affiliated companies	91	121
Miscellaneous	3,177	3,157
	23,656	**24,062**

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

€ '000	31/12/2012	31/12/2011
C.C.F. Fischer GmbH	20	21
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	34	65
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	37	35
	91	**121**

35. 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 following table provides an explanation of the differences in the values of the deferred tax liabilities formed in the balance sheets:

DEFERRED TAXES

€ '000	31/12/2012	31/12/2011
Fixed assets	5,376	471
Inventories	400	228
Trade receivables	132	119
Other assets	6	12
Offset against deferred tax assets	–5,346	–553
	568	**277**

Pursuant to IAS 12.39(b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 434 thousand (previous year: € 356 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

36. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, stated amounts and fair values by classification category, 2012:

€ '000	*Classification category acc. to IAS 39*	*Carrying amount* **31/12/2012**	*Stated amount in balance sheet acc. to IAS 39*				*Stated amount in balance sheet acc. to IAS 17*	*Fair value* **31/12/2012**
			Acquisition cost	*Amortised cost*	*Fair value in equity*	*Fair value through profit and loss*		
ASSETS								
Cash	LaR	12,345	–	12,345	–	–	–	12,345
Trade receivables	LaR	52,508	–	52,508	–	–	–	52,508
Receivables and other assets								
– other receivables	LaR	5,957	–	5,957	–	–	–	5,957
Financial assets								
– other loans	LaR	53	–	53	–	–	–	53
– available for sale financial assets	AfS	185	185	–	–	–	–	185
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	2	–	2	–	–	–	n.a.
Trade payables	FLAC	65,215	–	65,215	–	–	–	65,215
Due to banks	FLAC	19,590	–	19,590	–	–	–	19,590
Finance lease liabilities	n.a.	2,596	–	–	–	–	2,596	3,088
Other liabilities								
– other liabilities	FLAC	23,656	–	23,656	–	–	–	23,656
Other financial liabilities								
– other financial liabilities	FLAC	15,986	–	–	–	15,986	–	15,986
– derivatives with hedging relationship	n.a.	356	–	–	356	–	–	356
Of which aggregated by classification category acc. to IAS 39:								
– loans and receivables (LaR)		70,863	–	70,863	–	–	–	70,863
– available for sale financial assets (AfS)		185	185	–	–	–	–	185
– financial liabilities measured at amortised cost (FLAC)		124,447	–	108,461	–	15,986	–	124,447

Carrying amounts, stated amounts and fair values by classification category, 2011:

€ '000	Classification category acc. to IAS 39	Carrying amount 31/12/2011	Stated amount in balance sheet acc. to IAS 39: 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 31/12/2011
ASSETS								
Cash	LaR	20,350	–	20,350	–	–	–	20,350
Trade receivables	LaR	47,941	–	47,941	–	–	–	47,941
Receivables and other assets								
– other receivables	LaR	4,815	–	4,815	–	–	–	4,815
Financial assets								
– other loans	LaR	55	–	55	–	–	–	55
– available for sale financial assets	AfS	185	185	–	–	–	–	185
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	2	–	2	–	–	–	n.a.
Trade payables	FLAC	57,694	–	57,694	–	–	–	57,694
Due to banks	FLAC	3,957	–	3,957	–	–	–	3,957
Finance lease liabilities	n.a.	2,927	–	–	–	–	2,927	3,532
Other liabilities								
– other liabilities	FLAC	24,062	–	24,062	–	–	–	24,062
Of which aggregated by classification category acc. to IAS 39:								
– loans and receivables (LaR)		73,161	–	73,161	–	–	–	73,161
– available for sale financial assets (AfS)		185	185	–	–	–	–	185
– financial liabilities measured at amortised cost (FLAC)		85,713	–	85,713	–	–	–	85,713

Measurement categories acc. to IFRS 7.27:

	31/12/2012				31/12/2011			
€ '000	*Level 1*	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
ASSETS	–	–	–	–	–	–	–	–
EQUITY AND LIABILITIES								
Derivatives with hedging relationships	–	356	–	356	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	–	–	15,986	15,986	–	–	–	–

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

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

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

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

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

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

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

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

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

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

There is currently no intention to dispose of financial assets.

NET EARNINGS BY CLASSIFICATION CATEGORY 2012:

€ '000	From interest	From subsequent measurement: At fair value	From subsequent measurement: At amortised cost	From subsequent measurement: Currency translation	From subsequent measurement: Impairment	From disposal	Net earnings 2012
Loans and receivables (LaR)	562	–	–	–	−101	–	461
Available for sale financial assets (AfS)	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	−919	4,677	1	−1	–	–	3,758
TOTAL	**−357**	**4,677**	**1**	**−1**	**−101**	**–**	**4,219**

NET EARNINGS BY CLASSIFICATION CATEGORY 2011:

€ '000	From interest	From subsequent measurement: At fair value	From subsequent measurement: At amortised cost	From subsequent measurement: Currency translation	From subsequent measurement: Impairment	From disposal	Net earnings 2011
Loans and receivables (LaR)	88	–	–	–	−49	–	39
Available for sale financial assets (AfS)	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	−335	–	1	−52	–	–	−386
TOTAL	**−247**	**–**	**1**	**−52**	**−49**	**–**	**−347**

The interest from financial instruments is reported under the interest result (cf. also Note 15). 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

37. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The following contingencies and financial obligations in respect of third parties existed on 31 December 2012:

€ '000	31/12/2012	31/12/2011
Advance payments outstanding	1,612	2,265
Guarantees	121	58
Contractual obligations	342	1,464

Obligations relating to advance payments outstanding for subscriptions received at 31 December 2012 were repaid at the start of 2013.

The minimum total for non-discounted future lease and rental payments amounts to € 12,881 thousand (previous year: € 12,642 thousand). The global obligations for lease and tenancy agreements are due as follows:

€ '000	
Up to 1 year	8,528
Over 1 year, up to 5 years	2,628
Over 5 years	1,725
	12,881

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.

