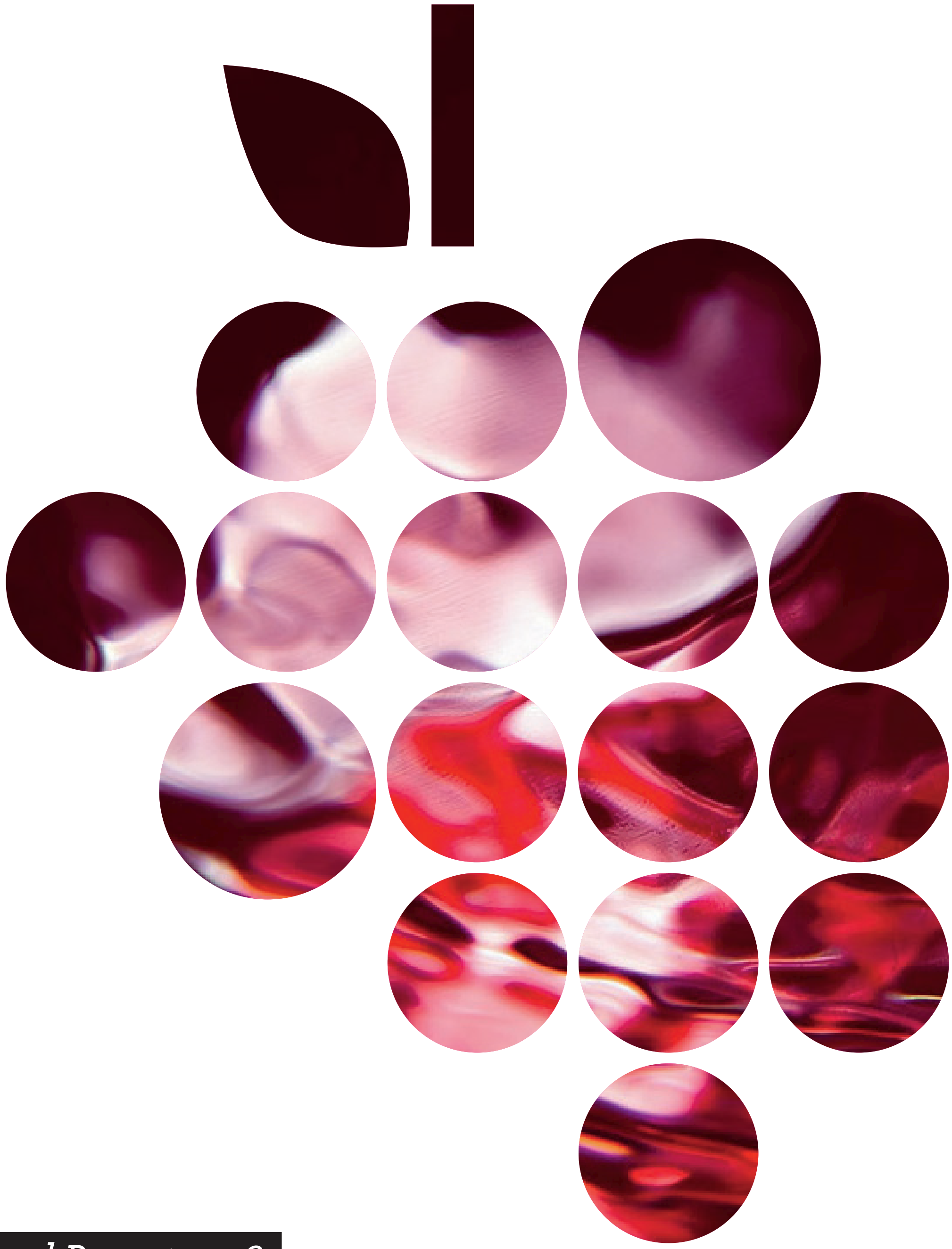


Annual Report 2016
of Hawesko Holding AG

THE NO. 1 FOR PREMIUM WINES

Established in **1964**, the Hawesko Group is today one of the leading players worldwide in the trading of premium and fine wines. We bundle strong, entrepreneur-led wine trading brands under the umbrella of one group and unlock synergies by providing effective platforms to support them. We use our buy-and-build strategy to invest in trendsetting business models whose USPs we can multiply across the entire group.

481

€ million sales

slight increase by +0.9%

29

€ million EBIT

+8.3% (adjusted)

1.30

€ dividend

per share, stable payout

GROUP.
Powerful platforms.
Strong brands.

HOLDING COMPANY
Strategic, steering and integration centre

SHARED SERVICES
Strong platforms are the key to intelligent bundling

GR

Brand unit »OMNI-CHANNEL«	Brand unit »DIGITAL«	Brand unit »B2B«
specialist wine-shop retail	distance selling	wholesale
2 brands	*5 brands*	*10 brands*

UP

STRONG BRANDS WITH OWN DNA

Within the Hawesko Group, we bring together strong brands which all share the same clear focus: premium and fine wine. From exclusive French wines for the wholesale trade to new highlights from emerging winemakers for Generation Y, every brand has its specific positioning, addresses clearly defined target groups and is run by its own management.

Our vision is to become Europe's largest, most innovative and most profitable wine trader at the premium end of the market.

PORTFOLIO
"Strong brands – one group"

- Nurturing of existing brands
- Development of new business models
- Acquisitions in Germany and internationally

STRUCTURE
"Powerful platforms"

- Creating efficient shared services
- Rolling out best practice skills across all brands

CULTURE
"Performance, digital spirit & speed"

- Cooperation and coordination within the group
- Digitalisation of the organisation

FOREWORD

Nikolas von Haugwitz, Thorsten Hermelink, Alexander Borwitzky, Bernd G Siebdrat, Raimund Hackenberger (left to right)

A GOOD VINTAGE!

We are proud of the development of the Hawesko Group in 2016! We exceeded our financial targets and took key strategic decisions.

Potential realised

The strategic repositioning of the Hawesko Group initiated in 2015 is making good progress; we reached important mileposts in the year under review and also kicked off long-term growth initiatives. In specific, 2016 saw us

- Generate the highest operating result (EBIT) in the history of the company: € 29.6 million;
- Make headway with our digital transformation (which featured, among other things, the highly successful relaunch of *Hawesko.de*), increase the e-commerce sales share from 16% to 18% and acquire 323,000 new customers;
- Achieve the turnaround in Switzerland with positive operating results for *Globalwine* and *Vogel Vins* and increase the wholesale trading margin;
- Make good progress towards sustained growth with acquisitions that include a majority interest in *WirWinzer*, an increased shareholding in the Czech Republic and preparations to acquire a majority interest in *WeinArt*;
- Win the n-tv "German Online Shop Award 2016" (with *Wein & Vinos*), achieve first place in the Service Champions Ranking in the Retail category (with *Jacques'*), make it into the top 100 online shops in Germany (with *Hawesko.de*) and qualify for the Retailer of the Year awards with the new *Weinladen.de* wine bar concept.

Excellently positioned

We bring together strong, enterprising premium wine trading brands, each with its own clear profile and established market position, under the umbrella of the Hawesko Group. We use group-wide platforms to offer them efficient services – e.g. for online marketing, IT and accounting – that further enhance their impact. As an active central body, the holding company sets the strategic direction for the group and provides the impetus for the further development of the group. We give the brands as much entrepreneurial latitude as possible and allow them to benefit from the advantages of a diversified group.

In 2016 we worked on embedding this new positioning in the group and on promoting collaboration between the individual brands. The first tangible results are already in evidence in the form of a substantially improved product range policy and the development of a basis for a joint e-commerce platform.

"For me, more digital means more choice, more service, more customer focus. And more future!"

Nikolas von Haugwitz, "Digital" brand unit

"The world is getting more digital by the day. As is the Hawesko Group. Because we're convinced that's the best way to achieve sustained growth."

Thorsten Hermelink, CEO

"*Jacques'* goes omni-channel – while staying just as uncomplicated, authentic and customer-centred as in the local store."

Alexander Borwitzky, "Omni-Channel" brand unit

"Passion, trust and team spirit are the most direct route to long-term B2B success."

Bernd G Siebdrat, "B2B" brand unit

"Sound balance sheets and commercial common sense are the bedrock of sustained growth and appropriate dividend payments."

Raimund Hackenberger, CFO

This is the right direction: for the first time in 2016, we were one of just two food retailers to make it into the top 100 online shops in Germany. A satisfying endorsement of our ongoing digitalisation process! In terms of growth, too, the way forward is clear: we have acquired a majority in the online marketplace *WirWinzer*, deepened our fine wine expertise and made preparations to roll out the next stage for the *Weinladen.de* wine bar concept.

Figures ahead of expectations

With sales of € 481 million and EBIT of € 29.6 million, not only were these the best figures in the history of the company; they also meant we surpassed our own expectations. It is especially pleasing that we made progress in all segments.

In the B2B segment we concentrated even more on profitable sales and streamlined the portfolio. Although sales were down 5.1% at € 171.9 million, EBIT for the segment advanced 30% to € 7.8 million. In terms of making the segment result sustainably profitable, we can therefore declare our strategy has worked!

There is also positive news from the two B2C segments: we improved on the previous year's figures in both distance selling (digital) with an increase of 5.2% and sales reaching € 162.7 million, as well as in the specialist wine-shop retail area (omni-channel) with growth of 3.8% and sales totalling € 146.3 million. EBIT in the specialist wine-shop retail segment was lifted slightly overproportionally by 4.1% to € 16.4 million. This equates to an EBIT margin of 11.2%. Distance selling – before taking into account the costs of the transformation process from traditional mail order to modern online trading – maintained its operating result at virtually the previous year's level.

Sharing our success with shareholders

The group's financial structure remains impressively solid at the end of the 2016 financial year. And that despite the major changes to adjust to digitalisation, streamline the group structures and carry forward the growth initiatives. The Hawesko Group is in rude health and has a comfortable equity ratio that offers potential for further dynamic growth. In light of this good position, the Supervisory Board and Board of Management would again like to enable the shareholders of Hawesko Holding AG to participate appropriately in the success of their company for the 2016 financial year. We will therefore propose to the Shareholders' Meeting that a dividend of € 1.30 per share again be distributed.

Focus on profitable growth

We blend tradition and innovation into a strategic success factor: as the established leading player for premium wines, we continue to focus on quality and are nurturing our long-standing, close relationships built on trust with the world's best producers.

We see it as one of our key tasks for 2017 to win especially younger target groups over to our offering. We already made good headway with this venture through our growth initiatives in 2016: we broadened our range with the "online marketplace" business model and also increased our selection of German wines with *WirWinzer*. We developed our established brands with an eye to the future – *Jacques'* from an exclusively over-the-counter to a omni-channel concept, and *Hawesko.de* from print-led advertising and processes to an emphatically online operator. We put everything in place to step up the pace of expansion at *Jacques'* and further expanded our fine wine business through the majority interest acquired in *WeinArt* & *Grand Cru Select* with effect from 1 January 2017.

We will vigorously promote and expand these initiatives in the current financial year, and seize additional opportunities as and when they arise. For example we will remain actively on the lookout for rewarding acquisitions, relaunch and refine our business models, and identify synergy potential in logistics. The general direction is clear: to broaden our target groups and achieve a sustained improvement in our profitability. We expect sales growth in the order of 5% – enough to take us over the threshold of half a billion euros. The operating profit (EBIT) should rise in proportion to sales, to beyond € 30 million.

For subsequent years we anticipate organic growth of a similar magnitude and expect to gradually approach our medium-term target EBIT margin of 7%. Wherever we encounter attractive opportunities, we will consciously expand our brand portfolio in keeping with our strategic guidelines.

As such we will keep our sights firmly trained on our medium-term financial goals and work towards

- annual growth of 5%,
- an EBIT margin of 7%,
- a return on capital employed of at least 16%, and
- appropriate, stable dividend payments.

We are highly motivated to develop the Hawesko Group with an eye to a changing environment and agile markets. Soundly financed, sustainable and enabling its shareholders to participate in the corporate success through appropriate dividend payments and a value-enhancing business strategy. Together with all our employees, we look forward to continuing on this successful course with you!

The Board of Management

CAPITALISING ON THE

The wine trade has gained in dynamism and innovation. Its cycles of change are getting ever shorter – we sense the speed of this progress and keep pace with market developments to keep the Hawesko Group moving dynamically forward with fresh ideas, models and brands.

DIGITALITY & WINE

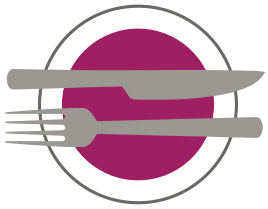
The online share of the wine trade is growing rapidly. In the digital world, virtually everything is transparent and universally accessible 24/7. For us that means: We are digitalising our business models in order to offer our customers added benefits. In a nutshell, we are becoming even faster, more exciting and more appealing – along all channels.

NEXT GENERATION

It takes a little experience to appreciate premium wines fully. That explains why fine wine customers usually fall into a certain age group. With today's 30-40-year-olds, the first digital generation are now becoming "wine's best agers". They are tech-savvy, mobile and flexible. They view sustainability as a priority; happiness is more important than status. Using new models to put together persuasive offerings for them is one of our core aims.

AUTHENTICITY

Our customers are discerning. And rightly so, because so are we. That is why we supply authentic wines from charismatic winemakers, and treat them with the same passion that goes into their production. Ultimately, we want to make wine a personal experience – not just at *Jacques'*.



FOOD

"Cheap-is-cool" is so yesterday. The world of food is witnessing new business models that revolve around innovative products; food is emerging as an attractive start-up topic that people are eager to invest in. In response, we are bringing together the most promising ideas about wine in the Hawesko Group.

MARKETS' DYNAMISM

REGIONALITY

Life is becoming more cosmopolitan, but at the cost of individuality. At the same time there is growing interest in local produce. Especially when people buy wine, regionality is becoming an ever more important factor in the choices they make. For that reason, too, we consciously champion German wines.

OMNI-CHANNEL

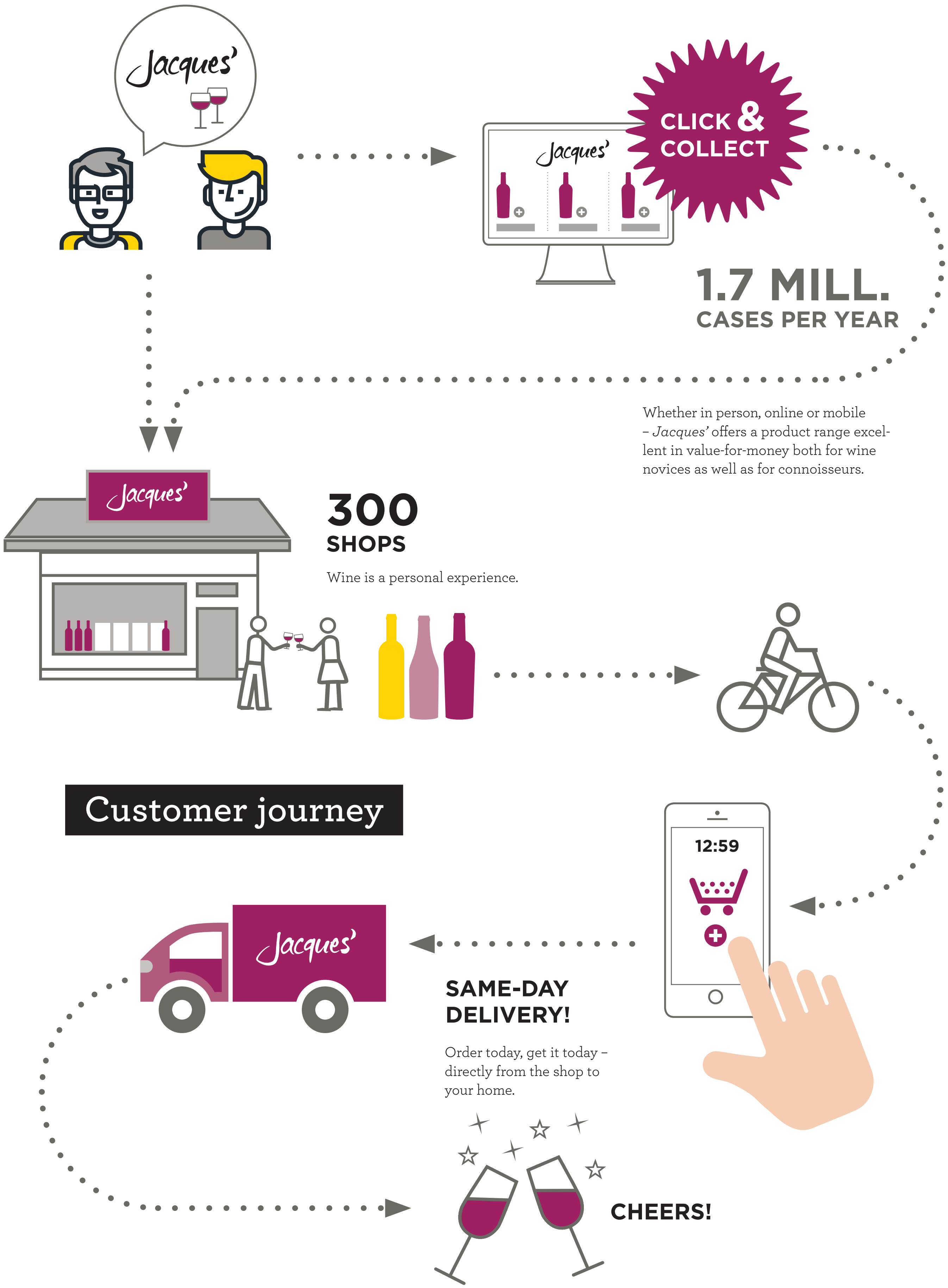
Effective paths to the customer along all channels – *Jacques'* makes customer encounters with wine a personal experience.

