

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

of Hawesko Holding Aktiengesellschaft for the 2017 financial year

(This entire document is a translation from the German. In case of discrepancies, the German original shall prevail.)

COMPANY PROFILE

Business model of the group

The Hawesko Group specialises in trading quality wines at the superior and premium end of the market. In 2017 it posted sales of € 507 million, with 91% of the total generated in Germany (previous year: likewise 91%). The group has several subsidiaries in other European countries. It comprises a holding company, which handles corporate and administrative tasks as the top-level entity, as well as the three operating brand units or segments Omni-Channel (specialist wine-shop retail segment), Digital (distance-selling segment) and B2B (wholesale/distribution segment). Omni-Channel and Digital reach end customers along a variety of sales channels, while the B2B brand unit supplies the catering trade and retailers. All three brand units enjoy leading positions within their respective markets. The group structure is characterised by a balance between non-central units and corporate functions. Key factors behind the company's success include long-standing, trust-based relationships with top wine producers all over the world. There are agreements in place which secure the group companies the exclusive distribution rights for Germany for many renowned wines and vineyards. There are in addition business relationships with a large proportion of consumers in Germany who are interested in high-class wine.

A nationwide presence and an attractive international position

The group management has its registered office in Hamburg. The management of the Digital brand unit (distance-selling segment) relocated from Tornesch to Hamburg in the year under review. The subsidiary *Wein & Vinos* is sited in Berlin, and *WirWinzer* in Munich. The management of the Omni-Channel brand unit (specialist wine-shop retail segment) with the brand *Jacques' Wein-Depot* is based in Düsseldorf. *Jacques' Wein-Depot* enjoys a presence throughout Germany with 306 outlets. The management of the B2B brand unit (wholesale/distribution segment) is located in Bonn. From there, it coordinates the group's B2B activities throughout Germany. There are in addition B2B subsidiaries in Austria and Switzerland.

An array of brands – three brand units – one top-performing group

With its eighteen strong private labels, the Hawesko Group enjoys a broad-based presence in the various market segments of the wine trade. That provides a degree of risk diversification and renders

the business model of the group correspondingly robust. Hawesko Holding AG will continue to reinforce its brands and optimise its customer centricity. Usefully bundled corporate services and high-performance platforms support the brands and therefore deliver a high degree of process and cost efficiency. These platforms are state of the art and promote the growth, competitiveness and profitability of the individual brands. This provides an ideal environment for the strategic advancement of the group.

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.

Goals and strategies

The cornerstones of the group's long-term strategy are the following:

- We focus on the premium and fine wine segment: We supply a discerning clientele with outstanding products and offer a very high calibre of service.
- We build 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. They are desirable to the wine connoisseur and the object of rising expectations. This explains why the Hawesko Group has been concentrating its market activities on this high-end segment for many years.
- We nurture ties with the best wine producers in the world: The Hawesko Group holds exclusive distribution rights for over 4,000 wines, including many of the world's best-known labels. This unique range can only be nurtured and developed if we maintain an ongoing, engaged dialogue with the producers, whose ranks include many of the most regarded winemakers in the world. As part of that dialogue we address current developments and identify future trends. We will thus establish the basis of trust that enables the group to hold onto the best producers and thus gain access to the best wines.
- We offer value for money, not cut-price products: The Hawesko Group offers its customers high-quality products that are handled in a way that respects the nature of the product, specialist advice and high service commitment and quality, along with an expert, differentiated marketing approach for its suppliers. It consciously sets itself apart from mass selling of cheap goods. The numerous awards we have received provide documentary evidence of our successful efforts to provide quality and establish benchmark-setting standards for the entire trade.
- Our focus is the German market: Germany is among the biggest wine markets in the world in the price categories above € 5.00 per bottle. By virtue of having been involved in that market for decades, the Hawesko Group brands have built up a strong position. Over a number of decades, they have developed and nurtured business relationships with more than two million wine-loving customers. The Hawesko Group consequently gives producers unique access to their target group. Building on its strong position in the domestic market, the Board of Management will

systematically step up activities outside Germany and is therefore always actively looking for attractive business opportunities abroad, too.

- We seek profitable growth: Both when developing and realising new distribution and marketing concepts and when expanding existing concepts, long-term profitability remains an important goal. We therefore focus on the management indicators of profit margin and ROCE.

Management system: strategic growth, rate-of-return and financing targets

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

- Sales growth: The sales growth of the Hawesko Group should always be higher than that of the market as a whole. Even if the overall market is not expanding, the group's sales should rise. Our goal is to continuously increase the market share of the Hawesko group.
- Profit margin: The EBIT margin is to be increased to 7% over the long term.
- ROCE: The return on capital employed (before tax) should always be at least 16%.
- Free cash flow: A liquidity surplus is to be generated from business operations so that adequate financial resources are available for capital expenditure and for paying appropriate dividends. This indicator is considered primarily at group level on the basis of the cash pooling agreements with the principal subsidiaries.

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

The return on capital employed (ROCE) is an ongoing method of measuring how profitably business is performing in relation to the capital required to run it. The aim of the Hawesko Group is to earn the costs of capital raised on the capital market (see under "Financial position") in every segment of the group. The group therefore reasserts that it will only invest in those areas of business that generate value and therefore exceed their costs of capital in the long term.

In addition to this value-oriented indicator, free cash flow is used as a liquidity-oriented indicator. This ensures that adequate financial resources will continue to be available for day-to-day business operations and future growth, and that an appropriate dividend for earnings per share can continue to be paid. The sustained optimisation of working capital and effective investment management will perform a crucial role here (see under "Management and control" below).

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

Employees

The group employed an average of 954 people in the 2017 financial year, predominantly in Germany. The total for the previous year was 940. Women make up 49% of the group's workforce (previous year: 52%), and the figure for its management is 25% (2016: 23%). The proportion of women in the management tier was to be increased to 25% by 30 June 2017; this target was achieved.

Expenditure on training and advancement measures in the year under review amounted to € 0.4 million (previous year: € 0.5 million).

On 31 December 2017, 404 (prior-year reporting date: 396) employees of the group belonged to the pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

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

Research and development

As a trading company, the Hawesko Group does not perform research and development in the narrower sense. The cost of developing exclusively marketed vintages in partnership with renowned wine producers – including the registration and protection of brands – amounted to € 0.2 million in 2017 (previous year: € 0.1 million).

Particularities of the wine trade in respect of the group

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

The specialist wine-shop retail and distance-selling segments in Germany and Austria and supplying Sweden numbered almost 1.5 million end customers in 2017 (2016: likewise 1.5 million). The average spend of those customers during the past year was € 214 (previous year: just under € 213) net. The customer base of the wholesale segment comprises around 16,000 customers (unchanged from the previous year), predominantly in Germany; they are made up of grocery retailers, specialist wine retailers and the catering branch.

Long-established relations with the best vintners in the world are another important success factor. The exclusive distribution rights for certain leading brands in individual sales markets are also of significance. The Hawesko Group holds the distribution rights for Germany for such producers as

Marchesi Antinori, Domaines Barons de Rothschild (Lafite), Louis Jadot, Penfolds, Taittinger and Torres.

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 benefits such a sensitive, high-quality product. For the group's distance-selling logistics, it has a fully air-conditioned delivery centre at Tornesch, where the processes are tailored exclusively to the specific nature of wine and to distance-selling trade with consumers. *IWL Internationale Wein Logistik GmbH* also handles logistics for the *Wein-Wolf*. 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 the movements of goods for the distance-selling and wholesale segments. In the specialist wine-shop retail area, on the other hand, predominantly third-party service providers are used because in this instance the processes are more in line with the established norm in logistics.

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

ECONOMIC REPORT

General and industry-specific economic environment

German economy maintains vigorous growth in 2017

The business cycle in 2017 was characterised by vigorous growth. Initial calculations by the Federal Statistical Office indicate an average of 2.2% growth in price-adjusted gross domestic product (GDP) for the year compared with the previous year. This marks a rise compared with 2016, when the growth rate was 1.9%. As well as capital expenditure, consumer spending was the major driver of the economy. Price-adjusted consumer spending was up 2.0% (previous year: likewise 2.0%).

The consumer confidence index compiled by Gesellschaft für Konsumforschung (GfK) started January 2017 at just under ten points and climbed to almost eleven points over the course of the year. GfK sees consumer spending in Germany as on an upward trajectory and expects real growth of two percent. It notes that consumers are prepared to treat themselves and buy more expensive products.

German wine market

According to figures from the German Wine Institute, the German wine market showed a downward development in 2017: consumer purchases declined 3% on the previous year in terms of volume and by 5% in terms of value. However the average price commanded by the customary 0.75 l bottle at food retailers remained unchanged year on year at € 2.19. On the other hand markedly higher prices are achieved in direct sales and from distribution by specialist and online retailers. Wines of German origin sell for an average of just above € 5.00 for the customary 0.75 l bottle – a slight increase on the previous year.

The Hawesko Board of Management puts the value of the German market at around € 8 billion, of which the upmarket segment (from € 5.00 per bottle) accounts for around € 2 billion.

The wine market outside Germany

In 2017 the Hawesko Group achieved 9% of its sales in Austria, Sweden and Switzerland – and therefore outside Germany. The Swiss market is estimated to offer steady development potential, with a value of € 1.0 billion to € 1.5 billion – but unlike Germany, it is overwhelmingly in the upmarket segment (over € 5.00 per bottle). The size of the market in Austria is estimated at around € 1.5 billion. The total volume of the Swedish market is approx. € 2 billion.

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

Global wine market in 2017: weak harvest pushes down production

The International Organisation of Vine and Wine (OIV) estimates wine production in 2017 at 247 million hectolitres; this would indicate a decrease of around 8% compared with 2016. On the other hand worldwide wine consumption is estimated at 243 million hectolitres, unchanged from the previous year's level. When industrial consumption is added to this figure (at a long-term average of approx. 30 million hectolitres), there is a slight demand surplus worldwide.

Demand for top-class wines in higher price categories 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. The determinants in the price of a vintage include above all the traditions of the wine-growing areas and vineyards, the philosophy of the vintners and winemakers along with how it is implemented, plus the weather and the quality of the harvest.

In the assessment of the Hawesko Board of Management, low harvests in many producing regions are likely to lead to price rises in 2018, above all for basic-quality products.

Non-uniform trade structure for upmarket products

In the price category below € 5.00 per bottle, the German wine market is dominated by discount grocery retailers. On the other hand the upscale market segment – i.e. the price category of € 5.00 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.

The Hawesko Board of Management identifies an important development in the German wine market in the growth of the digital sales channel (e-commerce), especially for the price category from € 5.00. The Board of Management anticipates that e-commerce sales will rise by a high single-digit to low double-digit percentage over the next few years. The Hawesko Group made preparations for this development at an early stage and has improved its digital footprint at both group and segment level.

Market share of the Hawesko Group continues to grow

Every year since the start of this millennium, the Hawesko Group has outperformed the overall wine market in its home market Germany. 2017 is again no exception in that respect: sales growth in Germany again outstripped that of the market, reaching 5.8%. The Hawesko Board of Management estimates the group's market share at around 25–26% in the upmarket segment (prices per bottle of more than € 5.00), and at 4% of the overall market.

Business performance and financial performance

Overall statement on 2017 business performance and economic situation

Consolidated sales for 2017 up 5.4%, crossing threshold of half a billion euros for first time

The Hawesko Board of Management is more than satisfied with the 2017 business performance: while it had expected sales to be up 5% on the previous year (€ 481 million), in actual fact the total sales figure of € 507 million marginally outstripped the expected growth rate, rising by 5.4%. Both the latest acquisitions and organic growth contributed to this development. Even after stripping out the contributions of the acquisitions *WirWinzer* as well as *WeinArt* and *Grand Cru Select*, organic sales were up 2.4% on the previous year.

The Distribution segment – B2B – enjoyed the highest growth rate of 7.2% (after adjustment for the acquisitions *WeinArt* and *Grand Cru Select*: 1.1%). The B2C segments Omni-Channel (*Jacques*) and Digital achieved growth rates of 4.1% and 4.8% respectively (after adjustment for the acquisition of *WirWinzer*: 2.1%).

EBIT exceeds € 30 million – another record

The reported EBIT for 2017 is € 30.4 million and therefore not merely an all-time high, but above the € 30 million mark for the first time. It is particularly worth noting that profitability has remained stable in spite of the expansion. Because of an array of non-recurring factors mainly related to the consequences of the change of control in 2015 and therefore to associated personnel matters in 2016, it is helpful to provide adjusted figures for the previous financial year: on this basis there was an absolute rise in EBIT of 4.6% from € 29.1 million to € 30.4 million, with a constant EBIT margin of 6.0%.

In the Omni-Channel segment (*Jacques*), EBIT on the previous year's level despite the continuing growth, due to higher expansion and ERP roll-out costs. Distance selling (Digital brand unit) achieved a 9% increase in EBIT in the year under review, an overproportional rise compared to sales – after adjustment for the costs of the transformation process from traditional mail-order to modern online trading in the previous year – and accomplished operating improvements especially at *HAWESKO*. In the B2B area (wholesale segment), too, the rise in EBIT of 15% was steeper than sales growth. This

figure benefited especially from the outstanding performance by the Italy specialist *Weinland Ariane Abayan*. Again at the start of 2018, the Board of Management is increasingly able to focus its attention on long-term growth topics, considers the group to be in robust health and is confident about the medium and long-term outlook for further business development.

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

	Definition	(Rounding differences possible)
Sales	Sales revenues	2017: € 507.0 million
EBIT	Operating result	2017: € 30.4 million
EBIT margin	EBIT divided by sales revenues	2017: 6.0%
Adjusted EBIT 2016	EBIT Board of Management change Restructuring of Tornesch location EBIT loss from acquisition of <i>WirWinzer</i> in 2016 EBIT adjusted	2016 € 29.6 million € -2.2 million € +1.5 million € +0.2 million € 29.1 million
ROCE	EBIT divided by capital employed; see page [●]	2017: 20%
Adjusted ROCE 2106	Adjusted EBIT divided by capital employed	2016: 21%
Free cash flow	See further below	2017: € 2.8 million

The following targets and long-term rate of return targets for 2017 were declared in the 2016 Annual Report. The table below indicates to what extent they were achieved or not achieved.

	Objective	2017	Attained
Sales	Sales growth of 5% compared with previous year (€ 481 million) including acquisitions <i>WirWinzer</i> as well as <i>WeinArt</i> and <i>Grand Cru Select</i> ; Stronger growth than the German wine market (2017: -5%)	€ 507.0 million (+5.4%, in Germany +5.8%)	✓ ✓
EBIT	Operating result (EBIT) slightly above € 30 million	€ 30.4 million (+2.7%)	✓
EBIT margin	Long-term margin of 7% of sales or, for 2017, approx. 6% of sales	6.0%	— ✓
ROCE	Achieving the long-term minimum target return (16%) or, for 2017, approx. 21%	20%	✓ —
Free cash flow	Free cash flow in the order of € 16–18 million	€ 2.8 million	—

Financial performance

2017: record sales and EBIT

2017 saw the net sales of the Hawesko Group grow more strongly than in previous years, rising by 5.4% from € 480.9 million to € 507.0 million. The online sales component of B2C business – an important growth driver for the group – rose by an overproportional 14.7% to € 98.6 million. *WeinArt* and *Grand Cru Select* were included in consolidation for the first time from 1 January 2017 with combined sales of € 10.4 million. From 1 October 2016 *WirWinzer* was included in consolidation with sales of € 1.6 million in 2016; sales for the full financial year of 2017 came to € 6.0 million. Wines from France accounted for a total of 24% of sales (previous year: 25%), Italian products for 30% (previous year: 29%), Spanish wines for 20% (previous year: 20%) and German products for around 11% (previous year: 10%). About 91% of sales were generated within Germany, with year-on-year growth reaching 5.8% domestically. The overall sales volume came to 74 million bottles or units (previous year: 72 million).

Further growth initiatives to promote sustained sales growth over the next few years were kicked off in the year under review: a 51% interest in *WeinArt Handelsgesellschaft mbH* was acquired with effect from 1 January 2017. *WeinArt* has specialised in the trading of wines of the highest quality grade, especially French products from Bordeaux and Burgundy. *WeinArt* also holds a 75% interest in *Grand Cru Select Weinhandelsgesellschaft mbH*, which sells exclusive products from Bordeaux, Burgundy and Champagne to the wholesale trade. This acquisition extended the business model, product range and customer segments of the group. Furthermore the online marketplace *WirWinzer*, which was fully consolidated from 1 October 2016, was included in this reporting period for a first full financial year.

The organic sales of the group were lifted mainly by the continuing high level of customer activity at *Jacques' Wein-Depot*, in the Distribution segment by the outstanding performance of the Italy specialist *Weinland Ariane Abayan* and the expanded range of *Wein Wolf*, but also by the higher quality of customers at *Wein & Vinos* in the Digital segment. Furthermore, the long-established systematic approach to acquiring new customers and the expansion of online business group-wide lifted sales.