38. RISK MANAGEMENT AND FINANCIAL DERIVATIVES

Principles of risk management

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

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

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

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

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

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

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

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 these instruments are measured at fair value. All fixed-interest financial instruments measured at amortised cost are consequently not exposed to interest rate risks as defined by IFRS 7.

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

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

If market interest rates had hypothetically risen or fallen by 100 base points respectively (parallel shift of interest curves) while other variables remained unchanged, earnings before taxes would have been € 0.1 million lower or € 0.1 million higher (previous year: marginally lower or 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. Up to approx. 50% of advance payments is normally 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 33).

Hedges/derivative financial instruments

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

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

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

	Nominal volume		*Fair value*	
€ '000	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Interest hedging transactions with a negative market value at the reporting date	15,250	–	–356	–

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

39. 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 liquidity amounted to € –10,691 thousand at 31 December 2012 (previous year: € 12,744 thousand).

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

ROCE is a further important indicator for capital management. This is the rate of return, expressed as the operating result (EBIT) divided by the average capital employed, in other words by the balance sheet total (for the group) plus capitalised lease commitments less interest-free liabilities and provisions, as well as cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) permanently higher than at least 16% is the aim. A rate of return of 18.7% was achieved in the year under review (previous year: 25.3%).

40. EMPLOYEES

The average number of employees was as follows:

GROUP

	2012	2011
Commercial and industrial employees	810	713
Apprentices	25	26
	835	**739**

The average number of employees of joint ventures included pro rata in the 2012 financial year was 22 (previous year: 21).

41. NOTES TO THE CASH FLOW STATEMENT

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

The cash outflows from interest payments and dividends have been allocated to financing activities. The cash outflows from financing activities include interest payments made totalling € 1,141 thousand and interest payments received totalling € 92 thousand. The cash inflows from current operations of € 17,851 thousand (previous year: € 16,924 thousand) include the changes in cash and cash equivalents from operating activities. In the year under review, the cash flow from investing activities includes the acquisition of *Wein & Vinos GmbH* at € 19.7 million. Cash and cash equivalents comprise cheques, cash on hand as well as cash in banks and amounts due to banks at any time.

The composition of cash and cash equivalents is as follows:

€ '000	2012	2011	*Change*
Cash in banking accounts and cash on hand	12,345	20,350	–8,005
Due to banks (current accounts)	–	–	–
Cash and cash equivalents at end of period	12,345	20,350	–8,005

42. 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 € 45,123 thousand comprise the countries Switzerland (32%), Austria (28%), France (16%) Sweden (18%) and Czech Republic (6%). The total external sales outside Germany amounted to 11% (previous year: 14%).

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

The segments comprise the following areas:

- The segment for specialist wine-shop retailing (*Jacques' Wein-Depot*) sells wine via a network of retail outlets which are run by independent agency partners. The specialist wine-shop retail segment also includes *Jacques-IT GmbH*, *Viniversitaet Die Weinschule GmbH* and *Multi-Weinmarkt GmbH*.
- The wholesale segment groups together business activities with retailers; wines and champagnes are sold both by mail order (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein Wolf Group*). *Le Monde des Grands Bordeaux Château Classic SARL* gives the company a presence at what must be the most important trading location for Bordeaux wines. The wholesale segment operates in the Swiss wine market through *Globalwine AG*. It likewise includes the 50% interest in *Global Eastern Wine Holding GmbH*, Bonn, and its 66% interest in the Czech wholesaler *Global Wines, s.r.o.*, Prague. Further details of the joint venture are provided in Note 7.
- The segment for mail-order trade comprises the wine and champagne mail-order division, with activities focused on the consumer. This segment also includes gifts business for corporate and private customers, based on a special catalogue. The mail-order division includes the companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*, *Wein & Vinos GmbH*, *Carl Tesdorpf GmbH*, *The Wine Company Hawesko GmbH*, *Weinlet.de GmbH* and *Sélection de Bordeaux SARL*.
- The miscellaneous segment includes Hawesko Holding AG and *IWL Internationale Wein Logistik GmbH*, as well as the former general-partner limited-liability company of the renamed firm *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*.

The segment data has been calculated in the following way:

- Internal sales indicate the sales between segments. Intragroup 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 income and expenses with no cash impact in the specialist wine-shop retail, wholesale and mail-order segments.

SEGMENT REPORTING	*Specialist wine-shop retail*		*Wholesale*		*Mail order*	
€ '000	2012	2011	2012	2011	2012	2011
SALES REVENUES	126,862	122,230	183,918	189,177	160,287	119,696
External sales	**126,787**	**122,153**	**176,413**	**181,039**	**145,329**	**108,164**
Internal sales	75	77	7,505	8,138	14,958	11,532
OTHER INCOME	**9,142**	**9,481**	**8,940**	**7,341**	**2,928**	**3,081**
External	9,117	9,481	8,820	7,180	1,470	1,483
Internal	25		120	161	1,458	1,598
EBITDA	**16,174**	**16,401**	**9,566**	**10,120**	**11,640**	**9,035**
DEPRECIATION AND AMORTISATION	**1,787**	**1,601**	**1,368**	**911**	**2,942**	**1,382**
EBIT	**14,387**	**14,800**	**8,198**	**9,209**	**8,698**	**7,653**
FINANCIAL RESULT	**–74**	**–40**	**–219**	**–930**	**–338**	**–412**
Financial income	5	6	545	60	16	10
Financial expense	–79	–46	–764	–990	–354	–422
RESULT FOR SEGMENTS BEFORE TAXES	**14,313**	**14,760**	**7,979**	**8,279**	**8,360**	**7,241**
TAXES ON INCOME						
CONSOLIDATED NET INCOME						
SEGMENT ASSETS	**39,124**	**38,694**	**111,750**	**113,545**	**81,758**	**56,668**
SEGMENT DEBTS	**23,865**	**22,971**	**53,052**	**63,005**	**31,687**	**29,986**
INVESTMENT	**1,305**	**1,533**	**1,370**	**1,078**	**1,531**	**614**