JACQUES': THE FUTURE IS ALREADY HERE

Born out of the idea of presenting wine in an uncomplicated way, as at the vintners, and letting customers taste and decide for themselves, *Jacques'* has evolved into Germany's leading and best-known wine-shop retailer with a network of currently 300 outlets.

Why that is, is easy to explain, because *Jacques'* customers enjoy many advantages: a shopping experience with personal advice, the opportunity to taste before they buy, a carefully selected range of good wines at affordable prices, and now new flexibility in how to shop: they can research at home then go to the shop to buy, purchase online at home and pick up from the store, taste in-store and then have the goods delivered to their doorstep – or just place an order without further ado!

Jacques' will increase both its online presence and its network of outlets, and to create new ways of reaching customers with its modern omni-channel approach. Whichever channel our customers choose, *Jacques'* always makes wine a personal experience.


Jacques'
Jacques'
CLICK & COLLECT
1.7 MILL.
CASES PER YEAR
Whether in person, online or mobile – *Jacques'* offers a product range excellent in value-for-money both for wine novices as well as for connoisseurs.
Jacques'
300
SHOPS
Wine is a personal experience.
Customer journey
12:59
Jacques'
SAME-DAY DELIVERY!
Order today, get it today – directly from the shop to your home.
CHEERS!

INNOVATIVE!

We are steadily increasing our leading market position – with new ideas and business models.

weinladen.de
WEIN OHNE DRESSCODE

NEW CONCEPTS FOR YOUNG TARGET GROUPS

We are also coming up with individual business models for growth: in 2014, for example, we opened *Weinladen.de* in the St Pauli district of Hamburg, a mix between bar and wine shop aimed at a young audience. Our customers can taste the goods, buy wine, meet friends, congregate and chill out. From its origins as an insiders' tip, *Weinladen.de* now plays host to all those who want to enjoy wine in a relaxed atmosphere – and has just received an award for the concept by the German Wine Institute!

Stephanie Döring, sommelière and Project Manager

"Whether by the glass or bottle, entry level or top end, our sommeliers give advice on the constantly changing selection of about 200 wines. You can discover new trends in wine, meet the winemakers at unique events and broaden your horizons at specially themed evenings." From 2017 we are aiming to replicate this concept at hip and trendy locations in other German cities – as a way of appealing to the target group of the under-40s.

Sebastian Zellner, founder

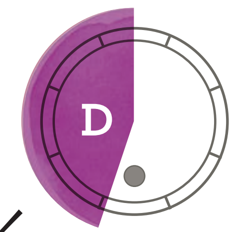
“We’re really delighted that the Hawesko Group has got involved and that it offers a brilliant, dynamic opportunity for us to develop our innovative business model.”

GROWTH THROUGH ACQUISITIONS

We are constantly scanning the market in order to spot the most exciting business models in the wine trade early on and acquire them for the Hawesko Group. Throughout 2016 we studied and assessed a large number of concepts, and were so impressed with *WirWinzer* that we secured a 66% stake in this successful online marketplace.

The strategy behind the move: on the one hand we have added 10,000 German wines to our range – a sensible expansion and a brilliant market opportunity. On the other hand the technological aspect of the deal is very interesting: *WirWinzer* is a digital marketplace where our customers can order wine directly from the winemaker, bypassing all the intermediaries. Founder and Managing Director Sebastian Zellner and his team remain on board, and will continue to run the company with a high degree of autonomy. The areas that offer synergies are our shared services, e.g. for online marketing and IT.

Range
10,000
German wines



45%
of wines consumed in Germany are German wines
(GfK on behalf of the German Wine Institute, 2017)

German wine makes it onto the scene

“Generation Riesling” is revolutionising the German wine scene and helping it to shed its fusty image. Its members are representatives of a well-educated, internationally oriented and ambitious younger generation of creative winemakers who have breathed fresh appeal into German wine and revived international interest in it. The new movement is infusing the wine scene with fresh ideas and demonstrating that there are other regions beyond “Moselle and Rheingau”, and other directions beyond “sweet Riesling”. Their free-and-easy aim is to make good, simple wines that tend to be on the dry side – brimming with flavour and character. Quality and expertise with a refreshingly light touch herald in a new, distinctively German take on wine – simply cool!

1. WeinArt & Grand Cru Select

With effect from 1 January 2017 we acquired a majority shareholding in the company *WeinArt* and therefore also in *Grand Cru Select*. As part of our long-term strategy, the move adds an important new facet to our expertise in fine wine in the B2B and B2C areas, because both specialise in top-flight wines from Bordeaux, Burgundy and Champagne. Both companies as well as our existing brands stand to benefit from this partnership.

FINE WINE EXPERTISE

The Hawesko Group stands for expertise and experience in the fine wine segment. We know both the best winemakers and the preferences of our discerning customers, then draw on our expertise and exclusive product range to bring the two together.

2. Carl Tesdorpf

Carl Tesdorpf, one of Germany's leading fine wine traders and also the oldest wine trading house in the country, has been part of the Hawesko Group since 1999. Back in 1678, *Tesdorpf* started supplying wine to enthusiasts at the Scandinavian royal courts, the court of the Tsars in St Petersburg and even the kings of Prussia and the German emperors. Then as now, *Tesdorpf* maintains close ties with the top Bordeaux vineyards and enjoys unique access to leading winemakers worldwide.

3. Exclusive range

Not only are we the distribution partner for such legendary wineries as Domaines Paul Jaboulet Aîné (Hermitage La Chapelle) and Château Lafite-Rothschild; we also offer highly discerning customers and restaurateurs a very special range that includes a large number of exclusive products: cult wines from the New World such as Penfolds Grange, Opus One and also the rare and exclusive first Premier Cru from South Africa, the 4 G, alongside Old World classics such as Vega Sicilia, Tignanello and Solaia, or even very rare prestige champagnes such as Comtes de Champagne from Taittinger. We also carry Ziegler Waldkirsch Nr. 1 of the fine distillate manufacturer Edelobstbrennerei Gebr. J. & M. Ziegler in our range.

4. Fine Wine Consultants

Trained experts advise and assist our fine wine customers on every aspect of exclusive wines. Drawing on their thorough training in the wine industry and sound expertise in the international wine market, our Fine Wine Consultants unlock the world of highly exclusive premium wines for the discerning connoisseur: visits to leading international winemakers, exclusive tastings, advice on how to build up a personal top-class wine collection and store it expertly.

"We search out the perfect wines for our extremely discerning customers and accompany them personally and professionally through the maze of wines offered all over the world."

Carl Tesdorpf Fine Wine Team

Pierre Enjalbert,
director Carl Tesdorpf

"To be able to interact with the best winemakers and the most coveted wines, and help discerning customers understand them – that's Tesdorpf."

TOP VINTAGES

2009 Bordeaux, Burgundy

2010 Bordeaux, Tuscany, Spain

2013 California

2015 Bordeaux, Burgundy

2016 Bordeaux

TOP WINEMAKERS

France
Château Lafite Rothschild, Château Cheval Blanc, Château Mouton-Rothschild, Château Latour, Domaine Armand Rousseau, Domaine de la Romanée-Conti

Germany
Weingut Robert Weil, Weingut Keller, Weingut Huber, Weingut Egon Müller-Scharzhof

Italy
Ornellaia e Masseto, Tenuta San Guido, Marchesi Antinori, Gaja

VALUE-ORIENTED INVESTMENT

We are strategically developing our brand portfolio and continually optimising our internal processes. Our goal is clear: to extend Hawesko's leading market position and create value for our shareholders.

in 17 strong brands

WE HELP SHAPE THE MARKET

We have been the market leader for many years and know what makes the German wine market tick. Far from simply admiring what we have already achieved, we now aim to reach new customers, unlock new markets and explore new sales channels.

STRATEGY: GROWTH

We continue to grow with both internally developed and acquired distribution concepts that fit in with our overall strategy, that enhance our profitability and help extend our market leadership.

FINANCIAL CLOUT

Our passion is for wine; our business model is based on economic common sense. The result: high net cash inflows give us ample financial clout to complete acquisitions both in Germany and internationally, so that we can continue growing faster than the market.

GOOD DIVIDENDS

Thanks to our profitable business model with high cash flows, our shareholders participate in a convincing stock market performance and enjoy an appropriate share of the company's profit.

EXPERT & COMMITTED

We trade in a unique commodity that thrills us. With their outstanding expertise, passion and motivation to handle wine in the best possible way, our employees are pivotal to the viability of the group.

FINANCIAL INFORMATION

of Hawesko Holding Aktiengesellschaft for the 2016 financial year

COMBINED MANAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

NOTES

COMBINED MANAGEMENT REPORT

of Hawesko Holding Aktiengesellschaft for the 2016 financial year

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 2016 it posted sales of almost € 481 million, with just under 91% of the total achieved in Germany (previous year: 90%). 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 segments specialist wine-shop retail, distance selling and wholesale/distribution. Specialist wine-shop retail and distance-selling reach end customers along a variety of sales channels, while the wholesale/distribution segment supplies the catering trade and re-sellers. All three segments 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 direct 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 relocated from Tornesch to Hamburg in the year under review. The operations of the distance-selling segment are managed from Tornesch. The subsidiary *Wein & Vinos* has its registered office in Berlin and runs seven retail outlets. The management of the specialist wine-shop retail segment, operating under the *Jacques' Wein-Depot* brand, is based in Düsseldorf. In the case of the wholesale/distribution segment it is located in Bonn with additional offices of foreign subsidiaries in Zürich, Switzerland, and in Salzburg, Austria. *Jacques' Wein-Depot* enjoys a presence throughout Germany with almost 300 outlets. The central logistics functions for the wholesale/distribution and distance-selling segments are based in Tornesch.

AN ARRAY OF BRANDS – ONE TOP-PERFORMING GROUP

With its fifteen strong brands at the reporting date, 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 the group's brands and optimise its customer centricity. Usefully bundled corporate services and powerful 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. The result is 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 return on capital employed (ROCE).

MANAGEMENT SYSTEM: STRATEGIC GROWTH, RATE-OF-RETURN AND LIQUIDITY 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.

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 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", page 32) 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, page 55). The group's objective is for both the capital structure and the ratio of net financial liabilities to EBITDA (result of operations before depreciation and amortisation) to achieve an "investment grade" rating.

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

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 € 0.1 million in 2016 (previous year: € 0.1 million).

ECONOMIC REPORT

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

German economy on continuing growth trajectory in 2016

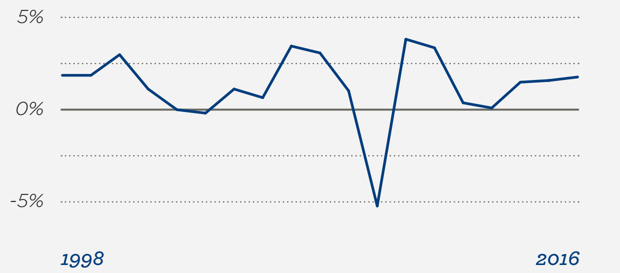
The business cycle in 2016 was characterised by solid, steady growth. Initial calculations by the Federal Statistical Office indicate an average of 1.9% growth in price-adjusted gross domestic product (GDP) for the year compared with 2015. Measured against 2015, when the increase was 1.7%, growth has increased slightly. As well as capital expenditure, consumer spending was the major driver of the economy. Price-adjusted consumer spending was up 2.0% (previous year: 1.9%).

The consumer confidence index compiled by Gesellschaft für Konsumforschung (GfK) started at just under ten points in January 2016 and remained constantly at that level for the remainder of the year. GfK believes that German consumer behaviour in 2017 will probably remain resilient in the face of risk factors. It is expected that consumption will play a significant role in supporting economic development in Germany.

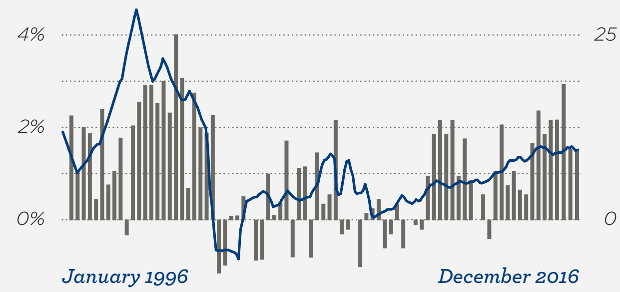
German wine market

According to figures from the German Wine Institute, the German wine market showed a broadly steady development in 2016: consumer purchases showed a 1.4% decline on the previous year in terms of volume and a 1.6% decline in terms of value. The average price commanded by the customary 0.75 l bottle also declined slightly: at food retailers it sells for € 2.19, a decrease of 1.7% year on year. 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 approximately € 5.00 for the customary 0.75 l bottle – up 6% on the previous year.

GDP-GROWTH



PRIVATE CONSUMPTION EXPENDITURE/CONSUMER CLIMATE



- Consumption expenditure of private domestic households, seasonally adjusted, change against the same quarter of the previous year (%)
- GfK consumer climate *(Source: Frankfurter Allgemeine Zeitung, 31 March 2015, supplemented by data from GfK and Destatis)*

The Hawesko Board of Management puts the value of the German market at around € 7–8 billion, of which the upmarket segment (from € 5.00 per bottle) accounts for € 1–2 billion. Market data from Geisenheim University, from the latest study published in 2014, confirms this assessment and suggests that the upmarket segment could actually be worth significantly more than € 1 billion. According to this study, a group of approx. 20% of all wine drinkers accounts for the lion's share of wine sales in the upmarket segment. This has the following consequences for the strategy of the Hawesko Group in Germany: first, it must have detailed knowledge of the requirements of these wine connoisseurs in order to meet their demand. Second, among the remaining 80% it should stimulate interest in superior and high-quality wine while also promoting knowledge of wine and of how to enjoy it responsibly.

The wine market outside Germany

In 2016 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 € 1.7 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 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 with slight demand surplus in 2016

The International Organisation of Vine and Wine (OIV) estimates wine production in 2016 at 259 million hectolitres; this would indicate a decrease of around 5% compared with 2015. 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.

At the turn of 2017 the Board of Management of Hawesko identifies stable market conditions across all wine-growing regions in terms of the average buying prices.

Non-uniform trade structure for upmarket products

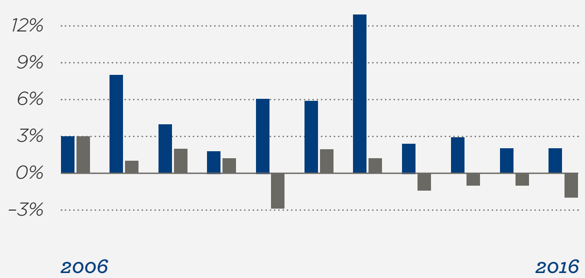
In the price category below € 5.00 per bottle, the German wine market is dominated by discount grocery retailers. On the other hand the upscale market segment – i.e. the price category of € 5.00 and more per bottle – is covered by a large number of smaller operators. That portion of the market, in which 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

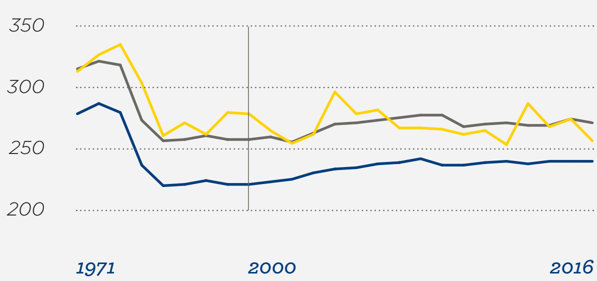
Every year since the start of this millennium, the Hawesko Group has outperformed the overall wine market in its home market Germany. 2016 is no exception in that respect: sales in Germany again grew faster than the market, reaching 1.7%. The Hawesko Board of Management estimates the group's market share at around 23–26% in the upmarket segment (prices per bottle of more than € 5.00), and at 4% of the overall market.