The gross profit margin in the year under review came to 42.0% (previous year: 42.5%). The decline in gross profit for the group is attributable first and foremost to the higher proportion of B2B sales as well as the inclusion of the online marketplace *WirWinzer* and the tendency of the margins to be lower in its marketplace business model.

Personnel costs comprised wages and salaries as well as statutory, collectively negotiated and voluntary social contributions. This item was just slightly up on the prior-year level in the year under review, at € 57.3 million (€ 56.4 million). After adjustment for non-recurring personnel matters in the previous year and personnel expenses for the acquired businesses, it shows a reduction of € 1.3 million. This is mainly attributable to the structural adjustments at *HAWESKO* in 2016. The 2017 financial year brought an overall decrease in the personnel expenses ratio compared with the previous

year to 11.3% of sales (11.7%). The cost/income ratio net of the above personnel matters came to 11.3% in the previous year.

Advertising expenses amounted to € 40.0 million (previous year: € 39.2 million); the level in proportion to sales consequently declined slightly to 7.9% compared with the previous year (8.2%). The advertising expenses include outlay for the acquisition of new customers and the reactivation of former customers. This outlay is designed to broaden the business basis of the group year by year: 340,000 new customers were recruited for the end consumer segments in 2017 – 5% more than in the previous year (323,000).

The delivery costs for the group climbed € 0.9 million to € 22.9 million. The delivery costs ratio declined slightly to 4.5% (previous year: 4.6%).

Higher group EBIT thanks to increased organic profitability

The operating result (EBIT) of the Hawesko Group came to € 30.4 million (previous year: € 29.6 million) in the year under review. After elimination of the acquisition *WirWinzer* in the year under review and in the previous year, EBIT actually showed a rise of € 1.9 million, which thus financed the start-up losses of this growth initiative.

Development in earnings (€ million)	2014	2015	2016	2017
EBIT	20.1	20.1	29.6	30.4
– Year-on-year change	-11.1%	+0.4%	+47.1%	+2.7%
– EBIT margin	4.2%	4.2%	6.2%	6.0%
EBT	21.4	19.0	28.3	28.8
– Year-on-year change	-15.5%	-10.8%	+48.8%	+1.6%
– EBT margin	4.5%	4.0%	5.9%	5.7%
Consolidated net income excluding non-controlling interests	14.8	12.2	18.5	18.5
– Year-on-year change	-8.5%	-17.7%	+51.8%	-0.4%
– Net margin	3.1%	2.6%	3.9%	3.6%

Cost structure as % of sales	2014	2015	2016	2017
Personnel costs	-11.1%	As reported: -12.5% Adjusted: -11.2%	As reported: -11.7% Adjusted: -11.3%	-11.3%
Advertising costs	-8.8%	-8.2%	-8.2%	-7.9%
Delivery costs	-4.5%	-4.4%	-4.6%	-4.5%
Other operating income and expenses (balance)	-11.9%	-10.8%	-10.3%	-10.7%
Depreciation and amortisation	-1.4%	-1.5%	-1.5%	-1.6%
Total	-37.7%	-37.4%	-36.3%	-36.0%

EBIT margins as % of sales	2014	2015	2016	2017
Over-the-counter specialist wine retailing	11.1%	11.2%	11.2%	10.7%
Wholesale	2.8%	3.3%	4.5%	4.9%
Distance selling	5.7%	7.4%	5.8%	6.0%

Positive influence of EBIT performance on return on capital employed: (ROCE)

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

The indicator ROCE is calculated as follows in the Hawesko Group: EBIT (€ 30.4 million) divided by the average capital employed of € 154.9 million [(capital employed in previous year + capital employed in current year) divided by 2]. The average capital employed is calculated from the balance sheet total (31 December 2017: € 259.7 million, 31 December 2016: € 231.3 million) plus capitalised lease commitments (average value: € 34.3 million) less interest-free liabilities including deferred tax assets and provisions (average value: € 110.3 million) as well as cash and cash equivalents (average value: € 12.2 million).

Group IFRS € '000		01/01- 31/12 2015	01/01-31/12 2016	01/01-31/12 2017
EBIT (operating result)		20,132	29,619	30,418
Balance sheet total		219,820	231,288	259,734
<i>less:</i>				
-	<i>Cash</i>	14,459	13,581	10,736
-	<i>Deferred tax assets</i>	1,782	2,506	2,211
-	<i>Interest-free liabilities</i>	99,076	106,562	114,065
Subtotal		104,503	108,639	132,722
	<i>Plus: capitalised lease commitments</i>	32,200	33,649	34,874
Capital employed (reporting date current year)		136,703	142,288	167,596
Average capital employed (over the year)		137,312	139,496	154,942
ROCE		14.7%	21.2%	19.6%

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

ROCE	2014	2015	2016	2017	Anticipated minimum return
Omni-Channel (specialist wine-shop retail)	43%	42%	40%	37%	> 27%
B2B (wholesale/distribution)	9%	11%	16%	18%	> 17%
Digital (distance selling)	20%	26%	19%	19%	> 22%
Group	Adjusted: 18% Reported: 15%	Adjusted: 20% Reported: 15%	Adjusted: 21% Reported: 21%	20%	> 16%

NB The adjusted figure excludes one-off consultancy costs.

Consolidated net income

The financial result shows a net expense of € 1.6 million (2016: € 1.3 million). There was an expense of € 1.9 million in the year under review (previous year: € 1.8 million) from the subsequent measurement of financial liabilities at 31 December 2017 according to IAS 39 for two put options in respect of Hawesko Holding AG. The consolidated earnings before taxes for the 2017 financial year came to € 28.8 million, up on the prior-year figure of € 28.3 million. The effective tax rate rose from 31.4% in the previous year to 33.4% in the year under review. The higher tax expense meant that earnings after taxes fell to € 19.2 million (previous year: € 19.4 million).

The consolidated net income excluding non-controlling interests amounted to € 18.5 million (previous year: € 18.5 million). After adjustment for the provisions for personnel explained above in the previous year and the result from subsequent measurement according to IAS 39, the consolidated net income reached € 20.4 million; the corresponding prior-year figure was € 19.5 million.

Earnings per share were € 2.06, as in the previous year. After adjustment, the figure would have been € 2.27; for the previous year it would have been € 2.17 (also adjusted). The figures for both the year under review and the previous year are based on 8,983,403 shares.

Business performance of the brand units (segments)

Omni-Channel (specialist wine-shop retail):

Renewed rise in sales at Jacques' Wein-Depot – accelerated expansion and higher investment in IT systems

Net sales for the specialist wine-shop retail segment (*Jacques' Wein-Depot*) grew by 4.1% in the year under review to € 152.3 million. Like for like, and excluding online sales, the rise in sales was 2.7%. It served 847,000 active customers in 2017, an increase of almost 4% on the previous year (816,000). The rate of sales growth of 4.1% was slightly above the average for the past ten years. This was achieved thanks to a variety of factors, including intensified advertising activities and successful drives to retain, reactivate and acquire customers (e.g. new smartphone app and free shipping for a spend of more than € 50). The average spend was equally up on the previous year, mainly as a result of a higher e-commerce share. In 2017 *Jacques' Wein-Depot* acquired 128,000 new customers (previous year: 118,000).

At 31 December 2017 there were 306 Jacques' Wein-Depot outlets in Germany (previous year: 298); rental agreements for three further outlets had been taken out at the reporting date. There are no outlets outside Germany. Nine new shops were opened, one was relocated and one was closed.

The operating result (EBIT) for the segment came to € 16.4 million for the period under review, unchanged from the previous year. The flat result compared with the previous year was caused by the up-front expenditure needed for the more rapid expansion and by higher investment in the renewal of IT systems.

ROCE for the segment declined to 37% (previous year: 40%).

B2B (wholesale/distribution):

Acquisitions markedly accelerate growth compared with previous years – higher efficiency and profitability for core business

The B2B area enjoys consistently steady demand within core business, which is underpinned principally by the encouraging economic situation in Germany. In addition, there were well-received offers to mark the company anniversary at *Weinland Ariane Abayan*. The net sales of the

wholesale/distribution segment for the year under review were up 7.2% on the previous year, at € 184.2 million (€ 171.9 million). More than three-quarters of this gain was attributable to the first-time consolidation of *WeinArt* and *Grand Cru Select* (from 1 January 2017); organic growth amounted to 1.1%. The subsidiary *Weinland Ariane Abayan* with its range of high-quality Italian wines was a growth driver. Other contributing factors included the expanded range at *Wein Wolf* and the continuing trend towards German wines. International business (Switzerland and Austria) expanded year on year by 2.3% to € 34.5 million.

The EBIT earned by all B2B brands came to € 9.0 million and was therefore well above the figure for the previous year (€ 7.8 million), underpinned by domestic business. Here, too, *Weinland Ariane Abayan* was the biggest contributor. International business was slightly down on the previous year. The stock sell-off of *Château Classic*, in liquidation in the year under review of 2017, no longer generated any significant sales proceeds, as in the previous year.

The EBIT margin for the segment rose by 0.4 percentage points overall compared with the previous year and reached 4.9%.

ROCE for the wholesale segment rose from 16% to 18% as a result of the better earnings.

Digital (distance selling):

Segment profits from e-commerce growth – improved efficiency in core business provides basis for further growth

Sales for the Digital operating segment (distance selling) rose by 4.8% in 2017 to € 170.5 million. The figure for *HAWESKO* remained constant. The other brands, but *Wein & Vinos* and *Carl Tesdorpf* in particular, increased their respective sales totals year on year. *Wein & Vinos* conducted even broader-based advertising and achieved sales of € 48.2 million (previous year: € 46.0 million). *Carl Tesdorpf* succeeded in increasing sales from core business by 12%, with higher deliveries of Bordeaux subscription wines sold in advance. Sales for *The Wine Company* (distance selling to Sweden) after conversion into euros increased by around 1% compared with the previous year. *WirWinzer* was included in consolidation from 1 October 2016, reporting sales of € 1.6 million for the final quarter of 2016 and then € 6.0 million for the full 2017 financial year. Like for like, this represents growth of 50%.

The measures to acquire new customers were again a success. 211,000 new customers (including 40,000 for *WirWinzer*) were acquired (previous year: 205,000; including 12,000 for *WirWinzer* consolidated from fourth quarter of 2016). In each case the figures do not include the customary annual attrition. At 31 December 2017 the distance-selling segment therefore had 840,000 active customers on its books; for this purpose, an active customer is defined as someone who has placed at least one order in the past 24 months (the figure at the prior-year reporting date was 800,000).

So-called subscription business is conducted mainly in this segment and relates almost exclusively to top-class Bordeaux wines. These are pre-sold shortly after the harvest and delivered approximately two years later, once the wine has been bottled. In the year under review the distance-selling segment realised sales of € 1.4 million upon shipping of the 2014 vintage (previous year: € 0.5 million for the 2013 vintage). Sales were therefore just below the long-term average. The subsidiary *Carl Tesdorpf* –

Weinhandel zu Lübeck with its very distinct brand profile concentrates on the top-end segment of the wine market. Its range prioritises very exclusive wines and rarities, and the target customer group is highly discerning wine connoisseurs. Sales overall were increased by € 1.2 million compared with the previous year to € 11.4 million.

The online share of sales for the distance-selling segment again rose, from 51% in the previous year to 55% in the year under review (or to 54% after elimination of *WirWinzer*; previous year: 50%).

The operating result (EBIT) for the segment climbed to € 10.2 million in the year under review; a result of € 9.4 million had been achieved in the previous year. The main reasons for the increase were last year's higher investment in digital resources and the restructuring of the Tornesch location in the previous year at a cost of € 1.5 million. The conversion work is ongoing but already had a positive impact in the year under review. EBIT growth at segment level was held back by the consolidation of the online marketplace *WirWinzer*, which is not yet profitable because of the typical rapid growth in the start-up phase. After adjustment, i.e. core business excluding *WirWinzer*, EBIT for distance selling was increased by € 0.5 million. *Wein & Vinos*, *The Wine Company* and *Carl Tesdorpf – Weinhandel zu Lübeck* broadly maintained their operating result at the previous year's level.

ROCE for the distance-selling segment came to 19%, as in the previous year.

Nearly balanced operating result (EBIT) for logistics

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

Holding-company costs

The reported costs for the holding company and consolidating items in the group amounted to € 5.0 million for 2017 (previous year: € 3.8 million). The prior-year figure included net income of € 2.2 million from the reversal of the provision for personnel in fulfilment of contractual obligations in respect of the now-deceased former Chief Executive Officer, while there was an opposite effect from the expenses resulting from the exit of the former Chief Financial Officer. Net of these effects, personnel and project costs declined.

Financial position

Principles and aims of financial management

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

Capital structure

The capital requirements of the Hawesko Group comprise the capital expenditure on fixed assets and the financing of operating activities. For these purposes, the group finances itself largely through short-term bank loans, finance leases and the cash flow that it generates from operations. At 31 December 2017 the cash resources of the group comprised cash amounting to € 10.7 million (previous year: € 13.6 million). Within time-unlimited credit lines for the financing of current business operations (working capital), there exist short-term credit facilities with a volume totalling € 50.0 million. At the reporting date these credit facilities were 36% utilised. There were no non-current liabilities in respect of banks. The Hawesko Group reported short-term and long-term borrowings amounting to € 20.6 million at 31 December 2017 (previous year: € 11.9 million). Of this total, € 20.1 million (€ 11.1 million) is due within the next twelve months. The rise stemmed from the financing of growth-led acquisitions and the higher working capital, for example. The long-term and short-term borrowings consist predominantly of bank loans from German banks on the basis of credit agreements. The contractual obligations of Hawesko Holding AG within these have always been met. The existing credit facilities moreover assured adequate cash levels at all times during the year under review. The long-term borrowings included finance lease liabilities of € 0.5 million.

According to internal calculations, the costs of the equity and borrowed capital made available to the group are currently 5.1%. They comprise the weighted costs of the equity capital of 6.3% on the one hand, and of the borrowed capital of 1.6% on the other. In calculating the cost of equity, the basis used is a long-term risk-free interest rate of 1.1% and a risk premium of 6.5% at a beta factor of 0.6.

Composition of borrowings at 31 December 2017 (rounding differences are possible):

	Short-term € million	Short-term %	Long-term € million	Long-term %	Total € million
Due to banks	19.7	100.0	–	–	19.7
Finance lease	0.3	38,6	0.5	61,4	1.2
Total	20.1	97.6	0.5	2.4	20.6

Composition of borrowings at 31 December 2016 (rounding differences are possible):

	Short-term € million	Short-term %	Long-term € million	Long-term %	Total € million
Due to banks	10.7	100.0	–	–	10.7

Finance lease	0.4	33,3	0.9	66,7	1.3
Total	11.1	93.3	0.9	6.7	11.9

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

At 31 December 2017 there was net debt of € 11.0 million (previous year: net liquidity of € 0.5 million). The causes were the increased inventories of goods and the cash outflow for the acquisition of the majority interest in *WeinArt* and *Grand Cru Select*.

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

€ million	2017	2016
Due to banks	19.7	10.7
+ Finance leases	0.9	1.2
+ Provisions for pensions	1.1	1.1
= Gross debt owed	21.7	13.1
- Cash	-10.7	-13.6
= Net debt owed	11.0	-0.5

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

Investment

The Hawesko Group had invested € 8.2 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 7.4 million). In relation to sales, the investment ratio was thus approximately 1.6% (previous year: 1.5%).

The investments in intangible assets came to € 4.3 million (previous year: € 3.5 million) and were attributable to acquired software (including for the modernisation of the ERP software in the Omni-Channel segment, the online shops in distance selling and the group BI software at Hawesko Holding).

Investments in property, plant and equipment in 2017 totalled € 3.9 million (previous year: € 3.9 million). The specialist wine-shop retail segment accounted for a sizeable portion of this amount, at just under € 1.7 million, which was incurred in connection with the expansion and modernisation of individual locations. Other investments in property, plant and equipment – for replacement and expansion investment – came to just under € 1.0 million in the wholesale segment and to just under €

1.0 million for distance selling. The miscellaneous segment moreover invested almost € 0.3 million in property, plant and equipment.

Liquidity analysis

Consolidated cash flow

€ million	2017	2016
Cash flow from current operations	+13.8	+28.9
Cash flow from investing activities	-10.5	-15.4
Cash flow from financing activities	-6.2	-14.3

The consolidated cash flow from current operations fell from € 28.9 million in the previous year to € 13.8 million in the year under review. Higher working capital led to this indicator falling.

The year under review saw the cash flow from investing activities change from a prior-year € -15.4 million to € -10.5 million. The cash flow from investing activities for 2017 featured – alongside the acquisition of the majority interest in *WeinArt* and *Grand Cru Select* in the year under review (€ 3.4 million) – cash outflows for property, plant and equipment and intangible assets amounting to € 7.4 million. The investments in intangible assets in the same year (€ 4.3 million) were mainly in respect of optimising Internet business. Capital expenditure on property, plant and equipment (€ 3.9 million) mainly comprised the expansion and modernisation of retail outlets in the Omni-Channel brand unit (specialist wine-shop retail segment), as well as group-wide expansion and replacement investment.