GEOGRAPHICAL SEGMENTATION	*Group, consolidated*	
€ '000	2012	2011
Germany	399,173	353,446
Rest of Europe	45,123	49,383
Other	4,285	8,580
	448,581	**411,409**

	Miscellaneous		*Total*		*Reconciliation/ consolidation*		*Group, consolidated*	
	2012	2011	2012	2011	2012	2011	2012	2011
	21,135	20,688	492,202	451,791	−43,621	−40,382	448,581	411,409
	52	**53**	**448,581**	**411,409**			**448,581**	**411,409**
	21,083	20,635	43,621	40,382	−43,621	−40,382		
	1,722	**2,322**	**22,732**	**22,225**	**−3,036**	**−3,177**	**19,696**	**19,048**
	289	904	19,696	19,048			19,696	19,048
	1,433	1,418	3,036	3,177	−3,036	−3,177		
	−4,119	**−3,555**	**33,261**	**32,001**	**80**	**73**	**33,341**	**32,074**
	1,099	**1,418**	**7,196**	**5,312**			**7,196**	**5,312**
	−5,218	**−4,973**	**26,065**	**26,689**	**80**	**73**	**26,145**	**26,762**
	4,781	**925**	**4,150**	**−457**	**–**	**–**	**4,150**	**−457**
	5,818	1,431	6,383	1,507	−1,144	−1,419	5,240	88
	−1,037	−506	−2,233	−1,964	1,144	1,419	−1,090	−545
	−437	**−4,048**	**30,215**	**26,232**	**80**	**73**	**30,295**	**26,305**
					−7,422	**−8,117**	**−7,422**	**−8,117**
							22,873	**18,188**
	191,492	**174,709**	**424,123**	**383,616**	**−187,364**	**−166,512**	**236,760**	**217,104**
	27,713	**14,711**	**136,317**	**130,673**	**10,405**	**−9,310**	**146,722**	**121,363**
	2,058	**1,124**	**6,264**	**4,349**			**6,264**	**4,349**

INFORMATION BY REGION	*Investment*		*Non-current assets*	
€ '000	2012	2011	2012	2011
Germany	5,904	4,123	60,685	41,967
Rest of Europe	360	226	4,349	4,780
GROUP, CONSOLIDATED	**6,264**	**4,349**	**65,034**	**46,747**

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

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

44. APPLICATION OF THE EXEMPTION RULES OF SECTION 264 PARA. 3 OF GERMAN COMMERCIAL CODE FOR INCORPORATED FIRMS

The group companies *IWL Internationale Wein Logistik GmbH*, *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* make use of the exemption rules of Section 264 Para. 3 of German Commercial Code for the year under review. 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 23 March 2012 and is published 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 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 2012 financial year (previous year in brackets):

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Prof Dr Dr Dr Franz Jürgen Säcker	46	8	40	89	183
	(44)	(8)	(29)	(45)	(126)
Gunnar Heinemann	34	6	22	–	62
	(33)	(6)	(16)	–	(55)
Thomas R Fischer	23	4	17	–	44
	(22)	(4)	(11)	–	(37)
Jacques Héon (until 20/6/2011)	–	–	–	–	–
	(11)	(2)	(7)	–	(20)
Elisabeth Kamper (from 22/11/2012)	2	0	1	–	3
	(–)	(–)	(–)	–	(–)
Detlev Meyer	23	4	16	–	43
	(22)	(4)	(7)	–	(33)
Kim-Eva Wempe (from 20/6/2011)	23	4	9	–	36
	(11)	(2)	(3)	–	(16)
TOTAL	**151**	**26**	**105**	**89**	**371**
	(143)	(26)	(73)	(45)	(287)

During the financial year there moreover existed business ties with Detlev Meyer, who holds a 29.5% interest in Hawesko Holding AG through Tocos Beteiligung GmbH. Goods to the value of € 21 thousand were purchased from a vineyard owned by Mr Meyer during the financial year. Goods to the value of € 106 thousand were moreover sold to PIUS WEIN-WELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence.

In addition, sales of € 165 thousand were realised in 2012 with Gebr. Heinemann KG, of which Gunnar Heinemann is a managing partner. Equally, sales of € 174 thousand were realised with Gerhard D. Wempe KG, of which Kim-Eva Wempe is managing partner.

Furthermore, the son of the Chairman of the Board of Management was taken on by Hawesko Holding AG as a trainee in the year under review, and received remuneration of € 23 thousand (previous year: € 4 thousand) for this activity.

The members of the Board of Management were paid the following total remuneration for their activities in the 2012 financial year (previous year in brackets):

€ '000	*Fixed*	*Variable*	*Total*
Alexander Margaritoff	982	885	1,867
	(982)	(872)	(1,854)
Bernd Hoolmans	450	393	843
	(450)	(388)	(838)
Bernd G Siebdrat	254	511	765
	(254)	(504)	(758)
Ulrich Zimmermann	240	142	382
	(240)	(137)	(377)
TOTAL	**1,926**	**1,931**	**3,857**
	(1,926)	(1,901)	(3,827)

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

In the previous year, remuneration totalling € 3,827 thousand was paid to the Board of Management, comprising € 1,926 thousand in fixed pay and € 1,901 thousand in variable components.

The employment contracts of Alexander Margaritoff include a post-contractual competition ban, which cannot be terminated unilaterally, for the period of two years with continued payment of 50% of the total remuneration.

The Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay. A provision totalling € 184 thousand (previous year: € 148 thousand) was recognised for this commitment at 31 December 2012.

The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay after reaching the age of 65. The company made a payment of € 10 thousand into a benevolent fund for this commitment during the year under review. This amount is included in the above total remuneration.

In the event of termination of employment following a change of control, the Board of Management member Bernd Hoolmans is entitled to compensation amounting to his total remuneration up until the end of his contract. The maximum compensation amounts to three years' pay. Calculation of the compensation is based on the last completed financial year.