DOMESTIC SALES DEVELOPMENT HAWESKO GROUP



- Hawesko Group domestic sales
- Total German wine market

WORLD WINE PRODUCTION AND CONSUMPTION
(MILLIONS OF HECTOLITRES)



- Consumption
- Production
- Total use incl. distillation

(Sources: Das Deutsche Weinmagazin, 12.01.2010; current data: OIV, Conférence de presse 24 octobre 2016)

BUSINESS PERFORMANCE AND FINANCIAL PERFORMANCE OF THE GROUP

Overall statement on 2016 business performance and economic situation

2016 sales surpass expectations

The Hawesko Board of Management is satisfied with the 2016 business performance: while it had expected sales to be on a par with the previous year, in actual fact sales were increased slightly to € 481 million, although a sales gap of € 10 million in the B2B segment compared with 2015 was pre-programmed as a result of regrouping of the supplier portfolio. Even after stripping out the figures for the online marketplace *WirWinzer* consolidated from 1 October 2016, sales still showed a slight 0.5% increase on the previous year. Sales in the B2B segment were down on the prior-year figure; in the B2C segments specialist wine-shop retail (*Jacques'*) and distance selling, on the other hand, sales rose by 3.8% and 5.2% respectively.

EBIT at top end of expectations

The reported EBIT for 2016 is € 29.6 million, its highest-ever level. Even after eliminating non-recurring effects, the adjusted EBIT margin climbed from 5.6% to 6.1%. Because of an array of non-recurring factors particularly in connection with the change of control in the previous year and therefore with associated personnel matters in 2016, it is helpful to provide adjusted figures for both years: these indicate a healthy 8.3% rise in EBIT from € 26.9 to € 29.1 million. Distance selling – before taking into account the costs of the transformation process from traditional mail order to modern online trading – broadly maintained its operating result at the previous year's level. By comparison, the specialist wine-shop retail (*Jacques'*) and wholesale segments achieved higher operating results – in the case of wholesale, the rise was a very conspicuous at approximately 30%. At the start of 2017 the Board of Management is now able to focus its attention more 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 governed by IFRS are used in the following in analysing the net worth, financial position and financial performance. The group indicators used by Hawesko Holding AG are:

	Definition	**2016**
Sales	Sales revenues	€ 480.9 million
	Adjusted for M&A *WirWinzer.de*	€ 479.4 million
EBIT	Operating result	€ 29.6 million
EBIT margin	EBIT divided by sales revenues	6.2%
	Adjusted EBIT divided by adjusted sales revenues	(adjusted: 6.1%)
Adjusted EBIT 2016		**2016**
	EBIT	€ 29.6 million
	Board of Management changes	€ –2.2 million
	Restructuring of Tornesch location	€ +1.5 million
	EBIT loss from acquisition of *WirWinzer* in 2016	€ +0.2 million
	EBIT adjusted	**€ 29.1 million**
Adjusted EBIT 2015		**2015**
	EBIT	€ 20.1 million
	Board of Management change	€ +6.4 million
	Takeover process	€ +0.3 million
	EBIT adjusted	**€ 26.9 million**
Financial result		**2016**
	Interest income	€ 0.1 million
	Interest expense	€ –0.5 million
	Other financial result	€ –1.8 million
	Investment result	€ 0.9 million
	Financial result	**€ –1.3 million**
Adjusted consolidated net income		**2016**
	Adjusted EBIT	€ 29.1 million
	Financial result less other financial result	€ 0.5 million
	Taxes (31.0%)	€ –9.2 million
	Minority interests	€ –0.9 million
	Adjusted consolidated net income	**€ 19.5 million**
ROCE	EBIT divided by capital employed; see page 28	21%
Adjusted ROCE	Adjusted EBIT divided by capital employed	21%
Free cash flow	see page 36	€ 13.1 million
– before acquisition investments		€ 21.3 million

Rounding differences possible

The following targets and long-term rate of return targets for 2016 were declared in the 2015 Annual Report.

The table below indicates to what extent they were achieved or not achieved.

	Objective	**2016**	Attained
Sales	Sales steady compared with prior-year figure (€ 477 million); stronger growth than the German wine market (2016: –1.6%)	€ 480.9 million (+0.9%, in Germany +1.7%)	✔ ✔
EBIT	Operating result (EBIT) in the order of € 28–29 million, after adjustment for non-recurring expenses/income	Adjusted: € 29.1 million (+8.3%)	✔
EBIT margin	Long-term margin of 7.0% of sales or, for 2016 (adjusted) approx. 6% of sales	Adjusted: 6.1%	✔
ROCE	Achieving the long-term minimum target return (16%) or, for 2016, approx. 21%	21%	✔ ✔
Free cash flow – before acquisition investments	Free cash flow in the order of € 20–22 million	€ 13.1 million € 21.3 million	– ✔

Financial performance

Consumer business more than compensates for lost sales in wholesale

The net sales of the Hawesko Group edged up by +0.9% in 2016, from € 476.8 million to € 480.9 million. *WirWinzer* was consolidated for the first time from 1 October 2016 with sales of € 1.6 million. Wines from France accounted for a total of 25% of sales (previous year: 28%), Italian products for 29% (previous year: 28%), Spanish wines for 20% (previous year: 19%) and German products for around 10% (previous year: 9%). About 91% of sales were generated within Germany, with year-on-year growth reaching 1.7% domestically. The overall sales volume came to 72 million bottles or units (previous year: 72 million).

There were three major negative effects on sales in the 2016 financial year: deliberate strategic adjustments to the supplier portfolio were made at the turn of 2015/16; as expected these resulted in sales adjustments within the B2B area. The gap of € 10.0 million which arose could be filled only in part by products from other producers. In addition, business activities in Switzerland were streamlined, resulting in a short-term fall of € 3.1 million in sales. The French subsidiary *Château Classic*, in liquidation was furthermore still in the process of being wound up, reducing sales proceeds by a further € 2.2 million year-on-year from the base effect.

The year under review also brought initiatives for sustained sales growth over the next few years: a majority interest in the online marketplace *WirWinzer* was acquired with effect from 1 October 2016, with the result that the business model, product range and customer segments in the group were extended. The specialist wine-shop retail and wholesale segments increased their sales, while wholesale fell short of the prior-year figure for the reasons presented above.

Mainly the continuing high level of customer activity at *Jacques' Wein-Depot* and *Hanseatisches Wein- und Sekt-Kontor hawesko.de*, but also improved customer quality at *Wein & Vinos*, provided a positive impetus for the group's sales performance. Furthermore, the long-established systematic approach to acquiring new customers and the expansion of online business group-wide lifted sales.

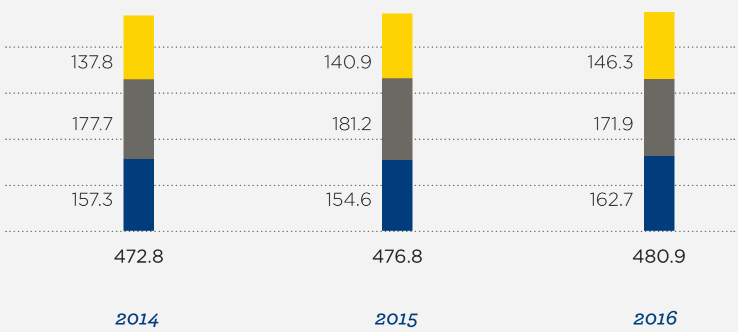
The gross profit margin in the year under review came to 42.5% (previous year: 41.6%). The greater prominence of sales in the end consumer segments and the stronger focus on more profitable sales in the wholesale segment drove up the gross profit margin for the group.

Personnel costs comprised wages and salaries as well as statutory, collectively negotiated and voluntary social contributions. This item fell to € 56.4 million in the year under review (previous year: € 59.4 million). The period under review includes a net expense in connection with non-recurring personnel matters in the amount of € 2.2 million (previous year: charge attributable to a provision for personnel to fulfil contractual obligations until 2019 in connection with the departure of the former Chief Executive Officer amounting to € 6.1 million). The increase of € 0.9 million on a comparable basis is mainly attributable to general pay increases and new hires. The 2016 financial year brought an overall decrease in the personnel expenses ratio compared with the previous year (12.5%) to 11.7% of sales. The cost/sales ratio net of personnel matters came to 11.3% and was therefore in line with the previous year (11.2%).

Advertising expenses amounted to € 39.2 million (previous year: € 39.0 million); the level in proportion to sales consequently remained unchanged from the previous year at 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: 323,000 new customers were recruited for the end consumer segments in 2016 – 10% more than in the previous year (293,000).

The delivery costs for the group climbed € 0.9 million to € 22.0 million. The delivery costs ratio rose to 4.6% (previous year: 4.4%). The main factors at work here were a lower average order volume per order in distance selling as well as the above non-recurring effects in connection with regrouping of the supplier portfolio.

SALES BY SEGMENT (€ MILLION)



- Specialist wine-shop retail
- Wholesale/distribution
- Distance selling

Rounding differences possible

Higher adjusted group EBIT thanks to increased profitability

The operating result (EBIT) of the Hawesko Group amounted to € 29.6 million in the year under review. This represents an overall increase of € 9.5 million on the previous year (€ 20.1 million) and an operating margin of 6.2% of sales (2015: 4.2%).

The rise was first and foremost attributable to non-recurring factors amounting to € 7.3 million: by their very nature, charges that arose following the now-completed change of control and amounted to € 6.7 million in the previous year did not recur in the year under review. The bulk of this amount (€ 6.4 million) arose in connection with a change in the Board of Management. Non-recurring factors in the year under review included a net positive item from changes in the Board of Management (€ 2.2 million) as well as expenditure for restructuring as part of the transformation process from a traditional mail-order business to a modern online trader at the Tornesch location (€ 1.5 million).

The remaining € 2.2 million of the rise in EBIT is attributable to operating improvements compared with the previous year and corresponds to the rise in the adjusted EBIT, which went up from € 26.9 million (2015) to € 29.1 million (2016). The improvements result from the turnaround in Swiss B2B business and improved profitability specifically at *Wein & Vinos* and *Jacques' Wein-Depot* thanks to the increased number of active customers. These positive influences more than cancelled out the negative effects of re-grouping of the supplier portfolio in wholesale and consequently the reduced sales revenues.

DEVELOPMENT IN EARNINGS

€ million	2013	2014	2015	2016
EBIT	**22.6**	**20.1**	**20.1**	**29.6**
– Year-on-year change	–11.9%	–11.1%	+0.4%	+47.1%
– EBIT margin	4.8%	4.2%	4.2%	6.2%
EBT	**25.3**	**21.4**	**19.0**	**28.3**
– Year-on-year change	–15.9%	–15.5%	–10.8%	+48.8%
– EBT margin	5.4%	4.5%	4.0%	5.9%
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**16.2**	**14.8**	**12.2**	**18.5**
– Year-on-year change	–28.1%	–8.5%	–17.7%	+51.8%
– Net margin	3.5%	3.1%	2.6%	3.9%

COST STRUCTURE

as % of sales	2013	2014	2015	2016
Personnel costs	–11.1%	–11.1%	As reported: –12.5% Adjusted: –11.2%	As reported: –11.7% Adjusted: –11.3%
Advertising costs	–8.5%	–8.8%	–8.2%	–8.2%
Delivery costs	–4.3%	–4.5%	–4.4%	–4.6%
Other operating income and expenses (balance)	–10.7%	–11.9%	–10.8%	–10.3%
Depreciation and amortisation	–1.5%	–1.4%	–1.5%	–1.5%
TOTAL	**–36.1%**	**–37.7%**	**–37.4%**	**–36.3%**

EBIT MARGINS

as % of sales	2013	2014	2015	2016
Specialist wine-shop retail	10.6%	11.1%	11.2%	11.2%
Wholesale	1.4%	2.8%	3.3%	4.5%
Distance selling	7.5%	5.7%	7.4%	5.8%

Positive influence of EBIT performance on ROCE

As a key component of the 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 (€ 29.6 million) divided by the average capital employed (2016 capital employed = € 139.5 million). The latter is calculated as follows: balance sheet total less cash and cash equivalents, deferred tax assets and interest-free liabilities, and plus capitalised lease commitments. An annual average for capital employed is formed and serves as the denominator. The calculation for the past three years is shown in the following table:

GROUP IFRS € '000	**2014**	**2015**	**2016**
EBIT (OPERATING RESULT)	**20,050**	**20,132**	**29,619**
Balance sheet total	217,215	219,820	231,288
less			
– Cash	10,858	14,459	13,581
– Deferred tax assets	1,712	1,782	2,506
– Interest-free liabilities	97,793	99,076	106,562
Capital employed (reporting date current year)	106,852	104,503	108,639
Plus: capitalised lease commitments	31,068	32,200	33,649
Capital employed (reporting date current year following adjustments)	137,920	136,703	142,288
AVERAGE CAPITAL EMPLOYED (ANNUAL AVERAGE)	**137,466**	**137,312**	**139,496**
ROCE	14.6%	14.7%	21.2%

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

ROCE	**2013**	**2014**	**2015**	**2016**	*Anticipated minimum return*
Specialist wine-shop retail	40%	43%	42%	40%	> 27%
Wholesale/distribution	5%	9%	11%	16%	> 17%
Distance selling	22%	20%	26%	19%	> 22%
Group	16%	Adjusted: 18% As reported: 15%	Adjusted: 20% As reported: 15%	Adjusted: 21% As reported: 21%	> 16%

NB The adjusted figure excludes non-recurring effects.

Specialist wine-shop retail

Renewed rise in sales at Jacques' Wein-Depot

Net sales for the specialist wine-shop retail segment (*Jacques' Wein-Depot*) grew by 3.8% in the year under review to € 146.3 million. Like for like, and excluding online sales, the rise in sales was 2.6%. It served 816,000 active customers in 2016, an increase of more than 2% on the previous year. In keeping with the business plan, the rate of sales growth 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 on individual orders of more than € 50). The average spend was equally up on the previous year, mainly as a result of fewer marketing campaigns and a higher proportion of e-commerce. In 2016 *Jacques' Wein-Depot* acquired 118,000 new customers (previous year: 114,000), with an increased proportion of new customers attracted online.

At 31 December 2016 there were 298 *Jacques' Wein-Depot* outlets in Germany (previous year: 293); rental agreements for three further outlets had been taken out at the reporting date. There are no outlets outside Germany. Seven new shops were opened, two were relocated and two were closed.

The operating result (EBIT) for the segment rose faster than sales in the reporting period, from € 15.7 million to € 16.4 million, or by 4.1%. The further rise in earnings was driven by profitable sales growth for the existing network of outlets and for the e-commerce operations.

ROCE for the segment declined to 40% (previous year: 42%).

Wholesale/distribution

Emphasis on more profitable sales led to planned decline in sales

The B2B area enjoys consistently steady demand within core business, which is underpinned principally by the encouraging economic situation in Germany. The net sales of the wholesale/distribution segment for the year under review were nevertheless down 5.1% on the previous year (€ 181.2 million), at € 171.9 million. This occurred first and foremost as a result of regrouping in the supplier portfolio: by mutual agreement with Baron Philippe de Rothschild S.A. the partnership was terminated at the turn of 2015/16, prompting a gap in sales amounting to € 10.0 million. The downturn in international business also had a dampening effect. Business activities in Switzerland were streamlined in 2016 and also given a fresh profile (€ 20.7 million; –13.2% year on year as a result of focus on more profitable sales). The inventory sell-off of *Château Classic*, in liquidation in the year under review of 2016 realised sales proceeds amounting to € 0.1 million (previous year: € 2.3 million). After adjustment for these three sales effects and for the subscription proceeds for the 2013 vintage, the core business of the wholesale/distribution segment saw sales proceeds rise by 1.5%.

The operating result (EBIT) for the wholesale/distribution segment climbed to € 7.8 million (previous year: € 5.9 million), underpinned by international B2B business. After the restructuring costs incurred by the Swiss subsidiaries in the previous year, the swing was clear to break-even. In addition, there were no longer the expenses for the winding-up of *Château Classic*, in liquidation that had been in evidence in 2015. However the EBIT development was dampened by the sales gap resulting from changes in the supplier portfolio. The EBIT margin for the segment rose by 1.2 percentage points overall compared with the previous year and reached 4.5%. After eliminating the base effect of *Château Classic*, in liquidation both in the year under review and in the previous year, EBIT would equally be up on the previous year. The corresponding EBIT margin would be 4.6% (previous year: 3.7%).

ROCE for the wholesale segment rose from 11% to 16% as a result of the better earnings.