The free cash flow (total of cash flows from current operations and investing activities less interest paid) fell from € 13.1 million to € 2.8 million. The fall was the result of the lower cash flows from current operations.

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

NET WORTH

Structure of the consolidated balance sheet – assets

Rounding differences possible	2017		2016	
	€ million	% of balance sheet total	€ million	% of balance sheet total
Non-current assets				
Intangible assets	41.9	16%	39.0	17%
Property, plant and equipment	20.5	8%	20.9	9%
Investments accounted for using the equity method	3.4	1%	3.3	1%
Other financial assets	0.1	0%	0.2	0%
Deferred tax	2.2	1%	2.5	1%
Other non-current assets	7.4	3%	7.5	4%
	75.6	29%	73.4	32%
Current assets				
Inventories	110.8	43%	91.0	39%
Trade receivables	52.0	20%	46.5	20%
Cash and other current assets	21.4	8%	20.4	9%
	184.1	71%	157.9	68%
Balance sheet total	259.7	100%	231.3	100%

The balance sheet total for the group came to € 259.7 million in 2017 (previous year: € 231.3 million). This represents an increase of 12.3%.

Optimisation of Internet business prompted growth in intangible assets. The long-term advance payments for inventories matched the prior-year figure (under “Other”) because demand for the 2016 Bordeaux vintage showed no change from the previous 2015 vintage. The portion of advance payments for the 2015 Bordeaux vintage that was still long-term in 2016 was reclassified as scheduled to the corresponding short-term item because the wines in question will be delivered in the coming twelve months.

Current assets climbed from € 157.9 million to € 184.1 million, in the first instance because of the enlarged group of consolidated companies and the buildup of inventories. In addition, current advance payments on inventories went up because demand for the 2015 Bordeaux vintage was higher than for the previous 2014 vintage. Trade receivables climbed from € 46.5 million in the previous year to € 52.0 million, mainly as a result of orders for year-end business being received later than in the previous year. The investing activities, along with the increase in working capital, were the reason for a fall in cash.

**Structure of the consolidated balance sheet
– equity and liabilities**

Rounding differences possible	2017		2016	
	€ million	% of balance sheet total	€ million	% of balance sheet total
Shareholders' equity				
Subscribed capital of Hawesko Holding AG	13.7	5%	13.7	6%
Capital reserve	10.1	4%	10.1	4%
Retained earnings	71.2	27%	64.1	28%
Other reserves	-0.1	-0%	-0.2	-0%
Equity of the shareholders of Hawesko Holding AG	94.8	37%	87.7	38%
Non-controlling interests	9.9	4%	6.7	3%
	104.8	40%	94.4	41%
Long-term provisions and liabilities				
Provisions	1.8	1%	1.9	1%
Borrowings	0.5	0%	0.9	0%
Remaining non-current liabilities and deferred tax liabilities	12.4	5%	23.2	10%
	14.8	6%	26.0	11%
Short-term liabilities				
Minority interest in the capital of unincorporated subsidiaries	0.2	0%	0.2	0%
Borrowings	20.1	8%	11.1	5%
Advances received	8.4	3%	5.2	2%
Trade payables	64.4	25%	58.3	25%
Remaining current liabilities	47.0	18%	36.1	16%
	140.2	54%	110.9	48%
Balance sheet total	259.7	100%	231.3	100%

Consolidated equity amounted to € 104.8 million, compared with € 94.4 million in the previous year. Retained earnings rose to € 71.2 million compared with € 64.1 million at the prior-year reporting date. This stemmed principally from the creation of provisions from the previous year's unappropriated profit. The equity ratio (prior to distribution) represented 40% of the balance sheet total (previous year: 41%). Non-controlling interests rose predominantly because of the result of *Wein & Vinos* and the acquisitions.

The long-term provisions and liabilities amounted to € 14.8 million (previous year: € 26.0 million): the remaining non-current liabilities and deferred tax liabilities within this figure fell from € 23.2 million in the previous year to € 12.4 million at the reporting date for the year. This item includes the liability that could arise for the exercise of a put option by the minority interest in *WirWinzer*, in which a majority was acquired in the year under review of 2016. The remaining non-current liabilities and deferred tax liabilities declined overall as a result of a reclassification of the liability that could arise from the exercise of the put option of the original shareholders of *Wein & Vinos GmbH*. The latter is

consequently reclassified to current liabilities in the year under review. The decrease in long-term borrowings is attributable to a section of a warehouse building accounted for as a finance lease. On the other hand, the advances received for Bordeaux subscriptions increased in the year under review. This was because of higher demand for the 2016 vintage than for the 2015 vintage, which was reported under this item in the previous year.

Current liabilities grew by € 29.3 million to € 140.2 million mainly as a result of the above reclassification of the non-current liability in respect of the original shareholders of *Wein & Vinos* and the enlarged group of consolidated companies. Short-term borrowings climbed from € 11.1 million to € 20.1 million. The causes were the increased inventories of goods and the cash flow from investing activities, which include for example the acquisition of the majority interest in *WeinArt* and *Grand Cru Select* in the year under review. Compared with the previous year, acquisitions meant that trade payables were higher at the end of the year. The portion of advances received from customers for the 2015 Bordeaux vintage that was still non-current in 2016 was transferred to a corresponding current item in 2017 because the wines will be shipped within the next twelve months. The increase reported here was attributable to the differences in quality. The remaining current liabilities were up year on year in particular as a result of higher VAT liabilities as a consequence of stronger 2017 Christmas business.

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

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

There also existed contingencies and financial obligations in respect of third parties at 31 December 2017. The minimum total for non-discounted future lease and rental payments amounts to € 49.9 million (previous year: € 18.9 million). Obligations amounting to € 1.9 million (31 December 2016: € 1.3 million) from outstanding advances received for subscriptions on the books at 31 December 2017 were settled at the start of 2018.

Share price development and capital measures

Stock markets started 2017 on an optimistic note. In particular the inauguration of the new US President and associated expectations of business-friendly (tax) policies drove US stock markets up to new record highs. Following brief uncertainty in the run-up to the French presidential elections, the general upward trend gained momentum in the second quarter and the German share index DAX touched a new record high. The continuing low interest rates and high liquidity levels provided a general stimulus. The European Central Bank (ECB) stood by its expansionary monetary policy and the Federal Reserve made only modest key rate hikes, as expected. The third quarter saw initially greater fluctuations in trading prices as the war of words between the USA and North Korea was ramped up, but markets then resumed their determined course of growth from September. In Germany

in particular, robust economic data, positive business results and a strengthening US dollar bolstered sentiment. Many stock market indices correspondingly reached new record highs in the fourth quarter. The Euro STOXX 50 that comprises the major eurozone blue chip stocks rose by 6% in the course of 2017, and the German leading index DAX gained 13%. It crossed the threshold of 13,000 points for the first time in October, touching a new all-time high of 13,479 on 3 November. The SDAX benchmark index for German small caps put in a similar performance: with a string of new all-time highs over the year and growth of almost 25%, it easily outstripped the DAX. The trading price of the shares of Hawesko Holding started 2017 on € 43.04 (XETRA). It touched highs in the region of € 51–52 around the time of the Shareholders' Meeting, then remained predominantly in the range of € 50–51 – a gain of 17%. It remains at this level at the time of going to press.

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

As in the previous year, the total number of shares was 8,983,403 throughout 2017. No capital measures were carried out.

Investor relations

The investor relations activities of the Hawesko Group strive to maintain a continuing dialogue with fund managers and other institutional investors, as well as with other capital market participants and representatives. The business situation of the group and the expectations of its management are addressed through this dialogue. A total of 72 individual meetings (previous year: 69) were held with institutional investors and analysts in 2017. A Board of Management member attended 37 (previous year: 28) of these meetings. In addition, Hawesko Holding AG gave one company presentation in Hamburg and a total of three in Frankfurt am Main (previous year: three) and introduced itself to investors at an investor conference, again in Frankfurt am Main. As previously, the development of Hawesko Holding AG was regularly covered by a number of leading research institutions in 2017, including Bankhaus Lampe, Commerzbank, DZ BANK, GSC Research, M.M.Warburg & CO and Oddo–BHF Capital Markets.

REPORT ON POST-BALANCE SHEET DATE EVENTS

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

EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS REPORT

REPORT ON EXPECTED DEVELOPMENTS

Direction of the Hawesko Group in the next financial year

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

General economic situation

Anticipated future developments in economy as a whole

According to the IMF, the upswing in the global economy will continue in 2018. Real growth of 3.9% will actually be one tenth of a point up on the previous year. Developing economies and the USA will be the main contributors, with the US tax reform providing a stimulus particularly in the short term. At 2.7%, US GDP will therefore grow noticeably more sharply than in 2017. On the other hand China will see slightly lower growth, but still well above six percent. The IMF likewise expects a slowdown in eurozone growth, from 2.4% to 2.2%. In particular Germany (2.3%, down from 2.5%), Italy (1.4%, down from 1.6%) and Spain (2.4%, down from 3.1%) are expected to grow less strongly. Meanwhile France is expected to perform slightly better, with growth of 1.9% (up from 1.8%). The uncertainty surrounding Brexit will continue to weigh on the British economy in 2018. The already below-par growth rate is expected to weaken further to 1.5%.

Following on from the buoyant final quarter of 2017, the German economy initially started the new year on a lively and confident note. Important sentiment indicators even reached new record highs at the start of the year. Although the mood has now turned more sober, that has barely affected German economic growth. From the perspective of the German Chamber of Industry and Commerce (DIHK), Germany's economy is powering ahead at full speed. This recently prompted the DIHK to up its forecast for 2018 by 0.5 percentage points to 2.7%. After a dazzling start to 2018, according to the GfK consumer climate report consumer sentiment in Germany likewise suffered a setback in February, though from a very high starting level. Consumer optimism among Germany's citizens therefore remains high.

Based on the good overall start to 2018, the German government is more optimistic than the IMF and expects higher growth for Germany in 2018. Germany's GDP is expected to grow by 2.4% (previous

year: 2.2%). The continuing buoyancy is underpinned by further growth in domestic demand. This latter is being stimulated especially by the continued rise in employment and therefore by further substantial gross wage and salary growth, as well as by rapidly accelerating equipment investment. Export trade moreover remains a mainstay of Germany's economic upturn.

The Hawesko Board of Management echoes the expectations for the German economy. It anticipates that the economic trend will remain on the whole positive throughout 2018 in Germany, which is of key importance as its domestic market. The wine market, too, should stand to benefit from this.

Future situation in the trade

The German wine market should benefit from a favourable economic tailwind in 2018 and stabilise at its current high level. The Hawesko Board of Management expects that already long-established trends in the upscale market segment will continue and be aided by demographic change. As in many other industries, the significance of online business is steadily growing in the wine trade, too. In other countries in Central Europe, the trends in wine consumption being observed fundamentally resemble the pattern in Germany.

The existing quality trends will moreover continue in 2018 and will define the market: there is growing professionalism in the world of wine, consumers are becoming increasingly discerning, and Europe will remain a focal area of global wine consumption. Outside Europe, there are already signs that wine consumption is rising – a development that is moreover set to continue. The consequence of this is that the virtues that the Hawesko Group has carefully nurtured over many decades are more important than ever as unique selling propositions in the marketplace: its extensive range of top-class wines, knowledgeable handling of the product wine, expertise in shipping and warehousing it as well as the ability to keep enthusing customers with high service commitment and quality to the benefit of customers are key to the group brands' high recognition in the wine market.

Anticipated financial performance

The Board of Management of Hawesko Holding continues to strive for sustained, long-term, profitable growth. The following estimates do not take account of the potential acquisition of shares in subsidiaries. It expects the group to achieve approximately 3% organic sales growth in the 2018 financial year. Growth for all three brand units Omni-Channel (specialist wine-shop retail, *Jacques*) Digital (distance selling) and B2B (wholesale) should lie within this range.

Group EBIT is expected to be in the range of € 32-33 million in 2018, corresponding to an EBIT margin of about 6.2% (2017: 6.0%). For the Omni-Channel brand unit, an EBIT margin of approx. 10-11% (2017: 10.7%) is the target, with Digital expected to achieve an EBIT margin in the range of 7% (2017: 6.0%) and B2B a figure of just over 6% (2017: 4.9%).

The financial result forecast by the Board of Management shows a net expense in the order of € 0.2-0.5 million (2017: € 1.6 million). The profit due to non-controlling interests is anticipated to be in the

range of € 0.8-1.2 million (2017: € 0.7 million). The consolidated net income after taxes and non-controlling interests is expected to come in at around € 19-20 million (2017: € 18.5 million). The Board of Management anticipates a free cash flow for 2018 of around € 16-18 million, compared with € 2.8 million in 2017, with ROCE staying constant year on year at 20%. As usual, the Board of Management will promptly communicate its expectations and the outlook for the future in the next quarterly reports and the interim report.

Anticipated financial position

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

Net debt at 31 December 2017 was € 11.0 million. The company's plans envisage a balanced figure by the 2018 reporting date.

Capital expenditure on property, plant and equipment and intangible assets in the 2018 financial year is likely to undercut the previous year's level (€ 8.2 million) by 5-10%. Alongside the planned investment spending on optimising Internet business and IT, the capital expenditure is earmarked for modernisation and expansion in the specialist wine-shop retail segment, and for expansion and replacement investment in the wholesale and direct-selling segments.

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

Overall statement on the anticipated development of the group

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

RISK REPORT

Risk management system

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

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

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

Description of the key features of the internal control and risk management system for financial reporting purposes for the group parent and group

The internal system of control for the group companies and for group financial reporting is a key component of the reporting system and therefore of the internal management and control system. In addition, it serves as the basis for assuring compliance with both internal and external requirements.

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

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

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

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

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

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

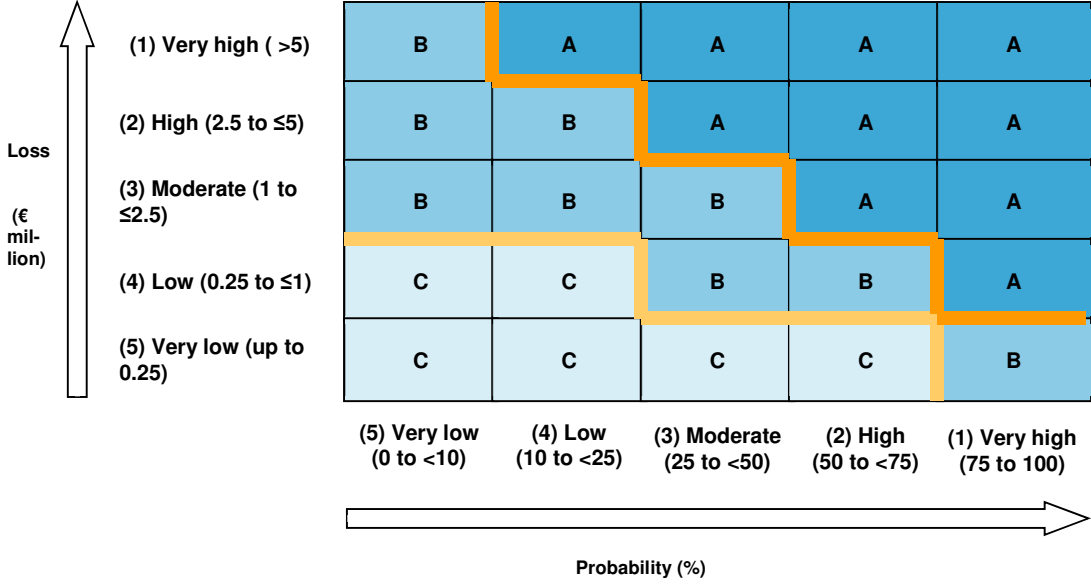
The internal system of control in respect of the consolidation process

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

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

Risks

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



Public debate on alcohol and advertising bans or restrictions

For quite some time the European Union has been debating whether to restrict the advertising of alcoholic beverages throughout the EU; in Sweden the discussion intensified in autumn 2016. Even if such measures were to be decided, Hawesko’s Board of Management believes that an advertising ban for alcoholic products would probably not result in lower wine consumption in the medium term. Depending on what specific form any restrictions on advertising were to take, such an advertising ban could nevertheless have a significant impact on the business operations of the Hawesko Group. Based on its market position and product range, however, the Board of Management considers that the group would barely be affected by a public debate aimed at encouraging consumption of alcohol only in moderation.

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

Dependence on the business cycle

The Hawesko Group generates 91% 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.

9% of consolidated sales were achieved outside Germany in the year under review. The neighbouring countries Austria and Switzerland account for around three-quarters of those sales.

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

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

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

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

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

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

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

Public debate on duty on alcohol

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

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

Management risks and personnel risks

Smaller sales companies within the Hawesko Group are run by managing partners. The loss of such a manager would have a considerable impact on the business of the subsidiary in question. This would,

however, not pose a threat to the existence of the Hawesko Group. Apart from this, no substantial management risks are identifiable at present.