In the event of termination of employment following a change of control, the Board of Management member Alexander Margaritoff is entitled to compensation amounting to three years' pay. Calculation of the compensation is based on the last completed financial year.

There existed no loans to members of the Board of Management or Supervisory Board in the 2012 financial year.

The balance sheet includes provisions for obligations in respect of the Board of Management and Supervisory Board totalling € 2,216 thousand (previous year: € 2,158 thousand).

At 31 December 2012, the Supervisory Board held 2,650,495 (previous year: 2,650,495) and the Board of Management 2,876,901 (previous year: 2,876,901) shares – directly and indirectly – in Hawesko Holding AG, including 2,698,000 (previous year: 2,698,000) held directly and indirectly by the Chairman of the Board of Management.

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

47. EXPENDITURE ON AUDITOR'S FEES

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

€ '000	2012	2011
Audit of financial statements	342	242
Other services	14	36
TOTAL	**356**	**278**

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 1 February 2013 *Globalwine AG* acquired 70% of the shares of *Vogel Vins SA* with registered office in Grandvaux, Switzerland (cf. Note 9).

No other materially significant events occurred after the balance sheet date.

Hamburg, 20 March 2013

The Board of Management

Alexander Margaritoff — Bernd Hoolmans

Bernd G Siebdrat — Ulrich Zimmermann

DECLARATION OF THE LEGAL REPRESENTATIVES

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

We affirm that, to the best of our knowledge and in accordance with the principles to be applied of proper consolidated reporting, the consolidated financial statements convey a true and fair view of the actual financial position, cash flows and profit or loss of the group, the consolidated management report 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, 20 March 2013

The Board of Management

Alexander Margaritoff — Bernd Hoolmans

Bernd G Siebdrat — Ulrich Zimmermann

INDEPENDENT AUDITOR'S REPORT

We have examined the consolidated financial statements of Hawesko Holding Aktiengesellschaft, Hamburg – comprising the balance sheet, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity and cash flow and the Notes to the consolidated financial statements – as well as the group management report, which has been combined with the parent company report – for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and group management report in accordance with IFRS as applied in the European Union, as well as with the applicable commercial regulations pursuant to Section 315a, Paragraph 1 of the German Commercial Code, is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 21 March 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Matthias Kirschke	ppa. Vinzent Graf
Wirtschaftsprüfer	Wirtschaftsprüfer

LIST OF SHAREHOLDINGS

in accordance with Section 313 (2) of the German Commercial Code (HGB) at 31 December 2012

	Registered office	*Equity* € '000	*Share-holding* %	*Net earnings* **2012** € '000
A. DIRECT SHAREHOLDING				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	9,094 [1]
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	14,509 [1]
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	Hamburg	512	100	1,698
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	36	100	2
C.C.F. Fischer GmbH	Tornesch	19	100	–1
Wein Wolf Holding GmbH & Co. KG	Bonn	8,750	100	5,362
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	–223 [1]
Wein & Vinos GmbH	Berlin	2,747	70	1,748
Le Monde des Grands Bordeaux Château Classic SARL	Saint Christoly/ Médoc (France)	947	90	–1,439
Sélection de Bordeaux SARL	Saint Christoly/ Médoc (France)	3	100	–3
Globalwine AG	Zurich (Switzerland)	693	78.96	3
B. INDIRECT SHAREHOLDING				
Shareholdings of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH: *Weinlet.de GmbH*, formerly *Winegate New Media GmbH*	Hamburg	26	100	–59
Carl Tesdorpf GmbH	Lübeck	–679	97.5	–221
The Wine Company Hawesko GmbH	Hamburg	–2,430	100	–958
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	25	100	–1
Shareholdings of Jacques' Wein-Depot Wein-Einzelhandel GmbH: *Jacques' Wein-Depot Weinhandels m.b.H.*	Salzburg (Austria)	143	100	82
Viniversitaet Die Weinschule Gesellschaft mit beschränkter Haftung	Düsseldorf	25	100	62 [1]
Jacques-IT GmbH	Vaterstetten	25	100	20 [1]
Multi-Weinmarkt GmbH	Düsseldorf	25	100	–2 [1]
Shareholdings of Wein Wolf Holding GmbH & Co. KG: *Wein Wolf Import GmbH & Co. Vertriebs KG*	Salzburg (Austria)	679	100	547
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	41	100	6
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	431	100	61

	Registered office	Equity € '000	Share-holding %	Net earnings **2012** € '000
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	3,360	100	4,041
Wein Wolf Import GmbH	Bonn	28	100	2
Wein Wolf Holding Verwaltungs GmbH	Bonn	34	100	1
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,469	100	284
Alexander Baron von Essen Weinhandelsgesellschaft mbH	Tegernsee	809	100[2]	195
Global Eastern Wine Holding GmbH	Bonn	720	50	575
Shareholdings of Wein Wolf Import GmbH & Co. Vertriebs KG: *Weinland Ariane Abayan GmbH & Co. KG*	Hamburg	1,631	100[3]	2,587
Weinland Ariane Abayan Verwaltungsgesellschaft mbH	Hamburg	27	100	1
Deutschwein Classics GmbH & Co. KG	Bonn	34	95	–16
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	31	95	1
Shareholding of Weinland Ariane Abayan GmbH & Co. KG: *Alexander Baron von Essen Weinhandelsgesellschaft mbH*	Tegernsee	809	51	195
Shareholding of Global Eastern Wine Holding GmbH: *Global Wines, s.r.o.*	Prague (Czech Republic)	1,739	66.6	880

[1] *Before profit/loss transfer*
[2] *51% is held via Weinland Ariane Abayan GmbH & Co. KG*
[3] *Of which 15% is held directly*

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board reports below on its activities in the 2012 financial year. Hawesko Holding AG is again able to look back on a successful year's trading overall in the past financial year. In the first half the Group benefited very much from the delivery of the 2009 Bordeaux vintage. Alongside organic growth, the first-time inclusion of the Spanish wine specialist *Wein & Vinos* brought a 34% sales boost in the mail-order segment. Retail business at *Jacques' Wein-Depot* likewise made good progress: sales were up 3.8%, with the like-for-like increase reaching 2.4%. Preparations were also made for the further dovetailing of online and offline business. By contrast, the wholesale segment performed more weakly than in the previous year because demand in the Far East for top Bordeaux wines virtually ground to a halt after a boom in 2010 and 2011. Business for the group moreover fell short of expectations in the important fourth quarter – the very late receipt of orders for Christmas business and a software changeover at *Wein & Vinos* proved burdensome. At the start of 2013 business has returned to normal levels, wholesale activities have been stepped up with the purchase of a trader based in Western Switzerland. The strategic focus remains on further strengthening the market position and on continuing growth both at home and internationally.

INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2012 financial year the Supervisory Board comprehensively 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 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, personnel, financial and earnings plans. 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 and one extraordinary meeting in the 2012 financial year to assure itself of the lawfulness and regularity of the company's management. The topics of the reports and discussions of the Supervisory Board included the current trading position of the group, the principles of corporate governance and their implementation in the company, personnel matters, risk management within the group, and strategic business plans. The following topics were in addition considered by the full board:

- The medium-term appointment of a new Managing Director of *Jacques' Wein-Depot*
- Personnel matters concerning the subsidiaries
- The appointment of compliance officers for the group
- Defining the variable remuneration components for the Board of Management
- The proposal that the Shareholders' Meeting of the company appoint PricewaterhouseCoopers AG as auditors of the consolidated and annual financial statements for the 2012 financial year
- The approval of amended rules of procedure for the Supervisory Board
- The acquisition of a majority interest in *Vogel Vins SA*, Lausanne, Switzerland
- The strategic repositioning of *Château Classic – Le Monde des Grands Bordeaux*
- The three-year plan for the financial years 2013 to 2015

Pursuant to Section 8 of the articles of incorporation, an individual investment project involving a sum of more than € 2.5 million, the acquisition of other companies and the disposal of investments in companies with a value of more than € 0.5 million require the prior approval of the Supervisory Board. These must be carried by a majority of two-thirds of the votes. In the 2012 financial year, the Board of Management applied for approval of the acquisition of a majority interest in *Vogel Vins SA,* Lausanne, Switzerland; following detailed examination this was granted unanimously by the Supervisory Board.

Under the reporting system, each month the Supervisory Board was sent the key financial data, and its trends compared with the target and prior-year figures and the market expectations were presented and explained in detail. The Supervisory Board has acknowledged these planning and accounting documents, considered them in depth and been able to assess their plausibility and appropriateness. All the members of the Supervisory Board (with one exception, apologies received) 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 2012 financial year, including the book-keeping, were examined by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 18 June 2012. 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 2012 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 before the ratification in plenum for review. At its meeting on 11 March 2013, the committee considered the financial statements of the affiliated companies and discussed them exhaustively in the presence of the auditors. The annual financial statements and the consolidated financial statements of Hawesko Holding AG as well as the auditors' audit reports were examined by the whole Supervisory Board at its meeting on 21 March 2013. Based on the conclusions of its examination, the Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2012 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 2012 financial year for the distribution of a dividend of € 1,65 per no par value share.

SUPERVISORY BOARD COMMITTEES

The Audit and Investment Committee met six times in 2012, and the Personnel and Nominating Committee eight times.

WORK OF THE AUDIT AND INVESTMENT COMMITTEE

The Audit and Investment Committee met before the publication of each quarterly financial report and discussed these pursuant to Article 7.1.2 of the German Corporate Governance Code. At its meeting on 1 March 2012 it discussed the 2011 accounts in the presence of the auditors. The meeting on 3 May 2012 considered the realisation of cost synergies within the group and the simplification of structures in terms of corporate law. On 4 June 2012 the possible acquisition of an interest was discussed by application of the Board of Management. The meeting on 1 August 2012 focused on the further integration of the e-commerce area into the core business of the mail-order segment. On 1 November 2012 the priorities for the 2012 audit of the financial statements were determined and the specific measures to simplify the corporate law structures in the wholesale segment were discussed. On 22 November 2012 the three-year plan for 2013 to 2015 was considered for each segment in consultation with the relevant directors.

WORK OF THE PERSONNEL AND NOMINATING COMMITTEE

The Personnel and Nominating Committee devoted its meeting on 16 February 2012 to personnel matters in the mail-order and specialist wine-shop retail segments, and to new employment contracts for two Board of Management members whose contracts expired at the end of 2012. On 23 March 2012 it considered the review of the Board of Management remuneration rendered necessary by the German Act on the Appropriateness of Management Board Remuneration (VorstAG) and also a report commissioned from PricewaterhouseCoopers on business travel and reimbursed expenses in the Hawesko Group. On 4 May 2012 it devoted its meeting to the clarification of the code of conduct and the definition of variable remuneration components for the Board of Management that reflect the sustainability and durability of the company's success, which was also the topic of the meeting on 7 May 2012. On 18 June 2012 the committee considered the next steps for the medium-term appointment of a new Managing Director at *Jacques' Wein-Depot* and also the new employment contracts for two members of the Board of Management.

On 18 August 2012 the committee members took part in the interviews with the final candidates for the post of Managing Director of *Jacques' Wein-Depot*. The meetings on 4 and 26 September 2012 again focused on the variable Board of Management remuneration and the new employment contracts.

CORPORATE GOVERNANCE

On 23 March 2012 the Board of Management and Supervisory Board submitted the annual Declaration of Compliance in respect of the German Corporate Governance Code. The Declaration of Compliance approved today pursuant to Section 161 of German Stock Corporation Law is published separately in the Annual Report as part of the Corporate Governance Declaration along with disclosures on the principles of corporate management and the description of the modus operandi of the Board of Management and Supervisory Board (see page 115); 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 SUPERVISORY BOARD

The vacant sixth post on the Supervisory Board was filled on 22 November 2012 with the appointment by court of Ms Elisabeth Kamper, Vienna, Austria.