Distance selling

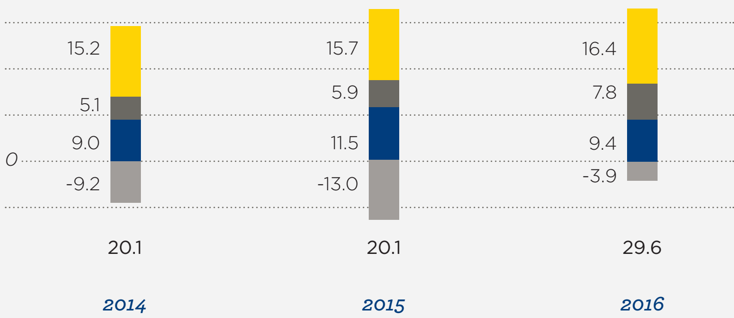
Segment profits from e-commerce – Hawesko.de in transformation process

Sales for the distance-selling operating segment rose by 5.2% to € 162.7 million in 2016. The sales picture for *Hanseatisches Wein- und Sekt-Kontor hawesko.de* showed a slight improvement. More smaller-volume orders were processed. At the other brands, *Wein & Vinos* and *The Wine Company* (distance selling to Sweden) in particular increased their respective sales totals year on year. *Wein & Vinos* conducted even broader-based advertising and achieved sales of € 46.0 million (previous year: € 42.6 million). Sales for *The Wine Company* after conversion into euros increased by 5% compared with the previous year. *Carl Tesdorpf – Weinhandel zu Lübeck* was able to hold sales steady at the previous year's level despite lower deliveries of Bordeaux subscription wines sold in advance.

The measures to acquire new customers were again a success. 205,000 new customers (including 12,000 at *WirWinzer* in the fourth quarter) were acquired (previous year: 179,000). The increase year on year is attributable to the segment-wide expansion of e-commerce activities (figures in each case disregarding the normal annual migration). At 31 December 2016 the distance-selling segment therefore had around 800,000 active customers on its books (of which *WirWinzer* 20,000); 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 710,000).

The special sales channels in the distance-selling segment include gifts business, subscription business and the "Vino Select!" wine club. The sales proceeds from gifts business were down on the previous year because of a decline in the number of orders from both corporate clients and private customers. Sales from gifts mainly in the run-up to Christmas totalled € 3.2 million, compared with € 3.7 million one year earlier. Subscription business relates almost exclusively to top-class Bordeaux wines. These are pre-sold shortly after the harvest and delivered approximately two years later, once the wine has been bottled. In the year under review the distance-selling segment realised sales of € 0.5 million upon shipping of the 2013 vintage (previous year:

EBIT BY SEGMENT (€ MILLION)



- Specialist wine-shop retail
- Wholesale/distribution
- Distance selling
- Costs of the holding company, other, and consolidating items

Rounding differences possible

€ 1.1 million for the 2012 vintage). Sales were therefore below the long-term average. The “Vino Select!” wine club concept generated sales proceeds of € 11.0 million (of which € 1.8 million in Sweden), compared with € 12.1 million in the previous year (of which € 1.5 million in Sweden). Under this concept, each quarter members receive a carefully selected assortment of high-quality wines at a special price.

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 just under € 0.1 million compared with the previous year to € 10.2 million.

The online share of sales for the distance-selling segment again went up, from just under 48% in the previous year to 51% in 2016 (or to 50% after elimination of *WirWinzer*).

The operating result (EBIT) for the segment declined to € 9.4 million in the year under review; a result of € 11.5 million had been achieved in the previous year. The main reasons for the decrease were first and foremost higher investment in digital resources, the restructuring of the Tornesch location at a cost of € 1.5 million and declining average order values. An improvement in customer loyalty at *Wein & Vinos* and *The Wine Company* compared with the previous year lifted profitability and cost efficiency, and to some degree compensated for the reduced EBIT at *Hanseatisches Wein- und Sekt-Kontor hawesko.de*.

ROCE for the distance-selling segment was 19%, compared with 26% in the previous year. The lower year-on-year result was the reason behind the fall.

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. A balanced operating result (EBIT) was achieved in the period under review, compared with € –0.1 million for the previous year.

Holding-company costs

The costs for the holding company and consolidating items in the group declined in 2016 in particular thanks to a net income from personnel matters and totalled € 3.8 million. The prior-year figure, in which an expense arose following the change of control, had been € 12.9 million. A net positive effect of € 2.2 million in the year under review resulted from matters related to the changes in the Board of Management. Net of these effects, personnel and project costs showed an increase that arose along with the holding company assuming new functions in the year under review.

Consolidated net income

The financial result shows a net expense of € 1.3 million (2015: € 1.1 million). There was an expense of € 1.8 million in the year under review (previous year: € 0.6 million) from the subsequent measurement of two financial liabilities at 31 December 2016 according to IAS 39 for two put options in respect of Hawesko Holding AG. The consolidated earnings before taxes for the 2016 financial year came to € 28.3 million, above the prior-year figure of € 19.0 million. The effective tax rate fell from 34.6% in the previous year to 31.4% in the year under review. As a result of the higher earnings before taxes, earnings after taxes grew to € 19.4 million (previous year: € 12.5 million).

The consolidated net income excluding non-controlling interests amounted to € 18.5 million (previous year: € 12.2 million). The adjusted consolidated net income came to € 19.5 million, compared with a figure of € 17.5 million for the previous year.

Earnings per share were € 2.06 (2015: € 1.36). After adjustment, the figure would have been € 2.17; for the previous year it would have been € 1.95 (also adjusted). The figures for both reporting years are based on a total of 8,983,403 shares.

FINANCIAL POSITION

Principles and aims of financial management

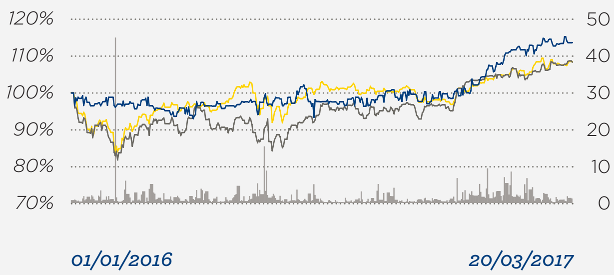
The principles and aims of financial management were explained on page 18 in the section "Management system: strategic growth, rate-of-return and liquidity targets".

Share price development and capital measures

The stock markets began 2016 with a sharp correction. The German leading index DAX, which had ended 2015 on 10,743 points, shed almost 2,000 points by mid-February to touch a year-low of 8,753 points. The ensuing period of market stabilisation was accompanied by some sharp fluctuations. Only after the Brexit vote in the United Kingdom at the end of June did a phase of recovery in share prices worldwide set in, spearheaded by the New York Stock Exchange. The second half of the year initially featured reduced volatility, before the markets entered a bullish phase after the U.S. presidential election. The DAX ended 2016, a year characterised by numerous political and historic changes, on 11,451 points, equivalent to 7% growth. However the benchmark index for German small caps, the SDAX, only managed growth of 3%.

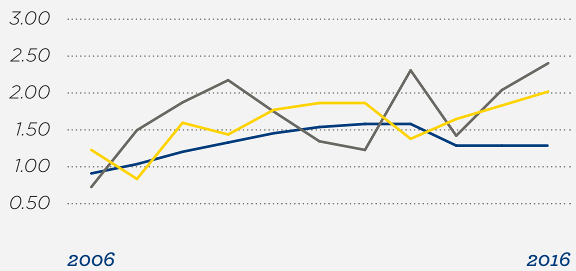
The trading price of the shares of Hawesko Holding started 2016 on € 40.02 (Xetra). Up until December the price remained broadly stable within a corridor of € 40 to € 41. The market then responded with fresh confidence to the group's repositioning following the change of control in 2015 and the share price climbed to a year-high of € 43.3 on the final day of trading in 2016 – a gain of 8.3%. The upward movement in the direction of € 46–47 continued until this Annual Report went to press, representing appreciation of around 16% compared with the opening price for 2016.

PRICE DEVELOPMENT OF THE HAWESKO SHARE/TRADING VOLUMES



- Hawesko share (%)
- DAX price index (%)
- SDAX price index (%)
- Trade volumes on Xetra and regional exchanges *(in thousands, right-hand scale)*

KEY DATA PER SHARE (€)



- Earnings per share *(adjusted)*
- Free cash flow per share *(before investments in growth-related acquisitions)*
- Dividend per share

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 2016. 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 69 individual meetings (previous year: 47) were held with institutional investors and analysts in 2016. A Board of Management member attended 28 (previous year: three) of these meetings. In addition, Hawesko Holding AG gave three (previous year: three) company presentations in Frankfurt am Main 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 banks in 2016, including Bankhaus Lampe, Commerzbank, DZ BANK, GSC Research, M.M.Warburg & CO and Oddo Seydler Research.

Capital structure

The capital requirements of the Hawesko Group comprise the capital expenditure on fixed assets and the financing of operating activities. For these purposes, the group finances itself largely through short-term bank loans, finance leases and the cash flow that it generates from operations. At 31 December 2016 the cash resources of the group comprised cash amounting to € 13.6 million (previous year: € 14.5 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 € 40.0 million, of which € 4.0 million is available seasonally to finance Christmas business. At the reporting date these credit facilities were drawn on to a level of 30% and 27% respectively. There were no non-current liabilities in respect of banks.

The Hawesko Group reported short-term and long-term borrowings amounting to € 11.9 million at 31 December 2016 (previous year: € 13.2 million). Of this total, € 11.1 million (previous year: € 12.0 million) is due within the next twelve months. The long-term and short-term borrowings consist predominantly of bank loans from German banks on the basis of credit agreements. The contractual obligations of Hawesko Holding AG within these have always been met. The existing credit facilities moreover assured adequate cash levels at all times during the year under review. The long-term borrowings included finance lease liabilities of € 0.9 million.

According to internal calculations, the costs of the equity and borrowed capital made available to the group are currently 5.4%. They comprise the weighted costs of the equity capital of 6.3% on the one hand, and of the borrowed capital of 1.4% on the other. In calculating the cost of equity, the basis used is a long-term risk-free interest rate of 0.8% and a risk premium of 6.5% at a beta factor of 0.7.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2016	*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	1.2
TOTAL	**11.1**	**93.3**	**0.9**	**6.7**	**11.9**

Rounding differences are possible

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2015	*Short-term € million*	*Short-term %*	*Long-term € million*	*Long-term %*	*Total € million*
Due to banks	11.6	100.0	–	–	11.6
Finance lease	0.4	25.0	1.2	75.0	1.6
TOTAL	**12.0**	**90.9**	**1.2**	**9.1**	**13.2**

Rounding differences are possible

The long-term loans in the previous year were in respect of the financing of the purchase price of *Wein & Vinos* and were subject to contractual clauses that required specified financial ratios to be met (financial covenants). The Hawesko Group had always met these. The short-term loans are rolling borrowings denominated in Swiss francs, in each case with a maturity of between one and three months. Please refer to the Notes to the consolidated financial statements from page 72 for the terms of the borrowings and details of the finance leases.

In the year under review, net liquidity rose to € 0.5 million. The figure had been € 0.2 million in the previous year.

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

€ million	2016	2015
Due to banks	–10.7	–11.6
+ Finance leases	–1.2	–1.6
+ Provisions for pensions	–1.1	–1.1
= GROSS DEBT OWED	**–13.1**	**–14.3**
+ Cash	13.6	14.5
= NET LIQUIDITY	**0.5**	**0.2**

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

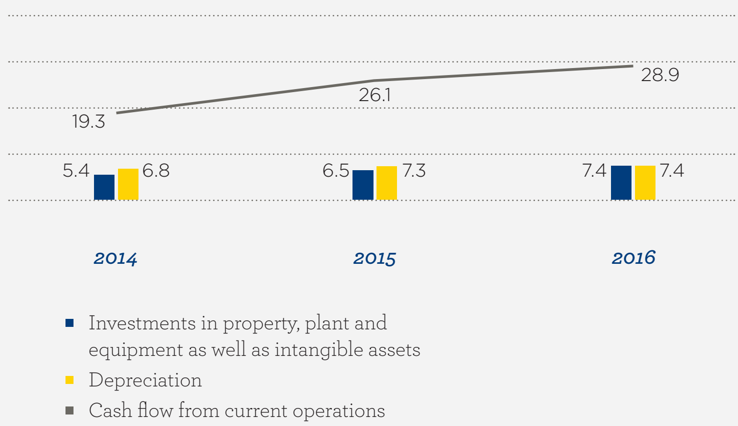
Investment

The Hawesko Group had invested € 7.4 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 6.5 million). In relation to sales, the investment ratio was thus approximately 1.5% (previous year: 1.4%).

The investments in intangible assets came to € 3.5 million (previous year: € 2.5 million) and were attributable to acquired software (including for the modernisation of the online shops and ERP software in distance selling).

Investments in property, plant and equipment in 2016 totalled € 3.9 million (previous year: € 4.0 million). The specialist wine-shop retail segment accounted for just under € 1.7 million of this amount, which was incurred almost entirely in connection with the modernisation of individual locations. Other investments in property, plant and equipment – for replacement and expansion investment – came to just under € 1.1 million in the wholesale segment and to € 0.7 million for distance selling. The miscellaneous segment moreover invested almost € 0.5 million in property, plant and equipment.

INVESTMENTS/DEPRECIATION/CASH FLOW (€ MILLION)



Liquidity analysis

CONSOLIDATED CASH FLOW € million	**2016**	**2015**
Cash flow from current operations	+28.9	+26.1
Cash flow from investing activities	–15.4	–5.8
Cash flow from financing activities	–14.3	–16.8

The consolidated cash flow from current operations rose from € 26.1 million in the previous year to € 28.9 million in the year under review. The positive earning power from operations and a slight dip in working capital pushed up this indicator. One area of activity under the spotlight was reducing inventories in specialist wine-shop retail and wholesale.

The year under review saw the cash flow from investing activities change from a prior-year € –5.8 million to € –15.4 million. The cash flow from investing activities in 2016 exhibited cash outflows for property, plant and equipment and intangible assets of € 7.4 million. The investments in intangible assets in the same year (€ 3.5 million) were mainly in respect of those intended to optimise Internet business. Capital expenditure on property, plant and equipment (€ 3.9 million) mainly comprised the expansion and modernisation of retail outlets in the specialist wine-shop retail segment, as well as group-wide expansion and replacement investment.

The free cash flow (total of cash flows from current operations and investing activities less interest paid), an important performance indicator within the Hawesko Group, fell from € 19.7 million to € 13.1 million. The decrease was the result of the higher cash flows from investing activities. Adding back the items outpayments for acquisition of consolidated companies (€ 5.6 million) and outpayments for the acquisition of other financial assets (€ 2.6 million) results in free cash flow before investments in growth-related acquisitions of € 21.3 million.

The cash flow from financing activities mainly reflected the payment of dividends (€ –11.7 million) as well as the redemption of credit and interest paid.

NET WORTH

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2016		2015	
	€ million	*% of balance sheet total*	*€ million*	*% of balance sheet total*
NON-CURRENT ASSETS				
Intangible assets	39.0	17%	32.1	15%
Property, plant and equipment	20.9	9%	20.9	9%
Investments accounted for using the equity method	3.3	1%	0.6	0%
Other financial assets	0.2	0%	0.2	0%
Deferred tax	2.5	1%	1.8	1%
Other non-current assets	7.5	3%	4.7	2%
	73.4	**32%**	**60.3**	**27%**
CURRENT ASSETS				
Inventories	91.0	39%	91.9	42%
Trade receivables	46.5	20%	45.8	21%
Cash and other current assets	20.4	9%	21.8	10%
	157.9	**68%**	**159.5**	**73%**
BALANCE SHEET TOTAL	**231.3**	**100%**	**219.8**	**100%**

Rounding differences possible

The balance sheet total for the group came to € 231.3 million in 2016 (previous year: € 219.8 million). This represents an increase of 5.2%.

There was a rise in the long-term advance payments for inventories (under “Other”) because higher demand for the 2015 Bordeaux vintage was recorded than for the previous 2014 vintage. The portion of advance payments for the 2014 Bordeaux vintage that was still long-term in 2015 was re-classified as scheduled to the corresponding short-term item because the wines in question will be delivered in the coming twelve months.

Current assets fell from € 159.5 million to € 157.9 million. Inventories of goods were reduced following the scaling-back of inventories in specialist wine-shop retail and whole-sale (including by shedding old inventories of *Château Classic*, in liquidation and rare wines in Switzerland). The accounts receivable from taxes on income declined as the cash was received. On the other hand current advance payments on inventories edged up because demand for the 2014 Bordeaux vintage was slightly higher than for the previous 2013 vintage. Trade receivables climbed from € 45.8 million in the previous year to € 46.5 million, mainly due to orders for Christmas business being received later than in the previous year. The higher investing activities were the reason for a fall in cash.