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

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

Data protection as well as protection of data against unlawful actions

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

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

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

Loss of the highest-volume suppliers

Business is influenced to a substantial degree by the ability of the Hawesko Group to maintain agreements securing it the status of exclusive distributor for renowned wine producers. If an existing agreement were not to be extended, sales would suffer in the short term.

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

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

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

Financial risks

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

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

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

Legal and fiscal risks

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

The company is not aware of any fiscal risks which have a significant influence on the economic situation of the Hawesko Group.

Other risks

No other substantial risks are currently identifiable.

Overall statement on the risk situation of the Hawesko Group

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

OPPORTUNITIES REPORT

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

At present the Hawesko Board of Management does not expect to see any further clear-cut opportunities in 2018 considering the prevailing economic environment. It currently expects consumption of high-end wines commanding a price of more than € 5.00 per bottle to remain stable over the year as a whole, or possibly to grow slightly.

The Hawesko Group enjoyed very healthy balance sheet ratios at the reporting date of 31 December 2017. The Board of Management assumes that most of its competitors do not share this financial strength.

The Board of Management perceives opportunities in the event that efforts to access new customer groups should progress especially well. This could occur organically as a result of advertising campaigns, customer acquisition methods or newly developed concepts being well received and leading to a habit of repeat purchases. However the Board of Management regards the probability of such an occurrence as on the low side (approx. 5-25%). An acquisition rate for new customer groups in excess of the planned levels could also be achieved by non-organic means, in other words through the purchase of businesses or business units. From the present perspective the Board of Management believes the probability of such a scenario to be low to medium (approx. 10-15%).

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

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

Other risk management system/opportunities management system

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

LEGAL STRUCTURE OF THE GROUP AND INFORMATION REQUIRED UNDER TAKEOVER LAW

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

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

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

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

LEGAL STRUCTURE OF THE GROUP

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,708,934.14 at the 2017 reporting date is divided into 8,983,403 no par value bearer shares, all carrying identical rights and obligations. The company is not aware of any restrictions affecting voting rights or the transfer of shares. Equally, no other classes of share exist. Under the articles of incorporation the Board of Management is, with the consent of the Supervisory Board, authorised until 18 June 2022 to increase the capital stock by up to a total of € 6,850,000.00, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act exists. An amendment to the articles of incorporation requires a shareholders' resolution carried by at least three-quarters of the capital stock represented.

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

Since the change of control in 2015, Detlev Meyer has been the largest shareholder of Hawesko Holding AG via Tocos Beteiligung GmbH, with 72.6% of the shares; there then follows Michael Schiemann, with a 5.6% shareholding via Augendum Vermögensverwaltung GmbH. Both are resident in the Federal Republic of Germany. The remaining approx. 21.8% are held by institutional and private

investors. There are no employee shares as defined in Sections 289 (4) No. 5, 315 (4) No. 5 of German Commercial Code.

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

The Hawesko Group is essentially divided into three business segments (cf. "Strategy" above).

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 (in year under review: five) and reaches its decisions by majority vote. Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group.

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

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

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

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

The Board of Management uses sales growth, profit margin, ROCE and free cash flow as the basis for its management approach. The benchmarks it aims for were outlined above under “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 289f of German Commercial Code, publicly listed companies are to prepare a corporate governance declaration and incorporate it into their management report as a separate section. It may also be made publicly accessible on the company’s website. This declaration, which contains the declaration pursuant to Section 161 of the German Stock Corporation Act as well as relevant disclosures on corporate management practices implemented over and above the statutory requirements, a description of the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of their committees, is published in the Annual Report and can also be accessed on the Internet at www.hawesko-holding.com -> Group -> Corporate Governance.

REMUNERATION REPORT

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

The remuneration of the Board of Management members comprises a fixed and a variable component. The variable component consists of a management bonus made up of both an earnings component that reflects on the medium-term performance of the company, and a component that is based on personal performance. The earnings component is based on the development in EBIT and ROCE over a three-year period, and the personal performance component reflects qualitative targets tailored to each individual. There is a defined cap on the variable remuneration. This remuneration system is applicable for all members of the Board of Management.

In 2017, as in the previous year, the remuneration did not include any stock options, stock appreciation rights which work in the same way as stock options or any other share-based components. The remuneration of the Board of Management for 2017 is show in the following tables:

Benefits granted € '000	Thorsten Hermelink				Alexander Borwitzky				Raimund Hackenberger			
	Chairman				Member				Member			
									From 01/03/2017			
	2016	2017	Min	Max	2016	2017	Min	Max	2016	2017	Min	Max
Fixed remuneration	450	450	450	450	240	240	240	240	—	250	250	250
Fringe benefits	12	5	5	5	11	11	11	11	—	8	8	8
Total	462	455	455	455	251	251	251	251	—	258	258	258
One-year variable remuneration	—	—	—	—	—	—	—	—	—	—	—	—
Multi-year variable remuneration												
for financial years 2015-2017	300	300	0	450	160	160	0	260	—	167	0	250
Total	762	755	455	905	411	411	251	511	0	425	258	508
Benefit expense	—	—	—	—	—	—	—	—	—	—	—	—
Total remuneration	762	755	455	905	411	411	251	511	0	425	258	508

Benefits granted € '000	Nikolas von Haugwitz				Bernd Siebdrat				Ulrich Zimmermann			
	Member				Member				Member			
									Leave of absence from 31/07/2016			
	2016	2017	Min	Max	2016	2017	Min	Max	2016	2017	Min	Max
Fixed remuneration	240	240	240	240	480	480	480	480	848	—	—	—
Fringe benefits	16	15	15	15	11	11	11	11	13	—	—	—
Total	256	255	255	255	491	491	491	491	861	—	—	—
One-year variable remuneration	—	—	—	—	—	—	—	—	—	—	—	—
Multi-year variable remuneration												
for financial years 2015-2017	160	160	0	260	320	320	0	480	—	—	—	—
Total	416	415	255	515	811	811	491	971	861	—	—	—
Benefit expense	5	5	5	5	2	—	—	—	30	—	—	—
Total remuneration	421	420	260	520	812	811	491	971	891	—	—	—

Benefits paid € '000	Thorsten Hermelink				Alexander Borwitzky				Raimund Hackenberger			
	Chairman				Member				Member			
									From 01/03/2017			
	2016	2017	Min	Max	2016	2017	Min	Max	2016	2017	Min	Max
Fixed remuneration	450	450	—	—	240	240	—	—	—	250	—	—
Fringe benefits	12	5	—	—	11	11	—	—	—	8	—	—
Total	462	455	—	—	251	251	—	—	—	258	—	—
One-year variable remuneration	—	—	—	—	—	—	—	—	—	—	—	—
Multi-year variable remuneration												
for financial years 2015-2017	—	150	—	—	120	120	—	—	—	—	—	—
Total	462	605	—	—	371	371	—	—	—	258	—	—
Benefit expense	—	—	—	—	—	—	—	—	—	—	—	—
Total remuneration	462	605	—	—	371	371	—	—	—	258	—	—

Benefits paid € '000	Nikolas von Haugwitz				Bernd Siebrat				Ulrich Zimmermann			
	Member				Member				Member			
									Leave of absence from 31/07/2016			
	2016	2017	Min	Max	2016	2017	Min	Max	2016	2017	Min	Max
Fixed remuneration	240	240	—	—	480	480	—	—	440	408	—	—
Fringe benefits	16	15	—	—	11	11	—	—	13	—	—	—
Total	256	255	—	—	491	491	—	—	453	408	—	—
One-year variable remuneration	—	—	—	—	—	—	—	—	—	—	—	—
Multi-year variable remuneration												
for financial years 2015-2017	120	100	—	—	—	180	—	—	—	—	—	—
Total	376	355	—	—	491	671	—	—	453	408	—	—
Benefit expense	5	6	—	—	2	—	—	—	30	—	—	—
Total remuneration	381	361	—	—	492	671	—	—	483	408	—	—

The former Board of Management member Bernd Hoolmans receives a retirement pension; he was also assured an invalidity allowance. A provision totalling € 271 thousand (previous year: € 259 thousand) was recognised for this commitment at 31 December 2017. The former Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay after reaching the age of 65. The company paid an amount of € 30 thousand (previous year: € 30 thousand) into a benevolent fund for this commitment in the year under review, including € 20 thousand from salary conversion. The Board of Management member Nikolas von Haugwitz is entitled to supplementary retirement pay after reaching the age of 65. The company paid an amount of € 5 thousand into a benevolent fund for this commitment in the year under review. The Board of Management member Raimund Hackenberger took up office on 1 March 2017.

The remuneration of the Supervisory Board was supplemented by a variable component by shareholders' resolution dated 8 June 2000, paid in addition to the fixed component. The Supervisory Board members currently receive a fixed payment of € 4,200.00 per year plus reimbursement of expenses (as well as any VAT, if due, on their Supervisory Board activities). Each Supervisory Board member in addition receives € 1,050.00 in attendance fees for each plenary or committee meeting attended. The Chair receives twice this amount, and the Deputy Chair one and a half times it. The remuneration of the Supervisory Board for 2017 is show in the following table:

€ '000	Variable remuneration	Fixed remuneration	Attendance fees	Remuneration for services rendered in person	Total
Detlev Meyer	33	8	27	—	68
Thomas R Fischer	19	5	16	—	40
Dr Jörg Haas	1	0	2	—	3
Gunnar Heinemann	15	4	8	—	27
Prof Dr-Ing Wolfgang Reitzle	12	3	3	—	18
Prof Dr Dr Dres. h c Franz Jürgen Säcker	17	4	14	—	35
Wilhelm Weil	10	2	4	—	16
Kim-Eva Wempe	17	4	8	—	29
Total	124	30	82	—	236

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 Article 19 of the European Market Abuse Regulation (MAR), the members of the Board of Management and Supervisory Board are obliged to disclose significant acquisitions or disposals of shares in Hawesko Holding AG.

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

Overview of the 2017 financial year for Hawesko Holding AG

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

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

Business performance of Hawesko Holding AG

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

Financial performance of Hawesko Holding AG and appropriation of earnings

Statement of income for the financial year from 1 January to 31 December 2017 to German Commercial Code

	2017	2016
	<u>€ '000</u>	<u>€ '000</u>
Other operating income	3,530	8,139
Personnel expenses		
a) Salaries	-4,085	-4,698
b) Social security and other employee benefits	-235	-264
Depreciation/amortisation of intangible fixed assets and tangible assets	-64	-84
Other operating expenses	-4,167	-3,993
Income from profit transfers	25,284	21,365
Investment income	8,263	3,347
Other interest and similar income	926	790
Expenses from losses absorbed	-259	-152
Interest and similar expenses	-399	-325
Income tax expense	-5,755	-5,123
Earnings after taxes	23,039	19,002

Other taxes	-1	-2
Net income	23,039	19,000
Profit carryforward from previous year	894	72
Allocation to other retained earnings	-11,500	-6,500
Unappropriated profit	12,432	12,572

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

The income from investments comprises mainly the profits of *Wein Service Bonn GmbH* (formerly: *Wein Wolf Holding GmbH*), *Wein & Vinos GmbH*, *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Weinart Handelsgesellschaft mbH*

Non-recurring amounts arose in the previous year: there was an effect which increased earnings from the reversal of a provision for personnel (ending of requirement to fulfil contractual obligations in respect of the deceased former Chief Executive Officer).

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

On average over the 2017 financial year, Hawesko Holding AG had 17 (2016: 18 employees).

The net income for the year is € 23.0 million, compared with € 19.0 million in the previous year. The forecast of Hawesko Holding AG was exceeded mainly thanks to the positive performance of its participating interests.

After addition of the profit carryforward from the previous year as well as an allocation to the other retained earnings, the company reports an unappropriated profit of € 12.4 million (previous year: € 12.6 million).

With regard to use of the unappropriated profit for 2017, the Board of Management proposes that a dividend of € 1.30 per share be distributed, in other words around € 11.7 million in total.

Financial position of Hawesko Holding AG

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

Net worth of Hawesko Holding AG

Rounding differences possible

	31/12/2017 € '000	31/12/2016 € '000
Fixed assets		
Intangible assets		
Concessions acquired for consideration, industrial property rights and similar rights and values as well as licences to such rights and values	22	36
Advance payments	270	—
Tangible assets		
Land, equivalent rights and buildings, including buildings on third-party land	52	13
Other fixtures and fittings, tools and equipment	179	180
Financial assets		
Shares in affiliated companies	108,936	104,994
Advance payments on shares in affiliated companies	—	—
Other loans	—	—
	109,460	105,224
Current assets		
Receivables and other assets		
Due from affiliated companies	78,898	69,991
Other assets	5,543	2,612
Bank accounts in credit	3,829	6,602
	88,270	79,205
Prepaid expenses	43	61
	197,772	184,489

The assets at the reporting date total € 197.8 million (previous year: € 184.5 million) and are made up predominantly of financial assets in the amount of € 108.9 million (previous year: € 105.0 million) along with receivables from affiliated companies in the amount of € 78.9 million (€ 70.0 million). The financial assets represent 55% of the balance sheet total.

	31/12/2017 € '000	31/12/2016 € '000
Shareholders' equity		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other retained earnings	78,938	67,438
Accumulated profit	12,432	12,572
	169,146	157,786

Provisions		
Provisions for taxation	326	188
Other provisions	1,716	2,948
	2,042	3,136
Liabilities		
Due to banks	18,151	10,713
Trade payables	164	177
Due to affiliated companies	551	2,080
Other liabilities	6,587	9,705
	25,453	22,675
Deferred tax liabilities	1,130	891
	197,772	184,489

Rounding differences possible

The equity and liabilities side of the balance sheet comprises € 169.1 million in equity (prior-year reporting date: € 157.8 million) and provisions and liabilities of € 25.5 million (€ 22.7 million). Equity represents 86% of the balance sheet total.

Risk situation of Hawesko Holding AG

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

Forecast for Hawesko Holding AG

The development of Hawesko Holding AG in its function as holding company is dependent essentially on the development of its investments. With a stable financial result, the Board of Management anticipates a slight rise in net income.

Planned capital expenditure by Hawesko Holding AG

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

Corporate Governance Declaration

The Corporate Governance Declaration in accordance with Section 289f of the German Commercial Code and Section 315d of the German Commercial Code is available to the public in the Annual Report and on the website of the company at www.hawesko-holding.com.