CONFLICTS OF INTEREST

No conflicts of interest concerning individual Supervisory Board members were disclosed to the Chairman.

The Supervisory Board extends its thanks to the Board of Management, the directors, 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, 21 March 2013

The Supervisory Board

Prof Dr Dr Dr Franz Jürgen Säcker
Chairman

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT OF HAWESKO HOLDING AG, HAMBURG, BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

CORPORATE GOVERNANCE

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

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

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

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

Pursuant to Section 161 of German Stock Corporation Law, 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 have been and are complied with, as well as declare which of these recommendations have not been or will not be complied with.

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, considered aspects of corporate governance on several occasions in the 2012 financial year and jointly declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 15 May 2012 have been and are complied with by the company. In particular, the Supervisory Board will take account of the specialist and personal qualifications of candidates being proposed to the Shareholders' Meeting for election and, as in the past, heed the aspect of diversity in accordance with Article 5.4.1 of the Code.

The company nevertheless departs from the recommendations of the Code in the following respects:

– *Article 2.2.2 of the Code:* The Board of Management is authorised to exclude the shareholders' statutory subscription, with the permission of the Supervisory Board, in the following instances:

1. Insofar as the exclusion of the subscription right is necessary in order to grant the bearers of convertible bonds or loans or warrants issued by the company a subscription right to new shares to the extent that they would be entitled following exercising of the option or conversion right or following fulfilment of the conversion obligation. Financing by means of bonds with option and conversion rights secures the company flexible access to financing. In the event of utilisation of the authorisation, the exclusion of the subscription right of shareholders means that the option or conversion price does not need to be reduced in order to maintain dilution protection for bearers of option or conversion rights.

2. Insofar as the capital increase for contribution in kind is made particularly for the purpose of acquiring companies, parts of companies or participations in companies. The scope for excluding subscription rights in the case of capital increases for contribution in kind enables the Board of Management, with the approval of the Supervisory Board, to acquire companies or parts of companies or participations in companies in exchange for the transfer of shares in Hawesko Holding AG.

3. To eliminate residual amounts. The exclusion of the subscription right for residual amounts permits the utilisation of the requested authorisation in the form of rounded amounts, while retaining a practicable subscription ratio.

4. If the shares in the company are issued for cash and the issuing price per share does not significantly undercut the market price for shares already quoted, essentially with the same features, at the time of issuance of the shares. In this instance the exclusion of subscription rights may, however, only be exercised if the number of the shares issued in this way together with the number of treasury shares that are sold during the term of this authorisation, excluding the right to subscribe pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law, and the number of shares that may arise through the exercising of options and/or conversion rights or the fulfilment

of conversion obligations from convertible bonds or loans or warrants issued during the term of this authorisation, excluding the right to subscribe pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law, does not exceed 10% of the capital stock either at the time of this authorisation taking effect or at the time of issuance of the shares.

The Board of Management and Supervisory Board consider the authorisation on the exclusion of subscription rights pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law to be necessary in order to exploit future opportunities on the capital market swiftly and flexibly, without needing to comply with the formal steps and statutory periods involved in a capital increase with subscription right.

– *Article 2.3.2 of the Code:* The company does not send notification of the convening of the Shareholders' Meeting together with the convening documents to all domestic and international financial services providers, shareholders and shareholders' associations by electronic means, because due to the peculiarity of bearer shares the identity of these domestic and foreign financial services providers, shareholders and shareholder associations is not known to Hawesko Holding AG and it is currently not yet assured that the majority of them can be contacted by electronic means.

– *Article 4.2.3 of the Code:* The provisions envisaged in the contract of employment of the Chairman of the Board of Management in the event of a change of control may result in the recommended cap of 150% on compensation payments being exceeded. A unilateral contractual change during the term of the contract of employment is legally not possible.

– *Article 7.1.2 of the Code:* The consolidated financial statements of the company will be published not within 90 days of the end of the financial year, but within 120 days. This longer period is advisable to facilitate the publication of the consolidated financial statements and annual report together with a report on the first quarter of the current financial year.

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

Organisation and management

The Hawesko Group is organised non-centrally: as far as possible, decisions concerning business operations are taken and implemented by the individual subsidiaries. This organisational structure is useful because the wine trade depends to a great extent on exploiting personal contacts with both producers and customers. The parent company Hawesko Holding AG normally holds 100% or a majority of the shares in the subsidiaries, which are active predominantly in the wine trade. The significant operating 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. Where the holding in a subsidary is not 100%, the managing director holds a minority interest. The parent company Hawesko Holding AG and the majority of the subsidiaries are domiciled in the Federal Republic of Germany. The subsidiaries not based in Germany are all domiciled in other European Union countries or in Switzerland.

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Strategy" section in the Management Report for the group and parent company).

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

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

ROCE: The ROCE (return on capital employed) 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.

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 six months of each financial year. Chairing of the Shareholders' Meeting is the responsibility of the Supervisory Board 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 Board of Management Chairman, Alexander Margaritoff, is the biggest shareholder of Hawesko Holding AG, holding 30.0% of the shares through Alexander Margaritoff Holding GmbH. He is followed by Detlev Meyer with a shareholding of 29.5% via Tocos Beteiligung GmbH, and Michael Schiemann, with a 5.0% shareholding through Augendum Vermögensverwaltung GmbH. The remaining approx. 35% are held by institutional and private investors. There are no employee shares as defined in Sections 289 Para. 4 No. 5 and 315 Para. 4 No. 5 of German Commercial Code.

Supervisory Board

The Supervisory Board advises and oversees the Board of Management. In certain cases the Board of Management requires the prior approval of the Supervisory Board, 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. For as long as he holds at least 10% of the total capital stock, Alexander Margaritoff has the right to nominate two Supervisory Board members. The Supervisory Board elects a Chairman and a Deputy from among its members. Declarations of intent by the Supervisory Board are issued by the Chairman or, if the Chairman is prevented from attending, by his Deputy. The Supervisory Board has a quorum if all members have been invited and at least half of the members take part in the vote. Resolutions of the Supervisory Board are carried by a simple voting majority, unless otherwise specified by law or in the articles of incorporation; in the event of a tied vote, a majority may resolve to conduct a fresh debate; otherwise a new vote must be held without delay. When voting anew on the same matter, the Chairman has two votes if the result is once again a tie.