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES	2016		2015	
	€ million	*% of balance sheet total*	*€ million*	*% of balance sheet total*
SHAREHOLDERS' EQUITY				
Subscribed capital of Hawesko Holding AG	13.7	6%	13.7	6%
Capital reserve	10.1	4%	10.1	5%
Retained earnings	64.1	28%	61.6	28%
Other reserves	–0.2	–0%	–0.2	–0%
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG	**87.7**	**38%**	**85.2**	**39%**
Non-controlling interests	6.7	3%	6.2	3%
	94.4	**41%**	**91.3**	**42%**
LONG-TERM PROVISIONS AND LIABILITIES				
Provisions	1.9	1%	2.9	1%
Borrowings	0.9	0%	1.2	1%
Remaining non-current liabilities and deferred tax liabilities	23.2	10%	18.3	8%
	26.0	**11%**	**22.5**	**10%**
SHORT-TERM LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	0.2	0%	0.1	0%
Borrowings	11.1	5%	12.0	5%
Advances received	5.2	2%	4.9	2%
Trade payables	58.3	25%	62.9	29%
Remaining current liabilities	36.1	16%	26.0	12%
	110.9	**48%**	**106.0**	**48%**
BALANCE SHEET TOTAL	**231.3**	**100%**	**219.8**	**100%**

Rounding differences possible

Consolidated equity amounted to € 94.4 million, compared with € 91.3 million in the previous year. Retained earnings rose to € 64.1 million compared with € 61.6 million at the prior-year reporting date. This was principally the result of the reporting of provisions created from the previous year's unappropriated profit. The equity ratio (prior to distribution) represented 41% of the balance sheet total (previous year: 42%). Non-controlling interests were on a par with the previous year.

The long-term provisions and liabilities amounted to € 26.0 million and were therefore up by € 3.5 million. The remaining non-current liabilities and deferred tax liabilities rose from € 18.3 million at the reporting date for the year to € 23.2 million. This item includes the liability that could arise for the exercise of a put option by the minority interest in *WirWinzer.de*. The advances received for Bordeaux subscriptions increased in the year under review: there was higher demand for the 2015 vintage than for the 2014 vintage, which was reported under this item in the previous year. The decrease in long-term borrowings stems from the scheduled repayment of the bank loans for the acquisition of a majority interest in *Wein & Vinos*, and from the accounting of a warehouse building as a finance lease.

Current liabilities grew by € 4.9 million to € 110.9 million. The remaining current liabilities were up most steeply year on year, in particular as a result of higher VAT liabilities as a consequence of stronger 2016 Christmas business. The portion of advances received from customers for the 2014 Bordeaux vintage that was still non-current in 2015 was transferred to a corresponding current item in 2016 because the wines will be shipped within the next twelve months. The increase reported here was attributable to the differences in quality. On the other hand borrowings decreased from € 12.0 million to € 11.1 million. The trade payables fell compared with the previous year because of lower merchandise orders placed at the end of the year in wholesale.

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 2016. The minimum total for non-discounted future lease and rental payments amounts to € 18.9 million (previous year: € 19.7 million). Obligations amounting to € 1.3 million (31 December 2015: € 1.3 million) from outstanding advances received for subscriptions on the books at 31 December 2016 were settled at the start of 2017.

EMPLOYEES

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

The group employed an average of 940 people in the 2016 financial year, predominantly in Germany; in the previous year the figure was 933. Women make up 52% of the group's workforce (previous year: 47%), and the figure for its management is 23% (previous year: 16%). The proportion of women in the management tier is to be increased to 25% by 30 June 2017.

Qualifications and training

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

The successful recruitment of junior employees starts with offering a diverse range of options for school-leavers. In the year under review, the group had 43 apprentices (previous year: 33). Traineeships are predominantly in commercial vocations such as wholesale or export clerks, or dialogue marketing clerks. Those at the start of their career can also train in information technology and warehouse logistics.

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

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

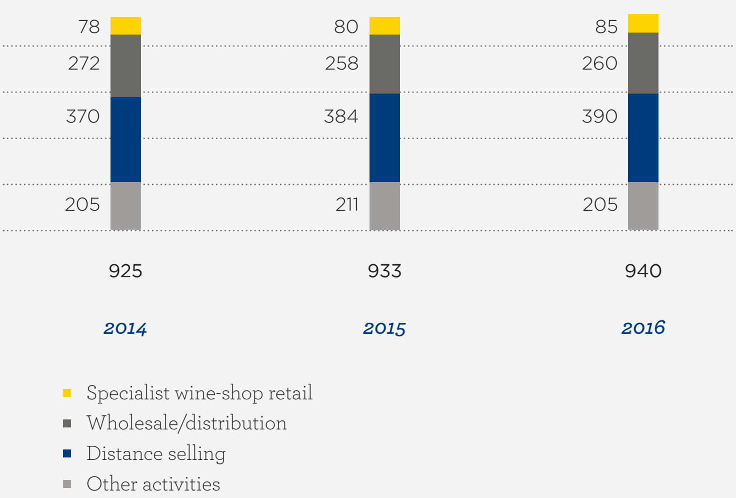
Social responsibility

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

The compatibility of professional and family life is an important concern for the Hawesko Group. The human resources policy also includes giving employees personal advice on the topics maternity leave, parental leave and parental benefit payments. Parents are offered flexible working hours, part-time and home-based work, as well as assistance with the financing of childcare arrangements; events aimed at all the family are also held.

There is a wide range of fringe and welfare benefits available to the Hawesko Group's employees. These include most notably retirement benefit schemes. Hawesko Holding AG is a member of the Pensionskasse des Handels pension fund. Our membership gives all domestic employees of the group access to effective retirement benefit arrangements, including cover for invalidity and surviving dependants. The combination of employer subsidies and individual salary sacrifice makes it possible to contribute directly into a reliable pension fund with no tax and social insurance repercussions. At 31 December 2016, 396 (prior-year reporting date: 396) employees of the group belonged to this pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

EMPLOYEES (ANNUAL AVERAGE)



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. The warehousing and transport logistics equally constitute 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 2016 (2015: 1.4 million). The average spend of those customers during the past year was almost € 213 (previous year: just under € 217) net. The customer base of the wholesale segment comprises around 16,000 customers, 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 befits 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* Group. Integration of the warehouse yields synergy benefits in the form of higher warehouse capacity utilisation and more flexible personnel deployment thanks to scope for combining 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.

ENVIRONMENTAL REPORT

As a trading company, the Hawesko Group does not have any production facilities of its own except at the subsidiary *Gebr. Josef und Matthäus Ziegler GmbH*. To that extent the group has only indirect influence over how effectively the relevant environmental standards are complied with. Within the context of its purchasing activities, the Hawesko Group constantly encourages its suppliers to apply environmentally friendly practices in the cultivation and vinification of their wines. Many suppliers are receptive to this input and have their processes adapted and certified accordingly. The Hawesko Group subsidiaries that deal with such products are certified to DE-ÖKO-006 for the sale of organically grown products.

For the shipment of goods from the producers, fundamentally only carriers using vehicles that comply with the emission category Euro 5 are chosen. Where intermodal solutions are possible – in other words where transport by rail or sea is possible for part of the itinerary – this is the preferred option and efforts are being made to increase the use of such arrangements. The procurement streams of the various purchasing organisations within the group were analysed in the year under review and synergy potential identified. For imports from Italy, *Hanseatisches Wein- und Sekt-Kontor* and *CWD Champagner und Wein-Distributionsgesellschaft* use rail wagons to transport road vehicles and now carry around 50% of the input volume by that method. Both *Wein & Vinos* and *Jacques' Wein-Depot* use this method of transport for imports from Spain and Portugal. The rail and sea route leads to much lower CO_2 emissions than transport by truck.

Measures to save energy have been and are being realised at the administrative offices in Tornesch and in Düsseldorf; the emphasis is on seeking to use resources more intelligently. In both the previous year and the year under review the energy audit to EDL-G-2016 was carried out for the group's subsidiaries, resulting in the renewal of the energy certificates for all buildings in accordance with EnEV 2016. There is a sustainability officer at Tornesch. Whenever possible environmentally friendly consumables and recycled products are used both there and at Düsseldorf. When office workstations are fitted out, exclusively state-of-the-art PCs and monitors are selected because of their significantly lower power consumption than older equipment.

For direct mail advertising, the addresses for each mail shot are chosen using intelligent selection principles. This renders the mail shots more efficient and equally cuts consumption of paper and energy. Such an approach also makes it possible to plan print runs more accurately, avoiding waste at the printers. Paper that is recycled or manufactured according to Forest Stewardship Council (FSC) standards is used for advertising media for the specialist wine-shop retail and substantially also for the wholesale segment. The direct mail shots of *CWD Champagner- und Wein-Distributionsgesellschaft* have been CO_2-neutral since 2012.

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

Lighting systems with particularly high energy consumption are being replaced with energy-optimised lighting concepts at individual *Jacques' Wein-Depot* outlets. In addition, for a number of years, every *Jacques' Wein-Depot* shop has been collecting wine corks for recycling. *Jacques'* is the only nationwide network of specialist wine retail outlets in Germany to offer this service.

The group's climate-controlled logistics centre is located at Tornesch and prepares consignments for the wholesale and distance-selling segments. An intelligent building control system optimises energy use. Thanks to improved warehouse management, goods that do not need to be kept cool are stored in corresponding zones of the high-bay warehouse. Further improvements were also carried out in the year under review: all electricity and gas bought by the holding company is now pooled and put out to tender via direct marketers.

By way of a further improvement, for Christmas 2016 business mixed orders of standard and gift orders were grouped together as single shipping units. As a result it was possible to eliminate at least one shipping case for such orders. This was achieved by adjusting the order planning procedure and making a slight modification to the shipping cases themselves. Thanks to the closer meshing of activities across the group, this and similar innovations will also be rolled out at *Wein Wolf*, *Wein & Vinos* and *Jacques'*. The chosen logistics providers Hermes Logistik, DHL Freight and UPS are in turn realising their own environmentally compatible processes and are accredited to DIN 14001 (environmental management systems).

REPORT ON POST-BALANCE SHEET DATE EVENTS

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.

With effect from 1 January 2017, Hawesko Holding AG acquired a 51% interest in Geisenheim-based *WeinArt Handelsgesellschaft mbH*. This company, along with its 75% subsidiary *Grand Cru Select Weinhandelsgesellschaft mbH* in Rüdesheim, specialises in the trading of wines of the highest quality grade.

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

The global economy is experiencing a tentative upswing and, according to the International Monetary Fund (IMF), will grow by 3.1% in 2017. The German government is rather more optimistic and is assuming growth approaching 3.3%. While the economic outlook for commodity-exporting (emerging) countries looks brighter now that commodity prices are picking up, there is little evidence of extra momentum for an economic recovery in developed countries as a whole. Within the forecasts, the future development of the United States represents the biggest source of uncertainty: it is not yet possible to identify a clear economic policy stance of the new U.S. administration under President Donald Trump. The IMF expects to see more vigorous fiscal stimulus packages and has correspondingly upped its forecast for 2017 slightly to 2.3%. The same is true of Germany, Japan, Spain and the United Kingdom: expectations for these countries, too, have recently been revised upwards slightly. Overall, the IMF expects industrial nations to achieve growth of 1.9% in 2017, compared with 1.6% in the previous year. The IMF nevertheless believes that economic development in the eurozone as a whole will again remain very tentative in 2017, because a slight decline in growth is expected in almost all important euro countries and the United Kingdom. This contrasts with the German government's more optimistic outlook for Germany, which envisages the healthy economic situation continuing. Although it, too, on balance expects a slower rise in price-adjusted gross domestic product of 1.4%, this slight drop is mainly attributable to calendar effects. Above all the underlying consumer situation remains favourable. That is because the continuing positive development of the labour market is driving up incomes, coupled with steadily low inflation in consumer prices. In addition, the healthy state of public budgets will again pave the way for increased public expenditure that will encourage consumption and investment in 2017. Furthermore, investment spending on equipment should increase on the back of growing export demand and slightly above-average capacity utilisation. On the other hand still-tentative world trade and growing protectionist currents mean the risks to foreign trade should not be overlooked.

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 2017 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 2017 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 2017 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, and 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. It expects the group to achieve approximately 5% sales growth in the 2017 financial year. Specialist wine-shop retail (*Jacques'*) should grow by around 3–4% compared with the previous year, distance selling by some 5% and wholesale by 6–7%. The latter two growth targets take account of the acquisitions *WirWinzer* and *WeinArt* respectively.

Group EBIT is expected to be just above € 30 million in 2017, corresponding to an EBIT margin of around 6% (2016: 6.2%; adjusted 6.1%). For specialist wine-shop retail, an EBIT margin of approx. 10–11% (2016: 11.2%) is the target, with distance selling expected to achieve an EBIT margin in the range of 7% (2016: 5.8%) and wholesale a figure of 4–5% (2016: 4.5%).

The financial result forecast by the Board of Management shows a net expense in the order of € 1.0–1.5 million (2016: € 1.3 million). The profit due to non-controlling interests is anticipated to be in the range of € 0.5–1.0 million (2016: € 0.9 million). The consolidated net income after taxes and non-controlling interests is expected to come in at around € 19–20 million (2016: € 18.5 million). The Board of Management anticipates a free cash flow for 2017 of around € 16–18 million, compared with € 13.1 million in 2016, and a ROCE in the order the previous year (21%). 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 liquidity at 31 December 2016 was € 0.5 million. The company's plans envisage again showing net liquidity on the 2017 reporting date.

Capital expenditure on property, plant and equipment and intangible assets in the 2017 financial year is likely to reach the level of 2016 (€ 7.4 million). Alongside the planned investment spending on 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.

Further long-term investments or acquisitions are not included in the year's planning 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 further acquisitions.

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 now 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 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 on page 46.

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 diagram below. The losses stated are a net view of the impact on EBIT.

Public debate on alcohol and advertising bans or restrictions

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

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

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

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.

Litigation risk from Château Classic, in liquidation

Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation has received a compensation claim based on the termination of an agency agreement. The person in question is demanding compensation. The company rejects the claim as a whole.

The risk from the *litigation risk from Château Classic*, in liquidation is classified as an A risk with a high probability.

Public debate on duty on alcohol

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

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

Management risks and personnel risks

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

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

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

Data protection as well as protection of data against unlawful actions

All statutory requirements under the Federal Data Protection Act were adopted by the Hawesko Group and implemented in its business operations. The Hawesko specialist wine-shop retail and distance-selling segments each acquire a considerable portion of their new customers by methods covered by the “list privilege”, but have equally for many years been committed to the responsible use of customer data that goes beyond the statutory requirements. Core aspects include regular training for employees on the Federal Data Protection Act, a tighter user rights concept, the logging of all access to personal data and the ban on storing customer data on mass storage media. In addition there is regular optimisation of the internal processes (including with 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 2017 considering the prevailing economic environment. Broadly, 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 2016. 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. 10–50%).

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 289 (4) AND 315 (4) 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.

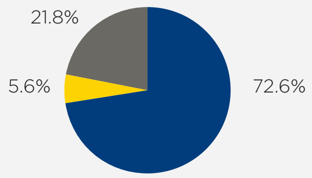
No control or profit transfer agreement exists between Hawesko Holding AG and Tocos Beteiligung GmbH. The Board of Management of Hawesko Holding AG has therefore issued a dependency report on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act. At the end of the report, the Board of Management has made the following declaration: "No events requiring mention occurred during the reporting period from 1 January to 31 December 2016."

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 2016 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 31 May 2018 to increase the capital stock by up to a total of € 6,850,000.00, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act exists. An amendment to the articles of incorporation requires a shareholders' resolution carried by at least three-quarters of the capital stock represented.

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

SHAREHOLDER STRUCTURE



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

Following the change of control in 2015, Detlev Meyer is 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. “Business model of the group”, page 16).