CONSOLIDATED STATEMENT OF INCOME of Hawesko Holding AG, Hamburg
(for the period from 1 January to 31 December 2017)

	Notes	01/01-31/12/17 € '000	01/01-31/12/16 € '000
Sales revenues	9.	506.993	480.930
Increase/decrease in finished goods inventories		-377	207
Other production for own assets capitalised		776	485
Other operating income	10.	24.169	24.799
Cost of purchased goods		-294.049	-276.487
Personnel expenses	11.	-57.348	-56.391
Depreciation/amortisation and impairment	12.	-8.155	-7.404
Other operating expenses	13.	-141.346	-136.468
Other taxes		-245	-52
Operating result		30.418	29.619
Interest income	14.	72	72
Interest expense	14.	-675	-515
Other financial result	14.	-1.893	-1.770
Investment income	14.	849	918
Earnings before taxes		28.771	28.324
Taxes on income	15.	-9.600	-8.893
Consolidated net income		19.171	19.431
of which attributable to the shareholders of Hawesko Holding AG		18.474	18.542
of which attributable to non-controlling interests		697	889
Earnings per share (basic = diluted) (€)	16.	2,06	2,06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME of Hawesko Holding AG, Hamburg
(for the period from 1 January to 31 December 2017)

	2017	2016
in € '000		
Consolidated net income	19.171	19.431
Amounts that cannot be recognised as profit or loss in the future	-31	-61
Actuarial gains and losses		
from defined benefit plans, including deferred tax	-31	-61
Amounts that cannot be recognised as profit or loss in the future	-20	39
Effective portion of the gains/losses from cash flow hedges, including deferred taxes	44	23
Currency translation differences	-64	16
Other result	-51	-22
Total comprehensive income	19.120	19.409
of which attributable		
to the shareholders of Hawesko Holding AG	18.555	18.524
to non-controlling interests	565	885

Consolidated Balance Sheet of Hawesko Holding AG, Hamburg, at 31 December 2017 (IFRS)

ASSETS in €'000	Notes	31/12/2017	31/12/2016
Non-current assets			
Intangible assets	17.	41.905	39.049
Property, plant and equipment	18.	20.533	20.854
Investments accounted for using the equity method	7.	3.402	3.263
Other financial assets	19.	138	160
Advance payments for inventories	21.	6.284	6.346
Receivables and other assets	22.	1.162	1.177
Deferred tax	20.	2.211	2.506
		75.635	73.355
Current assets			
Inventories	21.	110.751	91.026
Trade receivables	22.	51.956	46.520
Receivables and other assets	22.	4.678	3.976
Accounts receivable from taxes on income	22.	5.978	2.830
Cash in banking accounts and cash on hand	23.	10.736	13.581
		184.099	157.933
		259.734	231.288

SHAREHOLDERS' EQUITY AND LIABILITIES in €'000	Notes	31/12/2017	31/12/2016
Shareholders' equity			
Subscribed capital of Hawesko Holding AG	24.	13.709	13.709
Capital reserve	25.	10.061	10.061
Retained earnings	26.	71.174	64.111
Other reserves	27.	-105	-186
Equity of the shareholders of Hawesko Holding AG		94.839	87.695
Non-controlling interests	28.	9.949	6.699
		104.788	94.394
Long-term provisions and liabilities			
Provisions for pensions	29.	1.124	1.129
Other long-term provisions	30.	648	799
Borrowings	31.	534	868
Advances received	32.	4.681	3.873
Sundry liabilities	32.	1	1
Other financial liabilities	32.	5.045	17.066
Deferred tax	34.	2.717	2.280
		14.750	26.016
Short-term liabilities			
Minority interest in the capital of unincorporated subsidiaries	32.	230	163
Borrowings	31.	20.059	11.074
Advances received	32.	8.443	5.227
Trade payables	32.	64.430	58.298
Income taxes payable	32.	2.574	1.543
Sundry liabilities	33.	30.571	34.543
Other financial liabilities	35.	13.889	30
		140.196	110.878
		259.734	231.288

CONSOLIDATED CASH FLOW STATEMENT of Hawesko Holding AG, Hamburg
(for the period from 1 January to 31 December 2017)

		01/01-31/12/17	01/01-31/12/16
	Notes	€ '000	€ '000
Earnings before taxes	40.	28.771	28.324
+ Depreciation and amortisation of fixed assets		8.155	7.404
+/- Other non-cash expenses and income		-776	-918
+ Interest result	40.	2.496	2.213
+/- Result from the disposal of fixed assets		-107	-70
+/- Result from companies reported using the equity method		-849	-
+/- Dividend payouts received from investments		710	344
+/- Change in inventories		-12.422	-2.060
+/- Change in receivables and other assets		-4.509	-3.787
+/- Change in provisions		-194	-1.079
+/- Change in liabilities (excluding borrowings)		1.009	6.838
- Taxes on income paid out	40.	-8.492	-8.357
= Net inflow of cash from current operations		13.792	28.852
- Acquisition of subsidiaries net of cash acquired		-3.353	-5.571
- Outpayments for property, plant and equipment and for intangible assets		-7.446	-7.372
- Outpayments for the acquisition of other financial assets		-	-2.643
+ In-/outpayments from the disposal of intangible assets and property, plant and equipment		313	141
+ Inpayments from the disposal of financial assets		-	44
= Net cash employed for investing activities		-10.486	-15.401
- Outpayments for dividend		-11.678	-11.678
- Outpayments to non-controlling interests		-1.462	-968
- Payments of finance lease liabilities		-66	-78
+ Change in short-term borrowings		7.505	-1.191
- Repayments of medium and long-term borrowings		-	-
+ Interest received		70	71
- Interest paid	40.	-534	-472
= Outflow of net cash for financing activities		-6.165	-14.316
Effects of exchange rate changes on cash (up to 3 months to maturity)		14	-13
= Net decrease/increase in cash and cash equivalents		-2.845	-878
+ Funds at start of period		13.581	14.459
= Funds at end of period	40.	10.736	13.581

Consolidated statement of changes in Equity Hawesko Group for the period 31 December 2015-31 December 2016

	Subscribed capital	Capital reserve	Retained earnings	Balancing item from currency translation	Other reserves			Ownership interest of Hawesko Holding AG shareholders	Minority interest	Shareholders' equity
					Revaluation component for retirement benefit obligations	Reserve for cash flow hedge				
31/12/2015	13.709	10.061	61.554	15	-137	-46	85.156	6.166	91.322	
Put option non-controlling interests			-3.959				-3.959		-3.959	
Consolidation changes			-348				-348	616	268	
Dividends			-11.678				-11.678	-968	-12.646	
Consolidated net income			18.542				18.542	889	19.431	
Other result				20	-75	33	-22	-4	-26	
Deferred tax on other result					14	-10	4		4	
31/12/2016	13.709	10.061	64.111	35	-198	-23	87.695	6.699	94.394	

Consolidated statement of changes in Equity Hawesko Group for the period 31 December 2016-31 December 2017

	Subscribed capital	Capital reserve	Retained earnings	Balancing item from currency translation	Other reserves			Ownership interest of Hawesko Holding AG shareholders	Minority interest	Shareholders' equity
					Revaluation component for retirement benefit obligations	Reserve for cash flow hedge				
31/12/2016	13.709	10.061	64.111	35	-198	-23	87.695	6.699	94.394	
Successive purchases								442	442	
Put option non-controlling interests										
Consolidation changes			267				267	3.705	3.972	
Dividends			-11.678				-11.678	-1.462	-13.140	
Consolidated net income			18.474				18.474	697	19.171	
Other result				68	-37	62	93	-132	-39	
Deferred tax on other result					6	-18	-12		-12	
31/12/2017	13.709	10.061	71.174	103	-229	21	94.839	9.949	104.788	

Notes to the consolidated financial statements of Hawesko Holding Aktiengesellschaft for the 2017 financial year

Principles and Methods applied in the Consolidated Financial Statements

Hawesko Holding Aktiengesellschaft has its registered office in Hamburg, Germany (Address: Elbkaihaus, Grosse Elbstrasse 145d, 22767 Hamburg). It is entered on the Commercial Register at the Local Court of Hamburg under number 66708. The activities of the group include in particular the trading and sale of wines, champagnes and other alcoholic drinks to consumers and re-sellers. The operating subsidiaries under the corporate umbrella of Hawesko Holding AG are grouped into three segments: Omni-Channel (specialist wine-shop retail), B2C (wholesale/distribution) and Digital (distance selling).

1. General principles

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

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

The annual financial statements of the consolidated companies are based on standard recognition and measurement principles. For greater clarity, certain items in the statement of income and balance sheet are combined; they are explained in the Notes. The standard reporting date for all group companies is 31 December 2017.

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

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

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

The consolidated financial statements were released for publication after the consolidated financial statements were signed off by the Supervisory Board on 6 April 2018.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2017 of Hawesko Holding AG are published in the Federal Gazette. Copies of the annual financial statements and the combined management report can in addition be requested directly from Hawesko Holding AG.

2. Standards and interpretations to be applied for the first time in the financial year and amendments to standards and interpretations

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

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

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

3. New IASB accounting standards

The consolidated financial statements of Hawesko Holding AG have been prepared in accordance with all published financial reporting standards and interpretations of the IASB, the application of which was mandatory for the 2017 financial year, as endorsed by the European Union. The option of adopting new standards and interpretations before they become binding was not exercised in the year under review.

The following new or revised standards and interpretations have already been published but application is not yet mandatory for companies with a financial year ending 31 December 2017:

- IFRS 15 “Revenue from Contracts with Customers” (for adoption from 1 January 2018, endorsed on 22 September 2016)
- IFRS 9 “Financial Instruments” (for adoption from 1 January 2018, endorsed on 22 November 2016)
- Clarification to IFRS 15 “Revenue from Contracts with Customers” (for adoption from 1 January 2018, endorsed on 31 October 2017)
- Amendments to IFRS 4 “Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts” (for adoption from 1 January 2018, endorsed on 3 November 2017)
- Annual Improvements 2014-2016 “Amendments to IFRS 1 and IAS 28” (for adoption from 1 January 2018, endorsed on 7 February 2018)
- Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions” (for adoption from 1 January 2018, endorsed on 26 February 2018)
- IFRS 16 “Financial Instruments” (for adoption from 1 January 2019, endorsed on 31 October 2017)
- Amendments to IAS 40 “Transfers of Investment Property” (for adoption from 1 January 2018, not yet endorsed)
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (for adoption from 1 January 2018, not yet endorsed)
- Amendments to IAS 28 (2011) “Investments in Associates and Joint Ventures” (for adoption from 1 January 2019, not yet endorsed)
- Amendments to IFRS 9 “Financial Instruments – Prepayment Features with Negative Compensation” (for adoption from 1 January 2019, not yet endorsed)
- IFRIC 23 “Uncertainty over Income Tax Treatments” (for adoption from 1 January 2019, not yet endorsed)
- Annual Improvements 2015-2017 “Clarifications to IAS 12, IAS 23 and IFRS 3/11” (for adoption from 1 January 2019, not yet endorsed)
- IFRS 17 “Insurance Contracts” (for adoption from 1 January 2021, not yet endorsed)
- Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement” (for adoption from 1 January 2019, not yet endorsed)

It is planned to apply the standards and interpretations from the point in time when they become mandatory. The adoption of the aforementioned standards will probably have no material effect on the net worth, financial position and financial performance of the group. Insofar as permissible, adjustment of prior-year figures is dispensed with in accordance with the transitional provisions of the respective IFRS (IFRS 15, IFRS 9 and IFRS 16).

The choice of simplified first-time adoption of **IFRS 15** in 2018 means we expect no material changes compared to the previous practice for sales proceeds under IAS 18, based on our records and results of investigations of the various contracts with customers. Sales revenues are realised when the customer receives right of disposal with regard to the goods.

Options to return goods have only minimal effect and are already recorded as a reduction in sales proceeds and a liability in the amount of the anticipated right of return; merely the asset for the goods sent back will need to be newly recorded.

Bonus programmes fundamentally do not exist for all brands in the group, only in the specialist wine-shop retail segment and to a lesser extent in the mail-order segment. These are already taken into account under IAS 18 as a reduction in sales proceeds and liability for expected utilisation by customers (€ 4.4 million bonus liabilities at 31 December 2017).

The expected effect on the financial performance is therefore insignificant. The cumulative expected effect on net worth amounts to less than 1% of the balance sheet total.

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

IFRS 16 dispenses with the previous classification of leases as operating and finance leases and instead introduces a uniform lessee accounting model. Under this, the lessees must account for assets (for the right of use) and lease liabilities for leases with a term of more than twelve months. We do not expect any material effect on earnings from adoption of the new standard, probably modified retroactively from 1 January 2019. It is currently expected that the changeover effect will largely concern the rented properties, though based on current examinations this will result in substantial changes in recognition for the intangible assets and lease liabilities pursuant to IFRS 16.22.

4. Consolidation principles

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

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

Joint ventures are accounted for in accordance with IFRS 11. That standard makes a distinction within joint arrangements between joint operations and joint ventures, depending on the contractual rights and obligations. Pursuant to IFRS 11, joint ventures are accounted for using the equity method at the updated pro rata value of the equity capital of the investment.

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

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

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

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

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

5. Recognition and measurement principles

Intangible assets acquired for consideration are measured at acquisition cost.

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

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

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

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

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

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

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

Useful life of property, plant and equipment:

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

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

In the year under review, as in the previous year, no reductions for impairment were applied to internally produced intangible assets. There were no write-ups, as in the previous year.

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

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

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

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

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

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

Financial assets are broken down into the following categories:

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

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

The financial assets include in particular cash in banking accounts and cash on hand, trade receivables, other loans originated by the enterprise and financial assets held for trading. The financial liabilities

include the minority interest in the capital of unincorporated subsidiaries, trade liabilities, amounts due to banks, finance lease liabilities and derivative financial liabilities.

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

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

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

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

Borrowings are measured at fair value upon initial recognition.

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

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

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

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

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

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

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

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

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

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

Sales revenues and other operating income are shown at the time the service is rendered, provided the level of the income can be determined reliably and the economic benefit is likely to be accrued.

Rendering of the service in the case of the sale of merchandise to customers has taken place if economic ownership has been transferred. The sales revenues are reduced by sales tax and any reduction in proceeds realised or anticipated.

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

6. Estimates and assumptions

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

Goodwill is tested annually for impairment in accordance with IAS 36. The recoverable amount is determined on the basis of the fair value less disposal costs for the cash-generating unit. Cash-generating units normally represent individual subsidiaries within the group. Determining the fair value in particular requires estimates of the future cash flow based on group planning. The most important assumptions on which the calculation of fair value is based include estimates of growth rates, weighted capital cost rates and tax rates. The carrying amount for goodwill was € 18,721 thousand at 31 December 2017 (previous year: € 17,627 thousand).

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

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

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

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

The determination of **liabilities** from customer bonus programmes depends substantially on the assessment of how likely it is that the credit acquired will be redeemed. For this purpose assumptions

are made based on customer quality and the credit levels. The carrying amount of the customer bonus liabilities was € 4,440 thousand at 31 December 2017 (previous year: € 4,210 thousand).

The other financial liabilities include a total of € 18,364 thousand (previous year: € 16,471 thousand) for the put/call option of the minority interest in two participations. The carrying amounts of these options are € 13,760 thousand (previous year: € 12,473 thousand) for the minority interest in *Wein & Vinos GmbH* and € 4,604 thousand (previous year: 3,998) for the minority interest in *WirWinzer GmbH*. The measurement of both options is based, among other things, on the expected EBIT for 2018 and for subsequent years for *WirWinzer GmbH*. Since 2016 it has been possible to exercise the option of the minority interest in *Wein & Vinos GmbH* annually and, for the first time in 2018, in the form of a “call option by Hawesko Holding AG”. The option of the minority interest in *Wein & Vinos GmbH* was therefore reported as current at the reporting date; the put option of the minority interest in *WirWinzer GmbH* is reported as a non-current option.

Consolidated Companies

7. Consolidated Companies

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 25 (previous year: 24) domestic and foreign companies, as well as one (previous year: two) international joint venture, in which Hawesko Holding AG directly or indirectly held a majority of voting rights in 2017 or over which it exercised joint control. This is the smallest group of consolidated companies. In addition, the company is included in the consolidated financial statements of Tocos Beteiligung GmbH with registered office in Hamburg (as the largest group of consolidated companies).

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

With effect from 1 January 2017 51% of the shares of *Weinart Handelsgesellschaft GmbH* were acquired, thus also giving control over its subsidiary *Grand Cru Select Weinhandelsgesellschaft mbH*.

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

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

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

The joint venture comes under the wholesale segment and is a partner for the sale of wines in the Czech Republic.

The following tables show the aggregated key figures for the joint venture included in the consolidated financial statements using the equity method, on the basis of the 47.5% ownership interest (previous year: 47.5%).

Share of assets and debts:

€ '000	31/12/2017	31/12/2016
Non-current assets	119	207
Current assets	4,342	4,459
Assets	<u>4,461</u>	<u>4,666</u>
Shareholders' equity	2,156	1,796
Short-term provisions and liabilities	2,305	2,870
Equity and liabilities	<u>4,461</u>	<u>4,666</u>

Share of income and expenses:

€ '000	2017	2016
Sales revenues	9,092	8,939
Other operating income	1,054	297
Cost of materials	-6,892	-7,340
Personnel expenses	-715	-595
Depreciation and amortisation	-38	-23
Other operating expenses	-1,473	-608
Operating result	1,028	670
Interest income	19	2
Interest expense	–	-1
Result from ordinary activities	1,047	671
Taxes on income	-198	-132
Net income	<u>849</u>	<u>539</u>

Distributions of € 710 thousand (previous year: € 335 thousand) were received in the year under review.

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

€ '000	31/12/2017	31/12/2016
Net assets of the associate	2,156	1,796
Goodwill	1,260	1,260
Net income	849	539
Dividend payments received	-710	335
Outpayment to original shareholders	-136	0
Effect from currency translation	-17	3
Carrying amount of group investment	<u>3,402</u>	<u>3,263</u>

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

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

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

8. Material changes in consolidation

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Statement of Income

9. Sales revenues

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

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

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

10. Other operating income

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

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

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

11. Personnel expenses

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

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

12. Depreciation/amortisation and impairment

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

13. Other operating expenses

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

14. Interest income, interest expense, other financial result and investment income

€ '000	2017	2016
Interest income	72	72
Interest expense		
Interest expense from monetary movements	-537	-372
Interest for finance leases	-67	-85
Interest from the compounding of provisions	-9	-12
Net profit for the year due to minority interests in unincorporated subsidiaries	-28	-20
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	-34	-26
Interest expense	-675	-515
Expenses from put/call options (other financial result)	-1,893	-1,770

Result for the participating interests reported using the equity method	849	918
Financial result	-1,647	-1,295
of which: from financial instruments of the classification categories pursuant to IAS 39		
Loans and receivables	72	72
Financial liabilities measured at amortised cost	-2,501	-2,200

15. Taxes on income

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

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

Expenses for current tax are made up as follows:

€ '000	2017	2016
Current year	9,420	8,963
Previous years	-10	37
	9,410	9,000

Expenses for deferred taxes are attributable to the following:

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

The actual tax expense for the year 2017 of € 9,600 thousand (previous year: € 8,893 thousand) is € 664 thousand (previous year: € 540 thousand) higher than the anticipated tax expense of € 8,936 thousand (previous year: € 8,353 thousand) which would have resulted from the application of a tax rate to pre-tax earnings that was based on the current German legislation at the balance sheet date. The anticipated tax rate is 31.05% (previous year: 29.49%) and is obtained as follows:

	2017	2016
Trade tax (average municipal factor 435% previous year: 390%)	15.22%	13.66%
Corporation tax	15.00%	15.00%
Solidarity surcharge (5.5% of corporation tax)	0.83%	0.83%
Total tax burden on pre-tax earnings	31.05%	29.49%

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

€ '000	2017	2016
Earnings before taxes	28,771	28,324
Anticipated tax expense	8,936	8,353
Reclassification of minority interest	-9	-6
Tax expenses/income unrelated to the accounting period	-10	37
Non-recognition of fiscal loss carryforwards	288	38
Capitalisation of deferred taxes on loss carryforwards	-1,090	-882
Tenancy and leasing commitments to be included in trade tax	882	107
Fiscally non-deductible portion of Supervisory Board remuneration	39	37
Effect of divergent national tax rates	38	62
Tax-free expenses and income	588	1,143
Other tax effects	-62	4
Actual tax expense	9,600	8,893
Effective tax rate %	33.37	31.40

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

16. Earnings per share

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

	2017	2016
Consolidated earnings of the shareholders (€ thousand)	18,474	18,542
Average number of shares ('000)	8,983	8,983
Basic earnings per share (€)	2.06	2.06

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

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

Notes to the Consolidated Balance Sheet

17. Intangible assets

The development in intangible assets in the year under review and in the previous year is shown in the consolidated assets movement schedule.