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 and one substitute member.

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

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

Since 1 January 2011 compliance guidelines, enacted by the Board of Management and the Supervisory Board, have been in force for all group companies.

Financial reporting and auditing of financial statements

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

The following was agreed with the independent auditors:

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

Transparency

Hawesko Holding AG attaches high priority to the policy of providing uniform, comprehensive and timely information. The trading position and the results of the company are reported on through the Annual Report, the Annual Press Conference, in the First-Quarter and Third-Quarter Reports and in the Interim Financial Report.

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

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

REMUNERATION REPORT

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in a separate section of the combined management report for the group and the parent company for 2012, as well as in the Notes to the consolidated financial statements and Notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

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

At 31 December 2012, the Supervisory Board held 2,650,495 (no change from previous year) and the Board of Management 2,876,901 shares (no change from previous year) – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,698,000 (no change from previous year) directly and indirectly.

Hamburg, 21 March 2013

The Supervisory Board The Board of Management

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

MEMBERS OF THE BOARD OF MANAGEMENT

Alexander Margaritoff, Chairman and Chief Executive Officer, Hamburg

Alexander Margaritoff (born 1952) graduated from the University of Sussex, England, with degrees in Economics (B.A.) and Contemporary European Studies (M.A.). In 1981 he joined the company *Hanseatisches Wein- und Sekt-Kontor*. He is responsible for all companies in which Hawesko Holding AG has shareholdings and in particular for the mail-order segment.

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

Bernd Hoolmans, Düsseldorf

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

Bernd G Siebdrat, Bonn

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

Ulrich Zimmermann, Chief Financial Officer, Hamburg

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

MEMBERS OF THE SUPERVISORY BOARD

Members of the Supervisory Board occupy the following posts on supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

Professor Dr iur Dr rer pol Dr hc Franz Jürgen Säcker

Chairman [1, 2]

Director of the Institute of German and European Business, Competition and Energy Law at the Free University of Berlin, Berlin

Gunnar Heinemann

Deputy Chairman [1]

Former Managing Partner of Gebr. Heinemann KG, Hamburg

Member of supervisory board or similar entity of the following business enterprises:

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

Thomas R Fischer [1]

Speaker of the Board of Management, Marcard, Stein & Co. AG, Hamburg

Managing Director of Marcard Family Office Treuhand GmbH, Hamburg

Member of supervisory board or similar entity of the following business enterprises:

- 43. Hanseatische Grundbesitz GmbH & Co. KG, Hamburg;
- Bianco Footwear A/S, Kolding, Denmark;
- Bianco International A/S, Kolding, Denmark;
- BPE Unternehmensbeteiligungen G.m.b.H., Hamburg;
- CAM Private Equity Consulting & Verwaltungs-GmbH, Cologne;
- HF Fonds X. Unternehmensbeteiligungs-GmbH, Hanover

Elisabeth Kamper
(since 22/11/2012)

Managing Director of Falstaff Verlags-GmbH, Vienna, Austria

Detlev Meyer [2]

Managing Director of Tocos Beteiligung GmbH, Hamburg

Member of supervisory board or similar entity of the following business enterprises:

- Bianco Footwear A/S, Kolding, Denmark;
- Bianco International A/S, Kolding, Denmark;
- Hannover 96 Sales & Service GmbH & Co. KG, Hanover
- HF-Fonds IX Unternehmensbeteiligungsgesellschaft mbH, Hanover

Kim-Eva Wempe [2]

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

[1] *Member of the Audit and Investment Committee. Thomas R Fischer is Chairman and complies with the regulatory requirements in accordance with Section 100 Para. 5 German Stock Corporation Law (AktG).*

[2] *Member of the Personnel and Nominating Committee. Prof Dr Dr Dr Säcker is Chairman.*

PARENT COMPANY STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2012 financial year

PARENT COMPANY STATEMENT OF INCOME OF HAWESKO HOLDING AG

for the period from 1 January to 31 December 2012

€ '000 (rounding differences are possible)	2012	2011
Other operating income	1,542	1,914
Personnel expenses		
a) Salaries	–4,493	–4,362
b) Social securities and social maintenance costs	–121	–102
Depreciation and amortisation	–16	–17
Other operating expenses	–2,046	–2,325
Income from profit-transfer agreements	23,604	23,034
Investment income	5,996	4,931
Other interest and similar income	1,228	1,529
Expenses from loss-transfer	–223	–323
Interest and similar expenses	–958	–328
RESULTS FROM ORDINARY ACTIVITIES	**24,513**	**23,951**
Taxes on income	–6,556	–4,840
Other taxes	–1	–1
NET INCOME FOR THE YEAR	**17,956**	**19,110**
Profit carryforward from previous year	1,284	1,047
Appropriation to other revenue reserve	–4,000	–4,500
UNAPPROPRIATED PROFIT FOR THE YEAR	**15,240**	**15,658**

PARENT COMPANY BALANCE SHEET OF HAWESKO HOLDING AG

at 31 December 2012

ASSETS € '000 (rounding differences are possible)	31/12/2012	31/12/2011
FIXED ASSETS		
INTANGIBLE ASSETS		
Licences, industrial property rights and similar rights and values	2	–
PROPERTY, PLANT AND EQUIPMENT		
Land, land rights and buildings, including buildings on third-party land	21	26
Operating equipment and fixtures	62	74
FINANCIAL ASSETS		
Shares in affiliated companies	100,480	78,999
Advance payments on shares in affiliated companies	57	433
Other loans	52	–
	100,674	**79,531**
CURRENT ASSETS		
RECEIVABLES AND OTHER ASSETS		
Receivables from other affiliated companies	73,544	69,688
Other assets	584	826
CASH IN BANKING ACCOUNTS	8,441	16,175
	82,569	**86,689**
PREPAID EXPENSES	**48**	**20**
	183,291	**166,240**