MANAGEMENT AND CONTROL

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

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

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

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

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

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

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

Pursuant to Section 289a of German Commercial Code, publicly listed companies are to prepare a corporate governance declaration and incorporate it into their management report as a separate section. It may also be made publicly accessible on the company's website. This declaration, which contains the declaration pursuant to Section 161 of the German Stock Corporation Act as well as relevant disclosures on corporate management practices implemented over and above the statutory requirements, a description of the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of their committees, is published in the Annual Report (pages 135–138) 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 2016, 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 2016 is shown in the following tables:

BENEFITS GRANTED € '000	*Thorsten Hermelink* *Chairman*				*Alexander Borwitzky* *Member*			
	2015	**2016**	*Min*	*Max*	**2015**	**2016**	*Min*	*Max*
Fixed remuneration	38	450	450	450	240	240	240	240
Fringe benefits	1	12	12	12	8	11	11	11
TOTAL	**39**	**462**	**462**	**462**	**248**	**251**	**251**	**251**
One-year variable remuneration	–	–	–	–	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION								
for financial years 2015–2017	–	300	0	450	120	160	0	260
TOTAL	**39**	**762**	**0**	**450**	**368**	**411**	**0**	**260**
Benefit expense	–	–	–	–	–	–	–	–
TOTAL REMUNERATION	**39**	**762**	**462**	**912**	**368**	**411**	**251**	**511**

BENEFITS GRANTED € '000	*Nikolas von Haugwitz Member*			
	2015	**2016**	*Min*	*Max*
Fixed remuneration	240	240	240	240
Fringe benefits	16	16	16	16
TOTAL	**256**	**256**	**256**	**256**
One-year variable remuneration	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION				
for financial years 2015–2017	120	160	0	260
TOTAL	**376**	**416**	**0**	**260**
Benefit expense	5	5	–	–
GESAMTVERGÜTUNG	**381**	**421**	**256**	**516**

BENEFITS GRANTED € '000	*Bernd G Siebdrat Member*				*Ulrich Zimmermann Chief Financial Officer Leave of absence from 31/07/2016*			
	2015	**2016**	*Min*	*Max*	**2015**	**2016**	*Min*	*Max*
Fixed remuneration	480	480	480	480	300	848[1]	848	848
Fringe benefits	11	11	11	11	17	13	13	13
TOTAL	**491**	**491**	**491**	**491**	**317**	**861**	**861**	**861**
One-year variable remuneration	–	–	–	–	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION								
for financial years 2013–2015	–	320	0	480	–	–	0	300
TOTAL	**491**	**811**	**0**	**480**	**317**	**861**	**0**	**300**
Benefit expense	2	2	–	–	10	10	–	–
TOTAL REMUNERATION	**492**	**812**	**491**	**971**	**327**	**871**	**861**	**1,161**

[1] *inclusive of all components of the severance agreement (especially the fixed portion of € 300k relating to FY 2016 and 2017)*

BENEFITS PAID € '000	*Thorsten Hermelink* *Chairman*		*Alexander Borwitzky* *Member*		*Nikolas von Haugwitz* *Member*	
	2015	**2016**	**2015**	**2016**	**2015**	**2016**
Fixed remuneration	38	450	240	240	240	240
Fringe benefits (e.g. car)	1	12	8	11	16	16
TOTAL	**39**	**462**	**248**	**251**	**256**	**256**
One-year variable remuneration	–	–	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION						
for financial years 2015–2017	–	–	–	120	114	120
TOTAL	**39**	**462**	**248**	**371**	**370**	**376**
Benefit expense	–	–	–	–	5	5
TOTAL REMUNERATION	**39**	**462**	**248**	**371**	**375**	**381**

BENEFITS PAID € '000	*Bernd G Siebdrat* *Member*		*Ulrich Zimmermann* *Chief Financial Officer* *Leave of absence from* *31/07/2016*	
	2015	**2016**	**2015**	**2016**
Fixed remuneration	480	480	300	440
Fringe benefits (e.g. car)	11	11	17	13
TOTAL	**491**	**491**	**317**	**453**
One-year variable remuneration	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION				
for financial years 2013–2015	60	–	–	–
TOTAL	**551**	**491**	**317**	**453**
Benefit expense	2	2	10	10
TOTAL REMUNERATION	**552**	**492**	**327**	**463**

Rounding differences possible

The former Board of Management member Bernd Hoolmans receives a retirement pension; he was also assured an invalidity allowance. A provision totalling € 270 thousand (previous year: € 259 thousand) was recognised for this commitment at 31 December 2016. 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 his post on 1 March 2017 and therefore drew no remuneration in the year under review.

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 2016 is shown in the following table:

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Detlev Meyer	35	8	29	–	72
Prof Dr-Ing Wolfgang Reitzle	26	6	11	–	43
Thomas R Fischer	17	4	14	–	35
Gunnar Heinemann	17	4	11	–	32
Prof Dr Dr Dres hc Franz Jürgen Säcker	17	4	11	–	32
Kim-Eva Wempe	17	4	7	–	28
TOTAL	**129**	**30**	**83**	**–**	**242**

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

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

OVERVIEW OF THE 2016 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 2016 acc. to German Commercial Code

€ '000	2016	2015
Other operating income	8,139	3,316
Personnel expenses		
a) Salaries	–4,698	–9,974
b) Social security and other employee benefits	–264	–160
Depreciation/amortisation of intangible fixed assets and of property, plant and equipment	–84	–30
Other operating expenses	–3,993	–9,701
Income from profit transfers	21,365	23,473
Investment income	3,347	7,014
Other interest and similar income	790	906
Expenses from losses absorbed	–152	–335
Interest and similar expenses	–325	–509
Income tax expense	–5,123	–4,413
EARNINGS AFTER TAXES	**19,002**	**9,587**
Other taxes	–2	–2
NET INCOME	**19,000**	**9,585**
Profit carryforward from previous year	72	366
Appropriation to other retained earnings	–6,500	–
Withdrawal from other retained earnings	–	1,800
ACCUMULATED PROFIT	**12,572**	**11,751**

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

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

Non-recurring amounts arose in both the year under review and the previous year: in the year under review 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). In the previous year, as well as the creation of the above provision for personnel there were two substantial charges from the debt waiver in respect of the subsidiaries *Globalwine AG* and *Château Classic – Le Monde des Grands Bordeaux SARL*, in liquidation.

The expenses from losses absorbed relate entirely to the loss absorbed for *IWL Internationale Wein-Logistik GmbH*.

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

The net income for the year is € 19.0 million, compared with € 9.6 million in the previous year. The forecast made at the start of the reporting period was therefore achieved.

After addition of the profit carryforward from the previous year as well as a withdrawal from the other retained earnings, the company reports an unappropriated profit of € 12.6 million (previous year: € 11.8 million).

With regard to use of the unappropriated profit for 2016, 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

ASSETS € '000	**31/12/2016**	**31/12/2015**
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	36	36
PROPERTY, PLANT AND EQUIPMENT		
Land, equivalent rights and buildings, including buildings on third-party land	13	8
Other fixtures and fittings, tools and equipment	180	49
FINANCIAL ASSETS		
Shares in affiliated companies	104,994	100,115
Advance payments on shares in affiliated companies	–	–
Other loans	–	44
	105,224	**100,252**
CURRENT ASSETS		
RECEIVABLES AND OTHER ASSETS		
Due from affiliated companies	69,991	64,903
Other assets	2,612	3,603
BANK ACCOUNTS IN CREDIT	6,602	7,955
	79,205	**76,460**
PREPAID EXPENSES	61	52
	184,489	**176,764**

Rounding differences possible

The assets at the reporting date total € 184.5 million (previous year: € 176.8 million) and are made up predominantly of financial assets in the amount of € 105.0 million (previous year: € 100.2 million) along with receivables from affiliated companies in the amount of € 70.0 million (previous year: € 64.9 million). The financial assets represent 57% of the balance sheet total.

SHAREHOLDERS' EQUITY AND LIABILITIES € '000	31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other retained earnings	67,438	60,938
Accumulated profit	12,572	11,751
	157,786	**150,465**
PROVISIONS		
Provisions for taxation	188	–
Other provisions	2,948	8,282
	3,136	**8,282**
LIABILITIES		
Due to banks	10,713	11,622
Trade payables	177	280
Due to affiliated companies	2,080	1,508
Other liabilities	9,705	2,900
	22,675	**16,310**
DEFERRED TAX LIABILITIES	891	1,706
	184,489	**176,764**

Rounding differences possible

The equity and liabilities side of the balance sheet comprises € 157.8 million in equity (prior-year reporting date: € 150.5 million), liabilities of € 22.7 million (prior-year reporting date: € 16.3 million) as well as provisions and deferred income of € 4.0 million (prior-year reporting date: € 10.0 million).

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. Steering of the group by the Board of Management is conducted on the basis of the net income for the year. For the 2017 financial year, it anticipates that this can be increased slightly compared with 2016 (€ 19.0 million).

PLANNED CAPITAL EXPENDITURE BY HAWESKO HOLDING AG

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

CORPORATE GOVERNANCE DECLARATION

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

FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2016 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2016

€ '000	*Notes*	2016	2015
SALES REVENUES	9	**480,930**	**476,750**
Increase/decrease in finished goods inventories		207	332
Other production for own assets capitalised		485	569
Other operating income	10	24,799	23,443
Cost of purchased goods		–276,487	–278,306
Personnel expenses	11	–56,391	–59,389
Depreciation/amortisation and impairment	12	–7,404	–7,280
Other operating expenses	13	–136,468	–135,934
Other taxes		–52	–53
RESULT FROM OPERATIONS		**29,619**	**20,132**
Interest income	14	72	75
Interest expense	14	–515	–790
Other financial result	14	–1,770	–577
Investment income	14	918	200
EARNINGS BEFORE TAXES		**28,324**	**19,040**
Taxes on income	15	–8,893	–6,586
CONSOLIDATED NET INCOME		**19,431**	**12,454**
of which attributable			
– to the shareholders of Hawesko Holding AG		18,542	12,215
– to non-controlling interests		889	239
Earnings per share (basic = diluted) (€)	16	2.06	1.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2016

€ '000	2016	2015
CONSOLIDATED NET INCOME	**19,431**	**12,454**
AMOUNTS THAT CANNOT BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE	**–61**	**–25**
– Actuarial gains and losses from defined benefit plans, including deferred tax	–61	–25
AMOUNTS THAT MAY BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE	**39**	**215**
– Effective portion of the gains/losses from cash flow hedges, including deferred tax	23	10
– Currency translation differences	16	205
OTHER RESULT	**–22**	**190**
TOTAL COMPREHENSIVE INCOME	**19,409**	**12,644**
of which attributable		
– to the shareholders of Hawesko Holding AG	18,524	12,179
– to non-controlling interests	885	465

CONSOLIDATED BALANCE SHEET

at 31 December 2016 (IFRS)

ASSETS € '000	*Notes*	31/12/2016	31/12/2015
NON-CURRENT ASSETS			
Intangible assets	17	39,049	32,070
Property, plant and equipment	18	20,854	20,928
Investments accounted for using the equity method	7	3,263	620
Other financial assets	19	160	229
Advance payments for inventories	21	6,346	3,505
Receivables and other assets	22	1,177	1,175
Deferred tax	20	2,506	1,782
		73,355	**60,309**
CURRENT ASSETS			
Inventories	21	91,026	91,910
Trade receivables	22	46,520	45,812
Receivables and other assets	22	3,976	3,550
Accounts receivable from taxes on income	22	2,830	3,780
Cash in banking accounts and cash on hand	23	13,581	14,459
		157,933	**159,511**
		231,288	**219,820**

SHAREHOLDERS' EQUITY AND LIABILITIES € '000	*Notes*	31/12/2016	31/12/2015
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	*24*	13,709	13,709
Capital reserve	*25*	10,061	10,061
Retained earnings	*26*	64,111	61,554
Other reserves	*27*	–186	–168
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG		**87,695**	**85,156**
Non-controlling interests	*28*	6,699	6,166
		94,394	**91,322**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	*29*	1,129	1,090
Other long-term provisions	*30*	799	1,842
Borrowings	*31*	868	1,229
Advances received	*32*	3,873	2,742
Sundry liabilities	*33*	1	1
Other financial liabilities	*32*	17,066	14,936
Deferred tax	*34*	2,280	668
		26,016	**22,508**
SHORT-TERM LIABILITIES			
Minority interest in the capital of unincorporated subsidiaries	*32*	163	116
Borrowings	*31*	11,074	11,986
Advances received	*32*	5,227	4,930
Trade payables	*32*	58,298	62,933
Income taxes payable	*32*	1,543	699
Sundry liabilities	*33*	34,543	25,263
Other financial liabilities	*35*	30	63
		110,878	**105,990**
		231,288	**219,820**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2016

	€ '000	*Notes*	2016	2015
	Earnings before taxes	40	28,324	19,040
+	Depreciation and amortisation of fixed assets		7,404	7,280
+/–	Other non-cash expenses and income		–918	–
+	Interest result	40	2,213	1,292
+/–	Result from the disposal of fixed assets		–70	–49
+/–	Result from companies reported using the equity method		–	–200
+/–	Dividend payments received from distributions by investments		344	51
+/–	Change in inventories		–2,060	2,436
+/–	Change in receivables and other assets		–3,787	–1,106
+/–	Change in provisions		–1,079	437
+/–	Change in liabilities (excluding borrowings)		6,838	4,803
–	Taxes on income paid out	40	–8,357	–7,934
=	NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS		**28,852**	**26,050**
–	Outpayments for acquisition of consolidated companies exluding net-cash position acquired		–5,571	–
–	Outpayments for property, plant and equipment and for intangible assets		–7,372	–6,491
–	Outpayments for the acquisition of other financial assets		–2,643	–
+	Inpayments from the disposal of intangible assets and property, plant and equipment		141	737
+	Inpayments from the disposal of financial assets		44	2
=	NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES		**–15,401**	**–5,752**
–	Outpayments for dividend		–11,678	–11,678
–	Outpayments to non-controlling interests		–968	–758
–	Payments of finance lease liabilities		–78	–381
+	Change in short-term borrowings		–1,191	1,399
–	Repayments of medium and long-term borrowings		–	–4,750
+	Interest received		71	34
–	Interest paid	40	–472	–678
=	OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES		**–14,316**	**–16,812**
	Effects of exchange rate changes on cash (up to 3 months to maturity)		–13	115
=	NET DECREASE/INCREASE OF FUNDS		**–878**	**3,601**
+	Funds at start of period		14,459	10,858
=	FUNDS AT END OF PERIOD	40	**13,581**	**14,459**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2014 to 31 December 2015

€ '000	Subscribed capital	Capital reserve	Retained earnings	Other reserves: Balancing item from currency translation	Other reserves: Revaluation component for retirement benefit obligations	Other reserves: Reserve for cash flow hedge	Ownership interest of Hawesko Holding AG shareholders	Minority interest	Shareholders' equity
31/12/2014	**13,709**	**10,061**	**61,017**	**36**	**–112**	**–56**	**84,655**	**6,459**	**91,114**
Dividends	–	–	–11,678	–	–	–	–11,678	–758	–12,436
Consolidated net income	–	–	12,215	–	–	–	12,215	239	12,454
Other result	–	–	–	–21	–36	14	–43	226	183
Deferred tax on other result	–	–	–	–	11	–4	7	–	7
31/12/2015	**13,709**	**10,061**	**61,554**	**15**	**–137**	**–46**	**85,156**	**6,166**	**91,322**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2015 to 31 December 2016

€ '000	Subscribed capital	Capital reserve	Retained earnings	Other reserves: Balancing item from currency translation	Other reserves: Revaluation component for retirement benefit obligations	Other reserves: Reserve for cash flow hedge	Ownership interest of Hawesko Holding AG shareholders	Minority interest	Shareholders' equity
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**

NOTES

to the Consolidated Financial Statements of Hawesko Holding Aktiengesellschaft for the 2016 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: specialist wine-shop retail, wholesale and distance selling.

1. GENERAL PRINCIPLES

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

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

The annual financial statements of the consolidated companies are based on standard recognition and measurement principles. For greater clarity, certain items in the statement of income and balance sheet are combined; they are explained in the Notes. The standard reporting date for all group companies is 31 December 2016.

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 29 March 2017.