€ '000	31/12/2017	31/12/2016
Software	7,634	4,948
Other intangible assets including advance payments	15,550	16,474
Goodwill	18,721	17,627
	41,905	39,049

In 2015, retroactive costs of production of € 175 thousand in connection with the expansion of an internally developed web shop in 2014 were capitalised in the item "Software" by way of self-constructed assets. In the year under review a new expansion to costs of production of € 50 thousand was capitalised at group level as own assets capitalised for the internally developed web shop. Total depreciation and amortisation of € 278 thousand (previous year: € 103 thousand) was applied to this web shop, leaving the residual carrying amount of € 25 thousand at 31 December 2017 (previous year: € 253 thousand).

In the previous year the development of a further web shop in the distance-selling segment was brought to an end and capitalised in the amount of € 1,627 thousand, including € 411 thousand for own assets capitalised in 2016 and € 290 thousand for own assets capitalised in 2015. In the year under review, € 390 thousand was capitalised in retroactive acquisition costs; this included € 273 thousand in own assets capitalised. Depreciation and amortisation amounts to € 417 thousand (previous year: € 244 thousand), with the result that Hawesko reports a residual carrying amount of € 1,356 thousand at 31 December 2017 (previous year: € 1,383 thousand).

A web shop for the wholesale segment was developed in the previous year and the B2C module completed by the end of the year was sold to the contracting subsidiary at the production cost price (€ 170 thousand, of which € 74 thousand for own assets capitalised). In the year under review, € 13 thousand in own assets capitalised was capitalised in retroactive acquisition costs for expansions to the module. The useful life is estimated at 5 years: depreciation and amortisation of € 38 thousand was applied in the year under review (previous year: none).

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

Again in the year under review, an iOS app was developed for a company in the distance-selling segment and sold to the commissioning company at cost of production (€ 37 thousand; including € 37 thousand for own assets capitalised). The useful life of the app is estimated at 3 years: depreciation and amortisation of € 12 thousand was applied in the year under review (previous year: none).

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

The item "Other intangible assets" includes € 14,829 thousand (previous year: € 15,146 thousand) for the measurement of supplier and customer contacts as well as exclusive agreements and brands from the initial consolidation of *Wein & Vinos GmbH*, *WirWinzer GmbH*, *Weinart Handelsgesellschaft mbH* and *Grand Cru Select Weinhandelsgesellschaft mbH*. A useful life of 5-6 and 14-15 years respectively is recorded for the supplier and customer contacts, eight years for the exclusive agreements and ten years for the brands.

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

€ '000	Acquisition cost 01/01/2017	Acquisition cost 31/12/2017	Accumulated impairment 31/12/2016	Carrying amount 31/12/2017
Specialist wine-shop retail	453	453	—	453
<i>Jacques-IT GmbH</i>	453	453	—	453
Wholesale	8,759	9,853	2,981	6,872
<i>Wein-Wolf Group</i>	6,690	6,690	2,209	4,481
<i>Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation</i>	615	615	615	—
<i>Globalwine AG</i>	1,261	1,261	—	1,261
<i>Vogel Vins SA</i>	165	165	165	—
<i>CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG</i>	47	47	11	36
<i>Sélection de Bordeaux SARL</i>	-19	-19	-19	—
<i>Weinart Handelsgesellschaft mbH</i>	—	955	—	955
<i>Grand Cru Select Weinhandelsgesellschaft mbH</i>	—	139	—	139
Distance selling	11,851	11,851	455	11,396
<i>The Wine Company Hawesko GmbH</i>	-2	-2	-2	—
<i>Carl Tesdorpf GmbH</i>	457	457	457	—
<i>Wein & Vinos GmbH</i>	8,710	8,710	—	8,710
<i>WirWinzer GmbH</i>	2,686	2,686	—	2,686
Total	21,063	22,157	3,436	18,721

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

€ '000	Acquisition cost 01/01/2016	Acquisition cost 31/12/2016	Accumulated impairment 31/12/2016	Carrying amount 31/12/2016
Specialist wine-shop retail	453	453	—	453
<i>Jacques-IT GmbH</i>	453	453	—	453
Wholesale	8,373	8,759	2,981	5,778
<i>Wein-Wolf Group</i>	6,690	6,690	2,209	4,481
<i>Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation</i>	615	615	615	—
<i>Globalwine AG</i>	875	1,261	—	1,261
<i>Vogel Vins SA</i>	165	165	165	—
<i>CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG</i>	47	47	11	36
<i>Sélection de Bordeaux SARL</i>	-19	-19	-19	—
Distance selling	9,165	11,851	455	11,396

<i>The Wine Company Hawesko GmbH</i>	-2	-2	-2	—
<i>Carl Tesdorpf GmbH</i>	457	457	457	—
<i>Wein & Vinos GmbH</i>	8,710	8,710	—	8,710
<i>WirWinzer GmbH</i>	—	2,686	—	2,686
Total	17,991	21,063	3,436	17,627

For purposes of testing for impairment, the carrying amount of the cash-generating unit is compared with its recoverable amount. The recoverable amount is determined as the fair value less disposal costs based on the future discounted cash flows. The anticipated cash flows for future years are rolled over in group planning for the next three years and discounted at the balance sheet date. Group planning is based upon experience and future expectations regarding the material earnings and value drivers. The Hawesko Group expects slight increases in sales averaging 4.1% to 4.6% and an EBIT margin of 6.2% to 10.5%, depending on segment, in the detailed planning period. The detailed planning phase was extrapolated in perpetuity. This corresponds to level 3 of the fair value hierarchy according to IFRS 13. The calculation is based upon a risk-adjusted growth rate for the perpetuity of 0.75% (previous year: 0.75%), and the pre-tax interest rate used to discount the cash flows and determine the net realisable value was 5.06% in 2017 (previous year: 5.41%). There exists acquired goodwill of € 640 thousand. There is no limit on its useful life.

18. Property, plant and equipment

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

€ '000	31/12/2017	31/12/2016
Land and buildings	11,118	11,230
Other fixtures and fittings, tools and equipment	9,335	9,216
Construction in progress	80	408
	20,533	20,854

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

19. Other financial assets

The development in financial assets for the year under review and for the previous year is shown in the consolidated assets movement schedule.

€ '000	31/12/2017	31/12/2016
Shares in affiliated companies	138	160
Other loans	—	—
	138	160

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

Acquisition cost, € '000	31/12/2017	31/12/2016
<i>Weinland Ariane Abayan Verwaltungs GmbH</i>	25	24
<i>Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.</i>	25	25
<i>Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)</i>	35	34
<i>Deutschwein Classics Verwaltungsgesellschaft mbH</i>	25	25
<i>Weinart Handels- und Beteiligungs GmbH</i>	28	-
<i>Wein Wolf Import GmbH</i>	—	26
<i>Wein Wolf GmbH, formerly Wein Wolf Holding Verwaltungs GmbH</i>	—	26
	138	160

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

20. Deferred tax

The deferred tax assets developed as follows:

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

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

€ '000	31/12/2017	31/12/2016
Goodwill from restructuring measures with an effect on taxes	3,807	4,408
From loss carryforwards	1,121	1,127
From the fair value measurement of derivative financial instruments	-10	9
From finance leases	65	82
From inventories	55	64
From provisions for pensions	287	377
Other	0	0

Offsetting	-3,157	-3,561
Change in tax rate	43	-
	2,211	2,506

The reported deferred tax assets from loss carryforwards at 31 December 2017 relate to the tax loss carryforwards that are available for future use for the subsidiaries *Carl Tesdorpf GmbH*, Lübeck, *The Wine Company Hawesko GmbH*, Hamburg, *WirWinzer GmbH*, Munich, and *Globalwine AG*, Zurich. A change of control occurred at Hawesko Holding AG in 2015. In connection with this, there exists the risk that various tax loss carryforwards could be lost pro rata, thus reducing the deferred tax assets on the loss carryforwards. The effects can be measured beyond doubt, but it is still assumed that they will be capitalised.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 7,814 thousand (previous year: € 5,700 thousand), for which no deferred tax assets were reported in the balance sheet.

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

21. Inventories and advance payments for inventories

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

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

Inventories totalling € 1,213 thousand (previous year: € 2,650 thousand) were recognised at their net realisable value. A reversal of impairment on inventories totalling € 628 thousand (previous year: reversal of € 470 thousand) was reported under the cost of materials in the result for the year under review.

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

22. Receivables and other assets

€ '000	31/12/2017	31/12/2016
<i>Trade receivables (gross)</i>	52,762	47,208
<i>Less impairment</i>	-806	-688
Trade receivables	51,956	46,520
Accounts receivable from taxes on income	5,978	2,830
Receivables and other assets	5,840	5,153
	<u>63,774</u>	<u>54,503</u>
<i>Of which with a maturity of</i>		
<i>up to 1 year</i>	62,612	53,326
<i>over 1 year</i>	1,162	1,177

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

	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
31/12/2017						
Trade receivables	38,460	10,295	1,845	329	367	709
31/12/2016						
Trade receivables	34,819	8,761	1,567	471	455	483

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

The impairment on trade receivables developed as follows:

€ '000	2017	2016
Impairment at 1 January	688	726
Added	332	258
Used up	-184	-266
Reversed	-30	-30
Impairment at 31 December	806	688

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

Receivables and other assets:

€ '000	31/12/2017	31/12/2016
Of which financial assets	1,363	1,424
- Borrowings	194	200
- Receivables from trade representatives	447	508
- Rent deposits	722	716
Of which non-financial assets	4,477	3,729
- Tax refund claims	629	372
- Accrued costs	801	916
- Miscellaneous other assets	3,047	2,441
	5,840	5,153

Financial assets

<i>Of which with a maturity of</i>		
<i>up to 1 year</i>	1,014	379
<i>over 1 year</i>	349	1,045

Non-financial assets

<i>Of which with a maturity of</i>	<i>up to 1 year</i>	4,329	3,597
	<i>over 1 year</i>	148	132

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

23. Cash in banking accounts and cash on hand

Cash in banking accounts and cash on hand totalling € 10,736 thousand (previous year: € 13,581 thousand) relates substantially to balances with banks.

24. Subscribed capital of Hawesko Holding AG

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

At 31 December 2017 no treasury shares are held, as in the previous year.

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

Authorised capital

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

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

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

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

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

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

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

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

The authorised capital at 31 December 2017 amounted to € 6,850,000.00 (previous year: € 6,850,000.00).

25. Capital reserve

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

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

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

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

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

26. Retained earnings

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

The retained earnings include the undistributed earnings from previous years, the consolidated earnings for the financial year and the adjustments to earnings resulting from the changeover to IFRS. The distributable profit results from the commercial accounts of Hawesko Holding AG and totals € 12,432 thousand (previous year: € 12,572 thousand).

The Board of Management will propose to the Shareholders' Meeting that the unappropriated profit for the year be appropriated as follows:

Payment of a regular dividend of € 1.30 per no par value share on the capital stock of € 13,709 thousand.

In 2012 the financial liability (€ 19,369 thousand) that could arise through the exercise of a put option by the original shareholders of *Wein & Vinos GmbH* was booked income-neutrally against retained earnings. In the previous year the financial liability (€ 3,959 thousand) that could arise through the exercise of a put option by the minority interest in *WirWinzer GmbH* was equally booked income-neutrally against retained earnings. The changes in value of € -1,893 thousand (previous year: € -1,770 thousand) that have occurred are reported in the financial result.

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

27. Other reserves

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

28. Non-controlling interests

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

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

Combined balance sheet:

€ '000	<i>Wein & Vinos GmbH</i>		<i>WirWinzer GmbH</i>		<i>Globalwine AG</i>	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Non-current assets	21,582	23,515	6,596	6,543	1,918	1,951
Current assets	8,898	8,889	673	1,086	9,204	9,093
ASSETS	30,480	32,404	7,269	7,629	11,122	11,044
Shareholders' equity	24,563	26,045	4,741	5,601	-1,328	-1,931
Long-term provisions and liabilities	–	10	1,186	1,271	–	5
Short-term provisions and liabilities	5,917	6,349	1,342	757	12,450	12,970
SHAREHOLDERS' EQUITY AND LIABILITIES	30,480	32,404	7,269	7,629	11,122	11,044

	<i>WeinArt GmbH</i>	<i>Grand Cru Select GmbH</i>
€ '000	31/12/2017	31/12/2017
Non-current assets	2,350	184
Current assets	7,315	3,290
ASSETS	9,665	3,474
Shareholders' equity	6,178	869
Long-term provisions and liabilities	453	11
Short-term provisions and liabilities	3,034	2,594
SHAREHOLDERS' EQUITY AND LIABILITIES	9,665	3,474

Combined statement of comprehensive income:

	<i>Wein & Vinos GmbH</i>		<i>WirWinzer GmbH</i>		<i>Globalwine AG</i>	
€ '000	2017	2016	2017	2016	2017	2016
Total sales	48,248	46,101	5,970	1,575	16,852	15,916
Result from ordinary activities	3,898	3,795	-1,251	-184	355	398
Taxes on income	-1,382	-753	392	23	-326	339
Net income	2,516	3,042	-859	-161	29	737
Profit due to controlling interests	755	913	-295	-55	1	37
Dividends paid to holders of non-controlling interests	1,199	968	–	–	–	–

	<i>WeinArt GmbH</i>	<i>Grand Cru Select GmbH</i>
€ '000	2017	2017
Total sales	5,436	6,091
Result from ordinary activities	689	126
Taxes on income	-192	-41
Net income	497	85
Profit due to controlling interests	160	60
Dividends paid to holders of non-controlling interests	263	–

Combined cash flow statement:

	<i>Wein & Vinos GmbH</i>		<i>WirWinzer GmbH</i>	<i>Globalwine AG</i>	
	2017	2016	2017	2017	2016
€ '000					
Net inflow of cash from current operations	-4,097	4,548	-1,383	242	1,281
Net cash employed for investing activities	-121	-618	512	219	-188
Outflow/inflow of net cash for financing activities	2,536	-3,292	148	123	-122
Net decrease/increase in cash and cash equivalents	-1,682	638	-723	584	971
Effects of changes on cash and cash equivalents (up to 3 months to maturity)	—	—	—	-33	-20
Funds at start of period	2,195	1,557	837	-8,470	-9,421
Funds at end of period	513	2,195	114	-7,919	-8,470

	<i>WeinArt GmbH</i>	<i>Grand Cru Select GmbH</i>
	2017	2017
€ '000		
Net inflow of cash from current operations	159	-60
Net cash employed for investing activities	-49	-13
Outflow/inflow of net cash for financing activities	-160	32
Net decrease/increase in cash and cash equivalents	-50	-41
Effects of changes on cash and cash equivalents (up to 3 months to maturity)	—	—
Funds at start of period	58	414
Funds at end of period	8	373

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

29. Provisions for pensions

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

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

	<u>2017</u>	<u>2016</u>
Present value of retirement benefit obligations at 1 Jan	1,129	1,090
Current service cost	-	-
Interest expense	17	21
Actuarial losses (+) / gains (-)	37	75
Payments made	-59	-57
Present value of retirement benefit obligations at 31 Dec	1,124	1,129

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

%	2017	2016
Discounting rate	1.3	1.5
Future increases in income	—	—
Pensions trend	1.0	1.0

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

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

A change in the actuarial interest rate of +50/-50 base points 31 December 2017, assuming other factors remained constant, would have had the following effect on the present value of the retirement benefit obligations:

	-50 base points	31/12/2017	+50 base points
	€ '000	€ '000	€ '000
Present value of retirement benefit obligations	1,195	1,124	1,060

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

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

30. Other long-term provisions

€ '000	01/01/2017	Drawn (D) Liquidated (L) Reclassified (R)	Allocated	31/12/2017
Provisions for personnel	799	396 (D) — (L)	245	648

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

The partial retirement obligations are measured on the basis of actuarial calculations according to the block model, taking account of the 2005 G reference tables by Dr Klaus Heubeck. The actuarial interest rate is 2.80% (previous year: 3.24%). Based on the probable development in the key measurement factors, a salary trend of 2.5% (previous year: 2.5%) was assumed.