SHAREHOLDERS' EQUITY AND LIABILITIES

€ '000 (rounding differences are possible)	31/12/2012	31/12/2011
SHAREHOLDERS' EQUITY		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other reserve	59,238	55,238
Unappropriated profit for the year	15,240	15,658
	152,254	**148,671**
PROVISIONS		
Provisions for taxation	836	3,746
Other provisions	2,645	2,794
	3,481	**6,539**
LIABILITIES		
Due to banks	19,160	3,953
Trade accounts payable	23	162
Due to affiliated companies	1,679	1,036
Other liabilities	4,711	5,604
	25,573	**10,755**
DEFERRED TAX LIABILITIES	**1,983**	**274**
	183,291	**166,240**

The complete financial statements of the Hawesko Holding AG parent company, which have been drawn up according to the regulations of the German Commercial Code and German Stock Corporation Law and have received the unqualified certification of PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg, will be submitted to the electronic Federal Gazette and can be called up from the electronic Companies Register as well as from www.hawesko-holding.com.

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Hawesko Holding AG

Registered office

Plan 5
20095 Hamburg
Germany

Postal address

20247 Hamburg
Germany

Administrative offices

Hamburger Strasse 14–20
25436 Tornesch
Germany

For further information please contact:

Investor Relations Department
Tel. (+49) 40/30 39 21 00
Fax (+49) 40/30 39 21 05

www.hawesko-holding.com
ir@hawesko-holding.com

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PHOTOGRAPHY

Roberto Hegeler, Hamburg
Wolfgang Wilde, Hamburg
Hendrik Holler, Ludwigsburg

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KEY FINANCIAL DATA OF HAWESKO GROUP

2003	2004	2005	2006	2007	2008	2009	2010
278.8	285.8	287.0	302.6	333.7	338.8	338.5	377.7
117.1	119.6	119.5	122.2	130.9	135.6	138.4	150.1
42.0%	41.9%	41.6%	40.4%	39.2%	40.0%	40.9%	39.7%
21.4	22.1	23.3	22.9	23.3	30.0	27.1	31.3
7.7%	7.7%	8.1%	7.6%	7.0%	8.9%	8.0%	8.3%
5.7	5.3	4.4	4.3	5.0	4.5	4.7	5.6
15.7	16.8	18.9	18.6	18.3	25.5	22.4	25.7
5.6%	5.9%	6.6%	6.1%	5.5%	7.5%	6.6%	6.8%
5.9	5.7	10.7	10.8	6.7	14.6	13.1	20.0
24.6	21.4	24.3	12.7	17.9	24.7	28.8	21.8
–3.6	–4.8	–5.2	–5.6	–2.6	–5.8	–7.1	+2.5
17.9	14.4	17.1	5.6	13.6	17.5	20.8	23.8
–4.8	–5.5	–8.8	–7.6	–8.8	–10.6	–11.9	–15.7
59.1	58.7	56.6	57.3	48.9	44.7	46.5	52.6
110.7	106.6	106.0	114.5	127.7	125.4	127.1	149.2
61.7	59.9	61.6	64.9	62.6	66.6	70.2	77.8
36.3%	36.2%	37.9%	37.8%	35.4%	39.1%	40.5%	38.6%
169.9	165.3	162.6	171.9	176.6	170.1	173.6	201.8
103.8	98.1	94.9	99.8	103.9	102.9	103.1	101.8
8.9%	10.1%	11.5%	11.1%	10.5%	14.7%	13.0%	13.7%
15.1%	17.2%	19.9%	18.6%	17.6%	24.8%	21.7%	25.3%
0.69	0.65	1.22	1.23	0.76	1.67	1.48	2.24
0.55	0.63	0.70	0.85	1.00	1.20	1.35	1.50
–	–	0.30	–	–	–	–	0.25
0.55	0.63	1.00	0.85	1.00	1.20	1.35	1.75
8,811	8,822	8,797	8,806	8,805	8,742	8,835	8,915
10.30	12.60	16.75	20.40	22.70	19.43	23.00	29.42
90.8	111.3	148.0	180.2	200.5	171.7	203.4	264.3
568	580	566	551	609	614	657	696

€ million	2011**	2012
Net sales	411.4	448.6
Gross profit	162.7	182.8
– as % of net sales	39.6%	40.7%
Operating result before depreciation (EBITDA)	32.1	33.3
– as % of net sales	7.8%	7.4%
Depreciation and amortisation	5.3	7.2
Operating result (EBIT)	26.8	26.1
– as % of net sales	6.5%	5.8%
Consolidated net income (after taxes and minority interests)	17.9	22.5
Cash flow from current operations	16.9	17.9
Cash flow from investing activities	–4.1	–25.4
Free cash flow	12.3	–8.6
Proposed dividend distribution for the current year (parent company)	–14.4	–14.8
Non-current assets	46.7	65.0
Current assets	170.4	171.7
Equity less proposed dividend	81.4	75.2
– as % of balance sheet total	37.5%	31.8%
Total assets	217.1	236.8
Capital employed	105.5	139.9
Return on total assets	12.8%	11.5%
Return on capital employed	25.4%	18.7%
Earnings per share (€) *	1.99	2.51
Regular dividend per share (€) *	1.60	1.65
Bonus dividend payment (€) *	–	–
Total dividend per share (€) *	1.60	1.65
Total shares * (average number outstanding in the year, '000)	8,983	8,983
Year-end share price (€) *	35.23	40.06
Market capitalisation at end of year (€ million)	316.5	359.9
Total employees (average for year)	750	847

* *Adjusted to reflect the share split performed in October 2006*

** *Figures for 2011 restated through early application of IAS 19 (revised)*

WWW.HAWESKO-HOLDING.COM