The audited combined management report and the annual financial statements at 31 December 2016 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 IFRS 10, IFRS 12 and IAS 28 "Investment Entities – Applying the Consolidation Exception" (for adoption from 1 January 2016, endorsed on 22 September 2016)
- Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations" (for adoption from 1 January 2016, endorsed on 24 November 2015)
- Amendments to IAS 1 "Presentation of Financial Statements – Disclosure Initiative" (for adoption from 1 January 2016, endorsed on 18 December 2015)
- Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortisation" (for adoption from 1 January 2016, endorsed on 2 December 2015)
- Amendments to IAS 19 "Defined Benefit Plans – Employee Contributions" (for adoption from 1 February 2015, endorsed on 17 December 2014)
- Amendments to IAS 27 "Equity Method in Separate Financial Statements" (for adoption from 1 January 2016, endorsed on 18 December 2015)
- Amendments to IAS 16 and IAS 41 "Agriculture – Bearer Plants" (for adoption from 1 January 2016, endorsed on 23 November 2015)
- Annual Improvements 2010–2012 (for adoption from 1 February 2015, endorsed on 17 December 2014)
- Annual Improvements 2012–2014 (for adoption from 1 January 2016, endorsed on 15 December 2015)

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 2016 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 2016:

- IFRS 9 "Financial Instruments" (for adoption from 1 January 2018, endorsed on 22 November 2016)
- IFRS 15 "Revenue from Contracts with Customers" (for adoption from 1 January 2018, endorsed on 22 September 2016)
- Amendments to IAS 7 "Disclosure Initiative" (for adoption from 1 January 2017, not yet endorsed)
- Amendments to IAS 12 "Deferred Tax – Recognition of Deferred Tax Assets for Unrealised Losses" (for adoption from 1 January 2017, not yet endorsed)
- Annual Improvements 2014–2016 "Amendments to IFRS 12" (for adoption from 1 January 2017, not yet endorsed)
- Annual Improvements 2014–2016 "Amendments to IFRS 1 and IAS 28" (for adoption from 1 January 2018, not yet endorsed)
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions" (for adoption from 1 January 2018, not yet endorsed)
- Amendments to IFRS 4 "Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts" (for adoption from 1 January 2018, not yet endorsed)
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (for adoption from 1 January 2018, not yet endorsed)

- 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)
- IFRS 16 “Leases” (for adoption from 1 January 2019, not yet endorsed)
- IFRS 14 “Regulatory Deferral Accounts” (not yet endorsed)
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (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. However we do not expect the adoption of IFRS 15 from 2018 to bring about any material changes compared with the previous practice for sales proceeds under IAS 18. Returns have only a minimal effect and bonus programmes are already taken into consideration under IAS 18 as reductions in sales proceeds for anticipated use by customers.

We do not expect the adoption of IFRS 16 from 2018 to have any material impact on earnings; there will however be reporting changes within intangible assets (rights and obligations from the lease agreements) as well as within the lease obligations 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 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.

Other loans are measured at amortised cost.

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

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

Financial liabilities are measured at fair value upon initial recognition.

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

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

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

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

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

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

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

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

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

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

Sales revenues and other operating income are shown at the time the service is rendered, provided the level of the income can be determined reliably and the economic benefit is likely to be accrued. Rendering of the service in the case of the sale of merchandise to customers has taken place if economic ownership has 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 carry-forwards 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 € 17,627 thousand at 31 December 2016 (previous year: € 14,555 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 € 1,152 thousand at 31 December 2016 (previous year: € 1,621 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 € 688 thousand at 31 December 2016 (previous year: € 726 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 € 1,129 thousand at 31 December 2016 (previous year: € 1,090 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 € 4,210 thousand at 31 December 2016 (previous year: € 4,045 thousand).

The other long-term financial liabilities include a total of € 16,471 thousand (previous year: € 10,742 thousand) for the put option of the minority interest in two participations. The carrying amounts of these put options are € 12,473 thousand (previous year: € 10,742 thousand) for the minority interest in *Wein & Vinos GmbH* and € 3,998 thousand (previous year: n/a) for the minority interest in *WirWinzer GmbH*. The measurement of both put options is based, among other things, on the expected EBIT for 2017 and for subsequent years for *WirWinzer GmbH*. Since 2016 it has been possible to exercise the option for the minority interest in *Wein & Vinos GmbH* annually.

CONSOLIDATED COMPANIES

7. CONSOLIDATED COMPANIES

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 24 (previous year: 23) domestic and foreign companies, as well as two foreign joint ventures (2015: one domestic joint venture and its foreign subsidiary), in which Hawesko Holding AG directly or indirectly held a majority of voting rights in 2016 or over which it exercised joint control.

FULLY CONSOLIDATED SUBSIDIARIES	*Registered office*	*Segment*	*Shareholding %*
Alexander Baron von Essen Weinhandelsgesellschaft mbH	Bonn	Wholesale	100.0
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	Tornesch	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 (en liquidation)	Bordeaux (France)	Wholesale	90.0
Sélection de Bordeaux SARL	Strasbourg (France)	Wholesale	100.0
Wein Wolf Holding GmbH, formerly: *Wein Wolf Holding GmbH & Co. KG*	Bonn	Wholesale	100.0
Global Eastern Wine Holding GmbH	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	Wholesale	100.0
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	Wholesale	100.0
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	Wholesale	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Jacques' Wein-Depot Weinhandelsgesellschaft mbH	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	97.5
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
WirWinzer GmbH	Munich	Distance selling	65.7
IWL Internationale Wein Logistik GmbH	Tornesch	Miscellaneous	100.0
Wine Dock GmbH, formerly: *Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.*	Hamburg	Miscellaneous	100.0

With effect from 1 January 2016 *Weinlet.de GmbH* was merged with *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*.

Global Wines, s.r.o., Prague (Czech Republic), and *Global Spirits, s.r.o.*, Prague (Czech Republic) – both sister companies – are classified as joint ventures pursuant to IFRS 11, accounted for using the equity method and reported under the balance sheet item "Investments accounted for using the equity method": In the previous year *Global Eastern Wine Holding GmbH*, Bonn, as well as its subsidiary *Global Wines, s.r.o.*, Prague (Czech Republic), was reported under this item as a joint venture.

	31/12/2016	31/12/2015
Carrying amount € '000	3,263	620
Share of capital in %	47.5	50.0

Both joint ventures come under the wholesale segment and are partners for the sale of wines in the Czech Republic.

The following tables show the aggregated key figures for the joint ventures included in the consolidated financial statements using the equity method, on the basis of the 47.5% ownership interest (previous year: including their shareholder *Global Eastern Wine Holding GmbH*, on the basis of a 50.0% ownership interest).

SHARE OF ASSETS AND DEBTS € '000	31/12/2016	31/12/2015
Non-current assets	207	19
Current assets	4,459	1,869
ASSETS	**4,666**	**1,888**
Shareholders' equity	1,796	856
Short-term provisions and liabilities	2,870	1,032
EQUITY AND LIABILITIES	**4,666**	**1,888**

SHARE OF INCOME AND EXPENSES € '000	2016	2015
Sales revenues	8,939	2,974
Other operating income	297	132
Cost of materials	−7,340	−2,043
Personnel expenses	−595	−252
Depreciation and amortisation	−23	−6
Other operating expenses	−608	−429
OPERATING RESULT	**670**	**376**
Interest income	2	3
Interest expense	−1	–
RESULT FROM ORDINARY ACTIVITIES	**671**	**379**
Taxes on income	−132	−76
NET INCOME	**539**	**303**

Distributions of € 335 thousand (previous year: € 51 thousand) were received in the year under review.

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

NON-CONSOLIDATED SUBSIDIARIES	Registered office	Shareholding %	Capital € '000	2016 net earnings € '000
Wein Wolf Import GmbH	Bonn	100.0	40	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	35	–1
Weinland Ariane Abayan Verwaltungsgesellschaft mbH	Hamburg	100.0	29	0
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	100.0	63	6
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	41	1
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	90.0	34	1

8. MATERIAL CHANGES IN CONSOLIDATION

By notarised deed dated 22 September 2016 and with financial effect from 1 October 2016, Hawesko Holding AG acquired 65.67% of the shares of *WirWinzer GmbH* (formerly: E-Commerce Werke GmbH) with registered office in Munich. *WirWinzer GmbH* is an innovative, dynamically growing Internet marketplace for German wines; it offers its customers access to a range of over 10,000 wines from Germany and – in the spirit of a genuine marketplace – direct contact with the winemakers. *WirWinzer GmbH* comes under the distance-selling segment.

The acquisition costs for the shares came to € 4,706 thousand. The purchase price was paid in two tranches in the year under review. On the basis of the interim financial statements at 30 September 2016, a subsequent purchase price payment of € 263 thousand was made on 29 December 2016. The entire purchase price was paid without the raising of any credit with maturities beyond the reporting date.

Following on from the acquisition, receivables with a fair value of € 144 thousand and credit balances with banks amounting to € 715 thousand were recognised.

The carrying amount of the non-controlling interests (34.4% of the shares of *WirWinzer GmbH*) is measured at the date of acquisition as a minority interest in the acquired assets and debts (purchase method) and totals € 1,056 thousand.

Thanks to its focus on a modern online platform and the intelligent way in which it involves young, innovative German winemakers, *WirWinzer GmbH* is an important strategic addition for the Hawesko Group. This potential is reflected in the derivative goodwill.

WirWinzer GmbH was first included in the consolidated financial statements with effect from 1 October 2016. Consolidated sales increased by € 1,575 thousand through the acquisition. The company posted a net loss (before taxes on income) in the final quarter of 2016 (period of inclusion in the group) of € 114 thousand.

If the acquisition had already taken place at the start of the year under review, *WirWinzer GmbH* would have been included in the consolidated financial statements with sales revenues of approx. € 4,092 thousand and a net loss before taxes and purchase price allocation effects of € 700 thousand.

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	3,924
Property, plant and equipment	3
Inventories	103
Receivables and other assets	144
Cash on hand	715
Trade payables	–345
Other liabilities	–174
	4,370
Deferred taxes on intangible assets	–1,294
NET ASSETS EXCL. DIFFERENCES	**3,076**
of which 65.67% acquired	2,020
DERIVATIVE GOODWILL	**2,686**
Acquisition costs (of which € 4,706 thousand paid in cash)	4,706

By deed dated 6 October 2016 and with effect from 1 October 2016, Hawesko Holding AG purchased 16.03% of the shares of *Globalwine AG*, Zurich, with the result that it now holds over 95% of the shares in the company.

The acquisition costs for the shares were CHF 560 thousand (€ 518 thousand). These comprised a fixed component (CHF 187 thousand; € 171 thousand) and a variable component (max. CHF 373 thousand; max. € 348 thousand). The variable component has been recognised as a non-current liability and is dependent on the economic development of *Globalwine AG* and of *Vogel Vins SA*, its 70% subsidiary. The variable component is based on the anticipated EBIT of both companies for the years 2017 and 2018. At the balance sheet date an expected value of € 316 thousand was taken as the variable component; the adjustment of the variable component was made through profit and loss in the financial result. The fixed component of the purchase price was paid in the year under review on 6 October 2016 and was made without the raising of credit.

On 12 December 2016, 19.1% of the shares of *Global Wines, s.r.o.*, Prague (Czech Republic), were sold to a third party with immediate effect for € 882 thousand (CZK 23,839 thousand), with the result that *Global Eastern Wine Holding GmbH*, Bonn, only holds 47.5% of the shares in the company at the reporting date. In a parallel transaction, 47.5% of the shares of *Global Spirits s.r.o.*, Prague (Czech Republic), were acquired on the same day by *Global Eastern Wine Holding GmbH*. The purchase price for this investment is € 1,069 thousand (CZK 28,891 thousand). Both companies are included in the consolidated financial statements as investments reported using the equity method.

By notarised deed of 21 December 2016 and with effect from 31 December 2016, the 50% shareholding of Gebr. Heinemann SE & Co. KG, Hamburg, in *Global Eastern Wine Holding GmbH*, Bonn, was acquired by *Wein Wolf Holding GmbH*, Bonn. The purchase price for this shareholding in the limited-liability company is € 1,549 thousand. In the context of initial consolidation of *Global Eastern Wine Holding GmbH* at 31 December 2016, the two investments accounted for using the equity method were capitalised at a fair value amounting to € 3,263 thousand, which led to other investment income of € 918 thousand in the year under review as well as deferred tax liabilities on this quasi-permanent difference of € 621 thousand.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

9. SALES REVENUES

€ '000	2016	2015
Specialist wine-shop retail	146,323	140,919
Wholesale	171,876	181,205
Distance selling	162,715	154,616
Miscellaneous	16	10
	480,930	**476,750**

The sales revenues include € 250 thousand (previous year: € 264 thousand) from exchange deals, mainly in respect of advertising services.

10. OTHER OPERATING INCOME

€ '000	2016	2015
Rental income	8,490	8,127
Advertising expense subsidies	6,481	6,038
Income from cost refunds	2,224	2,283
Income from currency translation	518	2,612
Income from the reversal of provisions	3,615	534
Miscellaneous	3,471	3,849
	24,799	**23,443**

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	2016	2015
Wages and salaries	48,491	52,005
Social security and other pension costs	7,900	7,384
– of which in respect of old age pensions	172	176
	56,391	**59,389**

The employee benefit expenses include payments from defined contribution plans totalling € 115 thousand (previous year: € 134 thousand) and from defined benefit plans totalling € 57 thousand (previous year: € 42 thousand).

12. DEPRECIATION/AMORTISATION AND IMPAIRMENT

€ '000	2016	2015
Depreciation/amortisation of intangible assets	3,489	3,262
Impairment of intangible assets	–	177
Depreciation/amortisation of property, plant and equipment	3,915	3,841
	7,404	**7,280**

13. OTHER OPERATING EXPENSES

€ '000	2016	2015
Advertising	39,229	39,015
Commissions to partners	37,642	35,900
Delivery costs	22,035	21,131
Rental and leasing	11,952	11,382
Motor vehicle and travel costs	4,187	4,156
IT and communication costs	3,852	3,315
Board	3,000	2,889
Legal and consultancy costs	3,187	3,710
Other personnel expenses	2,315	2,042
Expenses from currency translation	680	2,579
Miscellaneous	8,389	9,815
	136,468	**135,934**

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

€ '000	2016	2015
INTEREST INCOME	**72**	**75**
Interest expense		
Interest expense from monetary movements	–372	–614
Other financing expenses	–	–
Interest for finance leases	–85	–105
Interest from the compounding of provisions	–12	–19
Net profit for the year due to minority interests in unincorporated subsidiaries	–20	–18
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	–26	–34
INTEREST EXPENSE	**–515**	**–790**
EXPENDITURE FROM PUT OPTION	**–1,770**	**–577**
RESULT FOR THE PARTICIPATING INTERESTS REPORTED USING THE EQUITY METHOD	**918**	**200**
FINANCIAL RESULT	**–1,295**	**–1,092**
of which from financial instruments of the classification categories pursuant to IAS 39		
– Loans and receivables	72	75
– Financial liabilities measured at amortised cost	–2,200	–1,262

15. TAXES ON INCOME

€ '000	2016	2015
Current tax	9,000	6,723
Deferred tax	–107	–137
	8,893	**6,586**

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	2016	2015
Current year	8,963	6,589
Previous years	37	134
	9,000	**6,723**

Expenses for deferred taxes are attributable to the following:

€ '000	2016	2015
From restructuring measures with an effect on taxes	–	1
From loss carryforwards	–472	143
Other temporary differences	365	–281
Change in tax rate	–	–
	–107	**–137**

The actual tax expense for the year 2016 of € 8,893 thousand (previous year: € 6,586 thousand) is € 540 thousand (previous year: € 971 thousand) higher than the anticipated tax expense of € 8,353 thousand (previous year: € 5,615 thousand) which would have resulted from the application of a tax rate to pre-tax earnings that was based on the current German legislation at the balance sheet date. The anticipated tax rate is 29.49% (previous year: 29.49%) and is obtained as follows:

%	2016	2015
Trade tax (average municipal factor 390%, previous year: 390%)	13.66	13.66
Corporation tax	15.00	15.00
Solidarity surcharge (5.5% of corporation tax)	0.83	0.83
TOTAL TAX BURDEN ON PRE-TAX EARNINGS	**29.49**	**29.49**

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

€ '000	2016	2015
Earnings before taxes	28,324	19,040
Anticipated tax expense	8,353	5,615
Reclassification of minority interest	–6	5
Tax expenses/income unrelated to the accounting period	37	134
Non-recognition of fiscal loss carryforwards	38	636
Capitalisation of deferred taxes on loss carryforwards	–882	–217
Tenancy and leasing commitments to be included in trade tax	107	164
Fiscally non-deductible portion of Supervisory Board remuneration	37	36
Effect of divergent national tax rates	62	80
Tax-free income	1,143	170
Other tax effects	4	–37
ACTUAL TAX EXPENSE	**8,893**	**6,586**
Effective tax rate %	31.40	34.59

At the end of the year the fair values of the derivatives reported in the other result came to € –30 thousand (previous year: € –63 thousand). In connection with this, deferred tax assets of € 10 thousand (previous year: € 4 thousand) were written back in the year under review. In addition, deferred tax assets totalling € 75 thousand (previous year: € 36 thousand) were created for the actuarial losses of € 22 thousand (previous year: € 11 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.

	2016	2015
Consolidated earnings of the shareholders (€ '000)	18,542	12,215
Average number of shares ('000)	8,983	8,983
Basic earnings per share (€)	2.06	1.36

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 on pages 89–94.

€ '000	31/12/2016	31/12/2015
Software	4,948	3,014
Other intangible assets including advance payments	16,474	14,501
Goodwill	17,627	14,555
	39,049	**32,070**

In the previous year, 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. Total depreciation and amortisation of € 103 thousand (previous year: € 147 thousand) was applied to this web shop, leaving the residual carrying amount of € 253 thousand at 31 December 2016 (previous year: € 312 thousand).