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

31. Borrowings

€ '000	31/12/2017	31/12/2016
Banks	19,725	10,713
Finance lease	868	1,229
	<u>20,593</u>	<u>11,942</u>
Of which with a maturity of:		
– up to 1 year	20,059	11,074
– 1 to 5 years	534	868
– over 5 years	–	–

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

Maturity	Credit facility € '000	Credit facility € '000
	2017	2016
Unlimited	50,000	40,000

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

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

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

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

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

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

This item comprises mainly the distance-selling logistics centre in Tornesch, near Hamburg, which has been leased for a total period of 22.5 years. There exists a purchase option for the property at the end of the contract's term. The lease has been classified as a financial lease, as the present value of the minimum lease payments in essence corresponds to the fair value of the distance-selling logistics centre at the time of formation of the contract. The present value was calculated using effective interest rates ranging from 5.5% to 7.0%, depending on the contract.

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

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

	Carrying amount 31/12/2017	Cash flows 2018			Cash flows 2019			Cash flows 2020-2022			Cash flows > 2022		
		Fixed intere st	Variabl e interest	Princi- pal	Fixed intere st	Variabl e interest	Princi- pal	Fixed interest	Variabl e interest	Princi- pal	Fixed intere st	Variabl e interest	Princi- pal
Financial liabilities													
Due to banks	19,725	—	-5	-19,725	—	—	—	—	—	—	—	—	—
Finance lease liabilities	868	-47	—	-334	-32	—	-534	—	—	—	—	—	—
Sundry financial liabilities	32,735	—	—	-23,009	—	—	-5,127	—	—	-4,604	—	—	—
Other non-interest-bearing liabilities	64,430	—	—	-64,430	—	—	—	—	—	—	—	—	—
Derivative financial liabilities													
Interest rate derivatives with hedging relationship	—	—	—	—	—	—	—	—	—	—	—	—	—
Forward exchange transactions with hedging relationship	-32	—	—	—	—	—	—	—	—	—	—	—	—

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

	Carrying amount 31/12/2016	Cash flows 2017			Cash flows 2018			Cash flows 2019-2021			Cash flows > 2021		
		Fixed intere st	Variabl e interest	Princi- pal	Fixed intere st	Variabl e interest	Princi- pal	Fixed interest	Variabl e interest	Princi- pal	Fixed intere st	Variabl e interest	Princi- pal
Financial liabilities													
Due to banks	10,713	—	-5	-10,713	—	—	—	—	—	—	—	—	—
Finance lease liabilities	1,229	-67	—	-361	-47	—	-334	-32	—	-534	—	—	—
Other financial liabilities	33,936	—	—	-16,870	—	—	-12,627	—	—	-4,439	—	—	—
Other non-interest-bearing liabilities	58,298	—	—	-58,298	—	—	—	—	—	—	—	—	—
Derivative financial liabilities													
Interest rate derivatives with hedging relationship	—	—	—	—	—	—	—	—	—	—	—	—	—
Forward exchange transactions with hedging relationship	30	—	—	—	—	—	—	—	—	—	—	—	—

The schedule does not show plan figures; it only shows financial instruments held at 31 December 2017 and 31 December 2016 respectively, and for which contractual agreements on payments exist.

32. Sundry liabilities

€ '000	31/12/2017	31/12/2016
Of which other financial liabilities	83,594	75,557
– Minority interest in the capital of unincorporated subsidiaries	230	163
– Trade payables	64,430	58,298
– Other financial liabilities	18,934	17,096
Of which non-financial liabilities	15,698	10,643
– Income taxes payable	2,574	1,543
– Advances received for 2017	–	5,227
– Advances received for 2018	8,443	3,873
– Advances received for 2019	4,681	–
	<u>99,292</u>	<u>86,200</u>
Of which with a maturity of		
– up to 1 year	89,566	65,261
– 1 to 5 years	9,726	20,939
– over 5 years	–	–

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

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

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

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

33. Other liabilities

The other liabilities are composed of the following:

€ '000	31/12/2017	31/12/2016
Of which other financial liabilities	13,539	16,707
– Liabilities to employees	5,274	9,297
– Liabilities to other company members	12	124
– Due to affiliated companies	170	111
– Miscellaneous	8,083	7,175
Of which non-financial liabilities	17,033	17,837

– Sales tax and other taxes	12,416	13,387
– Customer bonuses	4,440	4,210
– Liabilities in respect of social insurance	177	240
	30,572	34,544

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

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

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

34. Deferred tax liabilities

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

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

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

35. Additional disclosures on financial instruments

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

	Classification category acc. to IAS 39	Carrying amount 31/12/2017	Stated amount in balance sheet acc. to IAS 39				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2017
			Acquisition cost	Amortised cost	Fair value in equity	Fair value through profit and loss		
Assets								
Cash	LaR	10,736	—	10,736	—	—	—	10,736
Trade receivables	LaR	51,956	—	51,956	—	—	—	51,956
Receivables and other assets								
Financial assets	LaR	1,363	—	1,363	—	—	—	1,363
Financial assets								
Other loans	LaR	—	—	—	—	—	—	—
Available for sale financial assets	AfS	138	138	—	—	—	—	138
Equity and liabilities								
Minority interest in the capital of unincorporated subsidiaries	FLAC	230	—	230	—	—	—	n.a.
Trade payables	FLAC	64,430	—	64,430	—	—	—	64,430
Due to banks	FLAC	19,725	—	19,725	—	—	—	19,725
Finance lease liabilities	n/a	868	—	—	—	—	868	938
Sundry liabilities								
Other financial liabilities	FLAC	9,726	—	9,726	—	—	—	9,726
Derivatives with hedging relationship	n/a	-32	—	—	-32	—	—	-32
Other liabilities								
Financial liabilities	FLAC	13,539	—	13,539	—	—	—	13,539
Of which aggregated by classification category acc. to IAS 39:								
Loans and receivables (LaR)		64,055	—	64,055	—	—	—	64,055
Available for sale financial assets (AfS)		138	138	—	—	—	—	138
Financial liabilities measured at amortised cost (FLAC)		107,420	—	107,420	—	—	—	107,420

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There is currently no intention to dispose of financial assets.

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

	Put option
01/01/2017	16,471
Change	1,893
31/12/2017	18,364

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

	Put option
01/01/2016	10,742
Allocated	3,998
Change	1,770
31/12/2016	16,471

A pre-agreed valuation schedule which is based on the future average EBIT and a multiplier is applied to the put option. Because the right to deliver the 34.3% share to the minority interest in *Wein & Vinos GmbH* only takes effect from July 2020, this liability is in addition discounted. As in the previous year, a discount rate of 4.05% for *WirWinzer GmbH* and 4.55% for *Wein & Vinos GmbH* was applied in 2017.

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

€ '000	-1,000	31/12/2017	+1,000
Fair value of:			
<i>Wein & Vinos GmbH</i>	11,177	13,760	16,342
<i>WirWinzer GmbH</i>	788	4,604	8,418

Net earnings by classification category, 2017:

	From subsequent measurement					From disposal	Net earnings 2017
	From interest	At fair value	At amortised cost	Currency translation	Impairment		
Loans and receivables (LaR)	72	—	—	—	-118	—	-46
Available for sale financial assets (AfS)	—	—	—	—	—	—	—
Financial instruments held for trading (FAHfT + FLHfT)	—	—	—	—	—	—	—
Financial liabilities measured at amortised cost (FLAC)	-546	—	-1,955	-8	—	—	-2,509
Total	-474	—	-1,955	-8	-118	—	-2,555

Net earnings by classification category, 2016:

	From subsequent measurement					From disposal	Net earnings 2016
	From interest	At fair value	At amortised cost	Currency translation	Impairment		
Loans and receivables (LaR)	72	—	—	—	38	—	110
Available for sale financial assets (AfS)	—	—	—	—	—	—	—
Financial instruments held for trading (FAHfT + FLHfT)	—	—	—	—	—	—	—
Financial liabilities measured at amortised cost (FLAC)	-384	—	-1,816	-156	—	—	-2,356
Total	-312	—	-1,816	-156	38	—	-2,246

The interest from financial instruments is reported under the interest result (cf. also Note 14). The remaining components of net earnings are likewise reported by Hawesko Holding under the financial result, except for the impairment on trade receivables in the classification category loans and receivables, which is reported under miscellaneous other operating expenses. The income and expenses from currency translation for trade liabilities are included in the other operating income and other operating expenses.

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

Other Particulars

36. Contingencies and other financial obligations

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

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

Obligations relating to advance payments outstanding for subscriptions received at 31 December 2017 were settled at the start of 2018.

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

The minimum total for non-discounted future lease and rental payments amounts to € 49,899 thousand (previous year: € 18,862 thousand). The global obligations for lease and tenancy agreements are due as follows:

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

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

Contingent liabilities: litigation risks

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

37. Risk management and financial derivatives

Principles of risk management

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

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

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

Exchange risks result from future business transactions, assets and liabilities recognised in the accounts as well as net investments in foreign operations, and are assessed overall as low. Forward exchange transactions are also concluded to hedge such risks.

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

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

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

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

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

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

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

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

The interest rate sensitivity analyses are based on the following assumptions: changes in the market rates of fixed-interest primary financial instruments only affect earnings if those instruments are

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

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

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

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

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

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

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

Exchange rate risk management

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

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

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

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

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

Hedges/derivative financial instruments

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

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

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

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

38. Capital management

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

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

The capital structure is managed on the basis of the net debt or net liquidity position. This is defined as the sum of amounts due to banks, finance leases and provisions for pensions, less cash. Net debt amounted to € 10,981 thousand at 31 December 2017 (previous year: € 509 thousand net liquidity).

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

ROCE is a further important indicator for capital management. This is the rate of return, expressed as the operating result (EBIT) divided by the average capital employed, in other words by the balance sheet total (for the group) plus capitalised lease commitments less interest-free liabilities and provisions, as well as cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) of consistently at least 16% is the aim. A rate of return of 34.3% was achieved in the year under review (previous year: 21.2%).

39. Employees

The average number of employees was as follows:

Group	2017	2016
Commercial and industrial employees	923	897
Apprentices	31	43
	954	940

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

40. Notes to the Cash Flow Statement

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

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

The composition of cash and cash equivalents is as follows:

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

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

€ '000	Weinart GmbH and Grand Cru Select GmbH
Net cash outflow	
Consideration paid	3,825
Amount of cash of the companies over which control was acquired	472
Amounts of assets and debts (excluding cash) over which control was acquired, classified by main categories	
Intangible fixed assets	2,667
Property, plant and equipment	68
Shares in other affiliated companies	28
Inventories	7,241
Current receivables and sundry current assets	2,061
Non-current liabilities	—
Current liabilities	-5,127

41. Segment reporting

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

External sales in the “Rest of Europe” segment (excluding Germany) of € 45,191 thousand comprise the countries Switzerland (47%), Austria (29%) and Sweden (24%). The total external sales outside Germany amounted to 9% (previous year: 9%).

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

The segments comprise the following areas:

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

- **B2B (wholesale/distribution)** groups together business activities with retailers; wines and champagnes are sold both by distance selling (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein-Wolf Group*). The wholesale segment operates in the Swiss wine market through *Globalwine AG* and *Vogel Vins SA*. From 1 January 2017 operations in the fine wine market were strengthened through the acquisition of the majority interest in *Weinart Handelsgesellschaft mbH* and *Grand Cru Select Weinhandelsgesellschaft mbH*. *Global Eastern Wine Holding GmbH* and *Sélection de Bordeaux SARL* also belong to the wholesale segment, as does the company *Château Classic – Le Monde des Grands Bordeaux SARL*, which is currently being wound up.
- The **Digital (distance-selling)** segment comprises wine and champagne distance selling, with activities focused on the consumer. This segment also includes gifts business for corporate and private customers, based on a special catalogue. The distance-selling division includes the companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*, *Wein & Vinos GmbH*, *Carl Tesdorpf GmbH*, *The Wine Company Hawesko GmbH* and *WirWinzer GmbH*. In the year under review the former general-partner limited-liability company of *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* commenced operations in the service sector. It operates as *Wine Dock GmbH*. It has been included in the Digital segment (previous year: miscellaneous) since 1 January 2017; the prior-year figures were not adjusted.
- The **miscellaneous** segment comprises all central group functions, and includes *Hawesko Holding AG* and *IWL Internationale Wein Logistik GmbH*.

The segment data has been calculated in the following way:

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

SEGMENT REPORTING

€ '000	Specialist wine-shop retail		Wholesale/distribution		Distance selling		Miscellaneous		Total		Reconciliation/consolidation		Group, consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenues	152.285	146.363	196.455	181.343	188.212	175.808	22.529	22.383	559.481	525.897	-52.488	-44.967	506.993	480.930
External	152.270	146.323	184.171	171.876	170.526	162.715	26	16	506.993	480.930			506.993	480.930
Internal	15	40	12.284	9.467	17.686	13.093	22.503	22.367	52.488	44.967	-52.488	-44.967		
Other income	10.820	10.401	8.822	8.856	4.531	3.245	3.357	5.474	27.530	27.976	3.361	-3.177	30.891	24.799
External	10.820	10.401	8.689	8.699	2.770	1.820	1.890	3.879	24.169	24.799			24.169	24.799
Internal	-	-	133	157	1.761	1.425	1.467	1.595	3.361	3.177	3.361	-3.177	6.722	-
EBITDA	18.418	18.172	10.767	9.283	13.888	12.730	-4.532	-3.072	38.541	37.113	32	-90	38.573	37.023
Depreciation and amortisation	2.068	1.788	1.796	1.502	3.700	3.372	591	742	8.155	7.404			8.155	7.404
EBIT	16.350	16.384	8.971	7.781	10.188	9.358	-5.123	-3.814	30.386	29.709	32	-90	30.418	29.619
Financial result	-64	-27	208	429	-304	-248	-1.487	-1.449	-1.647	-1.295	-	-	-1.647	-1.295
Financial income	0	13	27	22	15	14	869	733	911	782	-839	-710	72	72
Financial expense	-64	-40	-668	-511	-319	-262	-2.356	-2.182	-3.407	-2.995	-839	710	-2.568	-2.285
Investment result	-	-	849	918	-	-	-	-	849	918	-	-	849	918
Earnings before taxes	16.286	16.357	9.179	8.210	9.884	9.110	-6.610	-5.263	28.739	28.414	32	-90	28.771	28.324
Taxes on income											-9.600	-8.893	-9.600	-8.893
Consolidated net income													19.171	19.431
Segment assets	48.562	42.789	118.528	100.917	88.598	81.837	211.046	197.902	466.734	423.445	-207.000	-192.157	259.734	231.288
Segment debts	31.235	25.472	57.676	49.901	31.766	28.908	31.012	34.828	151.689	139.109	3.257	-2.216	154.946	136.894
Investment	4.171	3.162	1.331	1.336	2.094	2.389	626	485	8.222	7.372			8.222	7.372

Geographical segmentation

€ '000	Group, consolidated	
	2017	2016
Germany	461.802	436.569
Rest of Europe	45.191	44.361
Other	-	-
	506.993	480.930

Information by Region

in T€	Investment		Non-current assets	
	2017	2016	2017	2016
Germany	7.903	7.125	71.487	70.243
Rest of Europe	319	247	4.148	3.112
Group, consolidated	8.222	7.372	75.635	73.355

42. Application of the exemption rules of Section 264b of German Commercial Code for unincorporated firms

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

43. Application of the exemption rules of Section 264 (3) of German Commercial Code for incorporated firms

The group companies *IWL Internationale Wein-Logistik GmbH*, *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*, *Jacques' Wein-Depot Wein-Einzelhandel GmbH*, *Wein Service Bonn GmbH*, *Wine Dock GmbH*, *Jacques-IT GmbH*, *Carl Tesdorpf GmbH*, *The Wine Company Hawesko GmbH*, *Weinland Ariane Abayan GmbH*, *Wein Wolf GmbH*, *Alexander Baron von Essen Weinhandelsgesellschaft mbH* and *Gebrüder Josef und Matthäus Ziegler Gesellschaft mit beschränkter Haftung* make use of the exemption rules of Section 264b of German Commercial Code for the year under review. The consolidated financial statements are published in the electronic Federal Gazette.

44. Application of the exemption rules of Section 291 of German Commercial Code for subgroups

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

45. Declaration of Compliance

The Declaration of Compliance with the German Corporate Governance Code, as specified under Section 161 of German Stock Corporation Law, was submitted on 29 March 2017 and is made permanently available on the Internet at www.hawesko-holding.com.

46. Related party disclosures

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

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

In the financial year, goods to the value of € 83 thousand (previous year: € 87 thousand) were sold to PIUS WEINWELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence. In addition, goods to the value of € 203 thousand (previous year: € – thousand) were purchased from St. Antony Weingut GmbH & Co. KG, over which Detlev Meyer equally exercises considerable influence.

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

The members of the Supervisory Board were paid the following total remuneration for their activities in the 2017 financial year (previous year in brackets):

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

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

Furthermore, by deed of 20 December 2016 and with effect from 1 January 2017, the shares of Tocos Beteiligung GmbH, Hamburg, in *Weinart Handelsgesellschaft mbH*, Geisenheim, were purchased. The purchase price for all shares acquired by Hawesko Holding AG was € 3,825 thousand. Of this sum, € 3,750 thousand was attributable to Tocos Beteiligung GmbH and € 75 thousand to the other co-shareholder. The transaction was completed in an arm's length transaction based on an expert company valuation.

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

The members of the Board of Management were paid the following total remuneration for their activities in the 2017 financial year (previous year in brackets):

€ '000	Non-performance-related	Performance-related	Total
Thorsten Hermelink	450 (450)	300 (300)	750 (750)
Raimund Hackenberger (from 01/03/2017)	250 (—)	167 (—)	417 (—)
Alexander Borwitzky	240 (240)	160 (160)	400 (400)
Nikolas von Haugwitz	245	160	405

	(245)	(160)	(405)
Bernd G Siebdrat (until 31/12/2017)	482 (482)	320 (320)	802 (802)
Ulrich Zimmermann (until 31/07/2016)	– (848)	– (–)	– (848)
Total	1,667 (2,265)	1,107 (940)	2,774 (3,205)

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

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

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

There existed no loans to members of the Board of Management or Supervisory Board in the 2017 financial year, as in the previous year.

The balance sheet includes provisions for obligations or current liabilities in respect of the Board of Management and Supervisory Board totalling € 1,139 thousand (previous year: € 1,598 thousand). Of this amount, in the previous year € 408 thousand was in respect of continuing payments from the employment contract of the Board of Management member Ulrich Zimmermann, whose contract was terminated with effect from 31 December 2016.

At 31 December 2017, the Supervisory Board held 6,522,376 shares in Hawesko Holding AG – directly and indirectly – all of which were attributable to the Chairman. (Previous year: 6,522,376 shares). As in the previous year, the Board of Management did not hold any shares in Hawesko Holding AG at 31 December 2017.

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

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

47. Expenditure on auditor's fees

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

€ '000	2017	2016
Audit services	463	481

Tax consultancy	97	108
Other services	22	403
Total	582	992

The fees for audit services include the audit of the annual financial statements of the group companies as well as the audit of the consolidated financial statements; the fees for tax consultancy relate to the preparation of tax returns for the 2016 assessment period.

48. Events occurring after the balance sheet date

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

Hamburg, 28 March 2018

The Board of Management

Thorsten Hermelink

Alexander Borwitzky

Raimund Hackenberger

Nikolas von Haugwitz

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2017

Intangible assets	Other intangible assets				Total
	Software	Goodwill	Advance payments		
Acquisition or manufacturing cost					
Position at 01/01/2017	22.763	21.704	21.897	1.328	67.692
Currency translation	-53	-16	-	-	-69
Extension on the basis of consolidation	386	1.095	1.538	20	3.039
Additions	3.695	-	-	640	4.335
Disposals	-157	-	-	15	-142
Appreciation	-	-	-	-	-
Transfers	1.282	-	-	-1.282	-
Position at 31/12/2017	27.916	22.783	23.435	721	74.855
Accumulated depreciation					
Position at 01/01/2017	17.815	4.077	6.751	-	28.643
Currency translation	-31	-15	-	-	-46
Extension on the basis of consolidation	387	-	-	-	387
Additions	2.268	-	1.856	-	4.124
Disposals	-157	-	-	-	-157
Appreciation	-	-	-	-	-
Transfers	-	-	-	-	-
Position at 31/12/2017	20.282	4.062	8.607	-	32.951
Carrying amounts					
Position at 31/12/2017	7.634	18.721	14.828	721	41.904
		Other fixtures and fittings, tools and equipment	Construction in progress	Total	
Property, plant and equipment	Land and buildings				
Acquisition or manufacturing cost					
Position at 01/01/2017	34.275	33.755	405	68.435	
Currency translation	-	-88	-	-88	
Extension on the basis of consolidation	-	422	-	422	
Additions	297	3.513	77	3.887	
Disposals	-15	-1.533	-	-1.548	
Appreciation	-	-	-	-	
Transfers	224	181	-405	-	
Position at 31/12/2017	34.781	36.250	77	71.108	
Accumulated depreciation					
Position at 01/01/2017	23.045	24.539	-3	47.581	
Currency translation	-	-49	-	-49	
Extension on the basis of consolidation	-	354	-	354	
Additions	629	3.402	-	4.031	
Disposals	-11	-1.331	-	-1.342	
Appreciation	-	-	-	-	
Transfers	-	-	-	-	
Position at 31/12/2017	23.663	26.915	-3	50.575	
Carrying amounts					
Position at 31/12/2017	11.118	9.335	80	20.533	
		Shares in affiliated companies	Investments	Other loans	Total
Financial assets					
Acquisition or manufacturing cost					
Position at 01/01/2017	160	3.263	-	3.423	
Currency translation	-	-	-	-	
Extension on the basis of consolidation	28	-	-	28	
Additions	-	139	-	139	
Disposals	-50	-	-	-50	
Appreciation	-	-	-	-	
Transfers	-	-	-	-	
Position at 31/12/2017	138	3.402	-	3.540	
Accumulated depreciation					
Position at 01/01/2017	-	-	-	-	
Currency translation	-	-	-	-	
Extension on the basis of consolidation	-	-	-	-	
Additions	-	-	-	-	
Disposals	-	-	-	-	
Appreciation	-	-	-	-	
Transfers	-	-	-	-	
Position at 31/12/2017	-	-	-	-	
Carrying amounts					
Position at 31/12/2017	138	3.402	-	3.540	

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2016

Intangible assets	Other intangible assets				Total
	Software	Goodwill	Advance payments		
Acquisition or manufacturing cost					
Position at 01/01/2017	18.844	18.631	17.973	1.872	57.320
Currency translation	4	2			6
Extension on the basis of consolidation		3.071	3.924		6.995
Additions	1.010			2.458	3.468
Disposals	-97				-97
Appreciation					-
Transfers	3.002			-3.002	-
Position at 31/12/2017	22.763	21.704	21.897	1.328	67.692
Accumulated depreciation					
Position at 01/01/2017	15.830	4.076	5.344	-	25.250
Currency translation		1			1
Extension on the basis of consolidation					-
Additions	2.082		1.407		3.489
Disposals	-97				-97
Appreciation					-
Transfers					-
Position at 31/12/2017	17.815	4.077	6.751	-	28.643
Carrying amounts					
Position at 31/12/2017	4.948	17.627	15.146	1.328	39.049
Property, plant and equipment		Other fixtures and fittings, tools and equipment	Construction in progress	Total	
Acquisition or manufacturing cost					
Position at 01/01/2017	34.273	31.100	147	65.520	
Currency translation		9		9	
Extension on the basis of consolidation		3		3	
Additions	66	3.521	317	3.904	
Disposals	-66	-932	-3	-1.001	
Appreciation					
Transfers	2	54	-56	-	
Position at 31/12/2017	34.275	33.755	405	68.435	
Accumulated depreciation					
Position at 01/01/2017	22.329	22.263	-	44.592	
Currency translation		4		4	
Extension on the basis of consolidation					
Additions	750	3.165		3.915	
Disposals	-34	-893	-3	-930	
Appreciation					
Transfers					
Position at 31/12/2017	23.045	24.539	-3	47.581	
Carrying amounts					
Position at 31/12/2017	11.230	9.216	408	20.854	
Financial assets		Shares in affiliated companies	Investments	Other loans	Total
Acquisition or manufacturing cost					
Position at 01/01/2017	185	620	44		849
Currency translation					-
Extension on the basis of consolidation		2.643			2.643
Additions					-
Disposals	-25		-44		-69
Appreciation					-
Transfers					-
Position at 31/12/2017	160	3.263	-		3.423
Accumulated depreciation					
Position at 01/01/2017	-	-	-	-	-
Currency translation	-	-	-	-	-
Extension on the basis of consolidation	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Appreciation	-	-	-	-	-
Transfers	-	-	-	-	-
Position at 31/12/2017	-	-	-	-	-
Carrying amounts					
Position at 31/12/2017	160	3.263	-		3.423

DECLARATION OF THE LEGAL REPRESENTATIVES

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

Hamburg, 28 March 2018

The Board of Management

Thorsten Hermelink

Alexander Borwitzky

Raimund Hackenberger

Nikolas von Haugwitz

INDEPENDENT AUDITOR'S REPORT

To Hawesko Holding Aktiengesellschaft, Hamburg

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

Audit opinions

We have audited the consolidated financial statements of Hawesko Holding Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year from 1 January to 31 December 2017 as well as the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Hawesko Holding Aktiengesellschaft, which is combined with the management report of the group parent, for the financial year from 1 January to 31 December 2017. In accordance with the requirements of German law, we have not examined the content of the components of the group management report stated in the "Other information" section of our Auditor's Report.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group at 31 December 2017 as well as of its financial performance for the financial year from 1 January to 31 December 2017, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion of the group management report does not cover the content of those parts of the group management report listed in the "Other information" section of the group management report.

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

Basis for the audit opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 of HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statements Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in

accordance with these requirements. In addition, in accordance with Article 10 (2) letter f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the auditing of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

- ① Recoverability of goodwill
- ② Accounting treatment of the acquisition of shares in *Weinart Handelsgesellschaft mbH*
- ③ Measurement of put options of the minority interest in *Wein & Vinos GmbH* and *WirWinzer GmbH*

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

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

Hereinafter we present the key audit matters:

① **Recoverability of goodwill**

- ① In the consolidated financial statements of Hawesko Holding AG, goodwill in the amount of € 18.7 million is reported under the balance sheet item “Intangible assets”, and thus represents around 7% of the balance sheet total.

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

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

- ② In the course of our audit, among other things we evaluated the methodological procedures for testing for impairment. We appraised the appropriateness of the future cash inflows used in the calculation by reconciling these disclosures with the current budgets from the three-year plans prepared by management and approved by the Supervisory Board of the company, as well as by making comparisons with general and industry-specific market expectations and time series analyses. In the knowledge that even relatively small changes in the discount rate can have significant effects on the fair value level determined in this way less the costs of disposal, we also appraised the parameters applied in determining the discount rate used, including the weighted average cost of capital, and evaluated the measurement model of the company. In view of the material significance of goodwill and in view of the fact that the measurement thereof also depends on macroeconomic conditions that are beyond the control of the company, by way of a supplementary measure we conducted our own sensitivity analyses for the cash-generating units with little surplus cover (carrying amount compared to fair value less costs of disposal) and established that the respective goodwill amounts are adequately covered by the discounted future cash inflows. The measurement parameters and assumptions used by management as a whole agree with our expectations and are within the ranges that we consider reasonable.
- ③ The company's disclosures on the goodwill reported under the balance sheet item "Intangible assets" are contained in Note 17 to the consolidated financial statements.

② Accounting treatment of the acquisition of shares in Weinart Handelsgesellschaft mbH

- ① The company acquired a majority interest of 51% in Weinart Handelsgesellschaft mbH, Geisenheim, from a related party in the financial year. The purchase price for this company acquisition was € 3.8 million. The acquired assets and debts are recognised at fair value on the date of acquisition. Taking account of the share of net assets of € 2.8 million attributable to the company, there is acquired goodwill of € 1.0 million.

The fair values of the attributable assets and debts are based on estimates of future market development and the resulting cash flows, and are therefore subject to estimation uncertainty as well as to scope for discretion on the part of management.

Because of the generally material effects of this company acquisition on the net worth, financial position and financial performance of the Hawesko Group in terms of amounts, the complexity of the measurement and the additional disclosures required in the notes because of the acquisition of the companies from a related party, this matter was of particular significance in the context of our audit.

- ② In the context of our audit of the financial reporting of the share acquisition, among other aspects we consulted and evaluated the contractual agreements in this respect, and compared the purchase price paid as consideration for the shares received with the evidence presented to us of the payments made.

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

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

③ Measurement of put options of the minority interest in Wein & Vinos GmbH and WirWinzer GmbH

- ① Hawesko Holding AG has granted the minority interests in Wein & Vinos GmbH, Berlin, and WirWinzer GmbH, Munich, the irrevocable right to tender their shares in these companies to Hawesko Holding AG for purchase (“put options”). These put options reported under the balance sheet items “Other non-current liabilities” and “Other current financial liabilities” amount to € 18.4 million at the balance sheet date and therefore represent around 7% of the balance sheet total.

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

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

Other Information

Management is responsible for the other information. The other information comprises the following components of the group management report, which we obtained prior to the date of our auditor’s report:

- The Corporate Governance Declaration pursuant to Section 289f of HGB and Section 315d of HGB contained in the section “Management and control” of the group management report
- The separate non-financial report according to Section 289b (3) of HGB and Section 315b (3) of HGB

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

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

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

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

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

Responsibility of management and the Supervisory Board for the consolidated financial statements and group management report

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

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

Furthermore, the management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

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

Auditor's responsibilities for the auditing of the consolidated financial statements and group management report

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

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Shareholders' Meeting on 19 June 2017. We were engaged by the Supervisory Board on 8 January 2018. We have been the group auditor of Hawesko Holding Aktiengesellschaft, Hamburg, without interruption since the financial year 2009.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Hamburg, 6 April 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thorsten Dzulko
Wirtschaftsprüfer

ppa. Claudia Niendorf-Senger
Wirtschaftsprüferin

Shareholdings

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

	Registered office	Equity	Owner- ship interest	Net earnings 2017
		€ '000	%	€ '000
A. Direct participations				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	7,293**
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	16,235**
CWD Champagner und Wein Distributions- gesellschaft mbH & Co. KG	Hamburg	512	100	567
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	42	100	1
WirWinzer GmbH	Munich	-662	65.67	-994
Wein Service Bonn GmbH (formerly: Wein Wolf Holding GmbH)	Bonn	8,443	100	1,756**
IWL Internationale Wein Logistik GmbH	Tornesch	-249	100	-259**
Wein & Vinos GmbH	Berlin	5,042	70	4,042
Château Classic – Le Monde des Grands Bordeaux S.A.R.L., in liquidation	Bordeaux (France)	-4,122	100*	-25
Sélection de Bordeaux S.A.R.L.	Strasbourg (France)	5	100	1
Globalwine AG***	Zurich (Switzerland)	-566	95	318
Weinart Handelsgesellschaft mbH	Geisenheim	4,497	51	497
B. Indirect participations				
Participating interests of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH:				
Carl Tesdorpf GmbH	Lübeck	-708	100	-39
The Wine Company Hawesko GmbH	Hamburg	-1,805	100	69
Wine Dock GmbH	Hamburg	3,071	100	-325**
Participating interest of Jacques' Wein- Depot Wein-Einzelhandel GmbH:				
Jacques' Wein-Depot Weinhandels m.b.H.	Salzburg (Austria)	103	100	-3
Jacques-IT GmbH	Oberhaching/Deis enhofen	25	100	-24**
Participating interests of Wein Service Bonn GmbH				
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	678	100	749
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	69	100	6
Wein Wolf GmbH (formerly: Wein Wolf Holding Verwaltungs GmbH)	Bonn	2,752	100	-175
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,486	100	101
Alexander Baron von Essen Weinhandels- gesellschaft mbH	Bonn	686	100	72
Global Eastern Wine Holding GmbH	Bonn	1,673	100	692
Weinland Ariane Abayan GmbH (formerly: Weinland Ariane Abayan GmbH & Co. KG)	Hamburg	3,767	100	3,236
Weinland Ariane Abayan Verwaltungsgesell- schaft mbH	Hamburg	27	100	2

Deutschwein Classics GmbH & Co. KG	Bonn	800	90	316
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	35	90	10
Participating interest of Globalwine AG:				
Vogel Vins SA***	Grandvaux (Switzerland)	4,402	70	16
Participating interest of Weinart Handelsgesellschaft mbH:				
Grand Cru Select Weinhandelsgesellschaft mbH	Rüdesheim	701	75	85
Weinart Handels- und Beteiligungs GmbH	Geisenheim	42	100	1****

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

** Before profit transfer

*** The equity was converted at an exchange rate of EUR/CHF1.4836 and the net income for the year at a rate of EUR/CHF 1.1100.

**** Net income for the financial year from 1 April 2016 to 31 March 2017