The development of a further web shop in distance selling also started in the previous year. For this, € 548 thousand was reported under advance payments, of which € 290 thousand was for own assets capitalised. The web shop was completed in the year under review and capitalised in the amount of € 1,627 thousand, including € 411 thousand for own assets capitalised in 2016. Depreciation and amortisation amounts to € 244 thousand (previous year: € – thousand), with the result that the group reports a residual carrying amount of € 1,383 thousand at 31 December 2016 (previous year: € 548 thousand).

A web shop for the wholesale segment was developed in the year under review 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). The useful life is estimated at five years: no depreciation and amortisation was applied yet in the year under review.

In addition, the implementation of a new ERP system commenced at one company in distance selling in 2014 and the system was successfully launched in March 2016. For this venture, acquisition costs totalling € 1,518 thousand (previous year: € 1,278 thousand in the form of advance payments) were capitalised in the year under review: the figure does not include any (previous year: € 104 thousand) own assets capitalised.

The item "Other intangible assets" includes € 15,148 thousand (previous year: € 12,630 thousand for *Wein & Vinos GmbH*) for the measurement of customer contacts as well as exclusive agreements from the initial consolidation of *Wein & Vinos GmbH* and *WirWinzer GmbH*. A useful life of 14–15 years is recorded for the supplier and customer contacts, and eight years for the exclusive agreements.

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2016

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

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

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

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2015

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Other intangible assets*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST					
Position at 01/01/2015	**18,201**	**18,612**	**17,973**	**164**	**54,950**
Currency translation	51	19	–	–	70
Extension on the basis of consolidation	–	–	–	–	–
Additions	750	–	–	1,708	2,458
Disposals	–215	–	–	–	–215
Appreciation	–	–	–	–	–
Transfers	57	–	–	–	57
Position at 31/12/2015	**18,844**	**18,631**	**17,973**	**1,872**	**57,320**
ACCUMULATED DEPRECIATION					
Position at 01/01/2015	**14,040**	**3,892**	**4,008**	**–**	**21,940**
Currency translation	34	7	–	–	41
Extension on the basis of consolidation	–	–	–	–	–
Additions	1,926	177	1,336	–	3,439
Disposals	–182	–	–	–	–182
Appreciation	–	–	–	–	–
Transfers	12	–	–	–	12
Position at 31/12/2015	**15,830**	**4,076**	**5,344**	**–**	**25,250**
CARRYING AMOUNTS					
Position at 31/12/2015	**3,014**	**14,555**	**12,629**	**1,872**	**32,070**

PROPERTY, PLANT AND EQUIPMENT € '000	*Land and buildings*	*Other fixtures and fittings, tools and equipment*	*Construction in progress*	*Total*
ACQUISITION OR MANUFACTURING COST				
Position at 01/01/2015	**34,230**	**29,351**	**39**	**63,620**
Currency translation	–	173	–	173
Extension on the basis of consolidation	–	–	–	–
Additions	52	3,870	111	4,033
Disposals	–9	–2,237	–3	–2,249
Appreciation	–	–	–	–
Transfers	–	–57	–	–57
Position at 31/12/2015	**34,273**	**31,100**	**147**	**65,520**
ACCUMULATED DEPRECIATION				
Position at 01/01/2015	**21,538**	**20,782**	**–**	**42,320**
Currency translation	–	44	–	44
Extension on the basis of consolidation	–	–	–	–
Additions	792	3,049	–	3,841
Disposals	–1	–1,600	–	–1,601
Appreciation	–	–	–	–
Transfers	–	–12	–	–12
Position at 31/12/2015	**22,329**	**22,263**	**–**	**44,592**
CARRYING AMOUNTS				
Position at 31/12/2015	**11,944**	**8,837**	**147**	**20,928**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Investments*	*Other loans*	*Total*
ACQUISITION OR MANUFACTURING COST				
Position at 01/01/2015	**185**	**457**	**49**	**691**
Currency translation	–	–	–	–
Extension on the basis of consolidation	–	–	–	–
Additions	–	200	–	200
Disposals	–	–37	–5	–42
Appreciation	–	–	–	–
Transfers	–	–	–	–
Position at 31/12/2015	**185**	**620**	**44**	**849**
ACCUMULATED DEPRECIATION				
Position at 01/01/2015	**–**	**–**	**–**	**–**
Currency translation	–	–	–	–
Extension on the basis of consolidation	–	–	–	–
Additions	–	–	–	–
Disposals	–	–	–	–
Appreciation	–	–	–	–
Transfers	–	–	–	–
Position at 31/12/2015	**–**	**–**	**–**	**–**
CARRYING AMOUNTS				
Position at 31/12/2015	**185**	**620**	**44**	**849**

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

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

The development in goodwill from the consolidation of capital for 2015 was as follows:

€ '000	*Acquisition cost 01/01/2015*	*Accumulated impairment 31/12/2015*	*Carrying amount 31/12/2015*
SPECIALIST WINE-SHOP RETAIL	**453**	**–**	**453**
Jacques-IT GmbH	453	–	453
WHOLESALE	**8,373**	**2,981**	**5,392**
Wein Wolf Group	6,690	2,209	4,481
Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation	615	615	–
Globalwine AG	875	–	875
Vogel Vins SA	165	165	–
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	47	11	36
Sélection de Bordeaux SARL	–19	–19	–
DISTANCE SELLING	**9,165**	**455**	**8,710**
The Wine Company Hawesko GmbH	–2	–2	–
Carl Tesdorpf GmbH	457	457	–
Wein & Vinos GmbH	8,710	–	8,710
TOTAL	**17,991**	**3,436**	**14,555**

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 of 4.3% to 7.6% and an EBIT margin of 4.8% to 10.6%, 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 5.41% in 2016 (previous year: 5.56%).

The impairment tests in the previous year led to the goodwill of the company *Vogel Vins SA* (€ 165 thousand) being written off in full. The basis for this is the difficult market environment and the resulting downward trend in sales in Switzerland. A 10% fall in the forecast cash flow or a rise of one percentage point in the discounting rates would not lead to any additional impairment.

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 on pages 89–94.

€ '000	31/12/2016	31/12/2015
Land and buildings, including buildings on third-party land	11,230	11,944
Other fixtures and fittings, tools and equipment	9,216	8,837
Advance payments and construction in progress	408	147
	20,854	**20,928**

The carrying amount of the buildings in finance lease totalled € 899 thousand at 31 December 2016 (previous year: € 1,156 thousand). Depreciation amounting to € 257 thousand (previous year: € 257 thousand) was applied. This land is not freely at the company's disposal. For additional notes, please refer to pages 105–108 (cf. 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 on pages 89–94.

€ '000	31/12/2016	31/12/2015
Shares in affiliated companies	160	185
Other loans	–	44
	160	**229**

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	31/12/2016	31/12/2015
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
Weinland Ariane Abayan Verwaltungs GmbH	24	24
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	25	25
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	34	34
Deutschwein Classics Verwaltungs-gesellschaft mbH	25	25
C.C.F. Fischer GmbH	–	25
	160	**185**

The other loans amounting to € 44 thousand in the previous year relate to one loan to an employee. The loan attracted interest at 6% and was repaid at the end of the year.

C.C.F. Fischer GmbH merged with Hawesko Holding AG at 1 January 2016.

20. DEFERRED TAX ASSETS

The deferred tax assets developed as follows:

€ '000	31/12/2016	31/12/2015
Opening balance	1,782	1,712
Increase	4,640	4,549
Decrease	–355	–541
Offset against deferred tax liabilities	–3,561	–3,938
Change in tax rate	–	–
	2,506	**1,782**

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

€ '000	31/12/2016	31/12/2015
Goodwill from restructuring measures with an effect on taxes	4,408	4,408
from loss carryforwards	1,127	654
from the fair value measurement of derivative financial instruments	9	19
from finance leases	82	99
from inventories	64	36
from provisions for pensions	377	308
Other	–	196
Offsetting	–3,561	–3,938
Change in tax rate	–	–
	2,506	**1,782**

The reported deferred tax assets from loss carryforwards at 31 December 2016 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, and *Globalwine AG*, Zurich. A change of control occurred in the previous year. In connection with this, there exists the risk that these 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, so it is still assumed that they will be capitalised.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 5,700 thousand (previous year: € 8,205 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 274 thousand is expected to be realised from the deferred tax assets within twelve months.

21. INVENTORIES AND ADVANCE PAYMENTS FOR INVENTORIES

€ '000	31/12/2016	31/12/2015
Raw material and consumables used	843	903
Work in progress	5,118	4,893
Finished goods and merchandise	80,997	82,247
Advance payments	10,414	7,372
	97,372	**95,415**

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

Inventories totalling € 2,650 thousand (previous year: € 3,408 thousand) were recognised at their net realisable value. A reversal of impairment totalling € 470 thousand (previous year: addition of € 1,024 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	31/12/2016	31/12/2015
Trade receivables (gross)	47,208	46,538
Less uncollectable receivables	–688	–726
TRADE RECEIVABLES	**46,520**	**45,812**
Accounts receivable from taxes on income	2,830	3,780
Receivables and other assets	5,153	4,725
	54,503	**54,317**
Of which with a maturity of		
– up to 1 year	53,326	53,142
– over 1 year	1,177	1,175

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

€ '000	*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*
31/12/2016						
Trade receivables	34,819	8,761	1,567	471	455	483
31/12/2015						
Trade receivables	34,641	8,925	338	358	96	191

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	2016	2015
IMPAIRMENT AT 1 JANUARY	726	741
Added	258	465
Used up	–266	–432
Reversed	–30	–48
IMPAIRMENT AT 31 DECEMBER	**688**	**726**

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	31/12/2016	31/12/2015
OF WHICH FINANCIAL ASSETS	**1,424**	**1,138**
– Borrowings	200	23
– Receivables from trade representatives	508	386
– Rent deposits	716	729
OF WHICH NON-FINANCIAL ASSETS	**3,729**	**3,587**
– Tax refund claims	372	287
– Accrued costs	916	996
– Miscellaneous other assets	2,441	2,304
	5,153	**4,725**
FINANCIAL ASSETS		
Of which with a maturity of		
– up to 1 year	379	169
– over 1 year	1,045	969
NON-FINANCIAL ASSETS		
Of which with a maturity of		
– up to 1 year	3,597	3,381
– over 1 year	132	206

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 € 13,581 thousand (previous year: € 14,459 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 2016 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 on one or more occasions by up to a total of € 6,850,000.00 within the period ending 31 May 2018, with the consent of the Supervisory Board, through the issuance of new no par value bearer shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right. With the permission of the Supervisory Board, the Board of Management is, however, authorised to exclude the shareholders' statutory subscription,

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

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

c) for residual amounts.

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

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

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

The authorised capital at 31 December 2016 amounted to € 6,850,000.00 (previous year: € 6,850,000.00).

25. CAPITAL RESERVE

€ '000	31/12/2016	31/12/2015
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	31/12/2016	31/12/2015
Retained earnings	64,111	61,554

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 € 12,572 thousand (previous year: € 11,751 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 year under review 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 € –1,770 thousand (previous year: € –577 thousand) that have occurred are reported in the financial result.

The individual components of the equity and its development in the years 2015 and 2016 are shown in the consolidated statement of movements in equity on page 71.

27. OTHER RESERVES

Other reserves totalling € –186 thousand (previous year: € –168 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 € 20 thousand (previous year: € –21 thousand). The revaluation component for provisions for pensions includes changes in value of € –75 thousand in the year under review (previous year: € –36 thousand), less deferred taxes of € 14 thousand (previous year: € 11 thousand). Also, the fair values of the derivatives in the amount of € –30 thousand (previous year: € –63 thousand) were reported under the other result: in connection with this, deferred tax assets of € 10 thousand (previous year: € 4 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	*Wein & Vinos GmbH*		*WirWinzer GmbH*	*Globalwine AG*	
€ '000	31/12/2016	31/12/2015	31/12/2016	31/12/2016	31/12/2015
Non-current assets	23,515	24,533	6,543	1,951	2,010
Current assets	8,889	7,514	1,086	9,093	8,903
ASSETS	**32,404**	**32,047**	**7,629**	**11,044**	**10,913**
Shareholders' equity	26,045	26,228	5,601	–1,931	–2,392
Long-term provisions and liabilities	10	52	1,271	5	14
Short-term provisions and liabilities	6,349	5,767	757	12,970	13,291
SHAREHOLDERS' EQUITY AND LIABILITIES	**32,404**	**32,047**	**7,629**	**11,044**	**10,913**

COMBINED STATEMENT OF COMPREHENSIVE INCOME	*Wein & Vinos GmbH*		*WirWinzer GmbH*	*Globalwine AG*	
€ '000	31/12/2016	31/12/2015	31/12/2016	31/12/2016	31/12/2015
Total sales	46,101	42,592	1,575	15,916	18,552
Result from ordinary activities	3,795	2,708	–184	398	–717
Taxes on income	–753	–871	23	339	276
Net income	3,042	1,837	–161	737	–441
Profit due to controlling interests	913	551	–55	37	–92
Dividends paid to holders of non-controlling interests	968	758	–	–	–

COMBINED CASH FLOW STATEMENT	*Wein & Vinos GmbH*		*Globalwine AG*	
€ '000	**2016**	**2015**	**2016**	**2015**
Net inflow of cash from current operations	4,548	4,519	1,281	21
Net cash employed for investing activities	–618	–1,554	–188	–72
Outflow/inflow of net cash for financing activities	–3,292	–2,439	–122	–1,069
Net decrease/increase in cash and cash equivalents	638	526	971	–1,120
Effect of changes on cash and cash equivalents	–	–	–20	–819
Funds at start of period	1,557	1,031	–9,421	–7,482
Funds at end of period	2,195	1,557	–8,470	–9,421

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

29. PROVISIONS FOR PENSIONS

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

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

€ '000	**2016**	**2015**
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 1 JAN	1,090	1,075
Current service cost	–	6
Interest expense	21	21
Actuarial losses (+)/gains (–)	75	36
Payments made	–57	–48
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 31 DEC	**1,129**	**1,090**

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

%	**2016**	**2015**
Discounting rate	1.5	2.0
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 € 58 thousand (previous year: € 57 thousand) are expected for 2017.

A change in the actuarial interest rate of +50/–50 base points at 31 December 2016, assuming other factors remained constant, would have had the following effect on the present value of the retirement benefit obligations:

€ '000	*–50 base points*	**31/12/2016**	*+50 base points*
Present value of retirement benefit obligations	1,201	1,129	1,064

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 € 2,742 thousand in 2016 (previous year: € 2,963 thousand).

30. OTHER LONG-TERM PROVISIONS

€ '000	01/01/2016	*Drawn (D)* *Liquidated (L)* *Reclassified (R)*	*Allocated*	31/12/2016
Provisions for personnel	1,842	19 (D) 1,100 (L)	76	799

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

The partial retirement obligations are measured on the basis of actuarial calculations according to the block model, taking account of the 2005 G reference tables by Dr Klaus Heubeck. The actuarial interest rate is 3.24% (previous year: 3.89%). Based on the probable development in the key measurement factors, a salary trend of 2.5% (previous year: 2.5%) was assumed.

In 2016, the provisions for personnel increased by € 10 thousand as a result of the interest expense (previous year: € 20 thousand).

31. BORROWINGS

€ '000	31/12/2016	31/12/2015
Banks	10,713	11,630
Finance lease	1,229	1,585
	11,942	**13,215**
Of which with a maturity of		
– up to 1 year	11,074	11,986
– 1 to 5 years	868	1,229
– over 5 years	–	–

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

€ '000	*Credit facility* 2016	*Credit facility* 2015
MATURITY		
Unlimited	40,000	40,000

The interest rates of short-term loans raised in 2016 were between 0.07% and 1.40% (previous year: between 0.10% and 1.56%).

There are no amounts due to banks with a maturity of one to five years, as in the previous year. In the previous year, the amount with a maturity of up to one year was € 11,630 thousand.

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**

The reconciliation with the finance lease liabilities at 31 December 2015 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	441	1,375	–	**1,816**
Interest component	85	146	–	**231**
Principal repaid	356	1,229	–	**1,585**

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%, 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:

€ '000	*Carrying amount* **31/12/2016**	*Cash flows*											
		2017			**2018**			**2019–2021**			**>2021**		
		Fixed interest	*Variable interest*	*Princi-pal*	*Fixed interest*	*Variable interest*	*Princi-pal*	*Fixed interest*	*Variable interest*	*Princi-pal*	*Fixed interest*	*Variable interest*	*Princi-pal*
FINANCIAL LIABILITIES													
Due to banks	10,713	–	–5	–10,713	–	–	–	–	–	–	–	–	–
Finance lease liabilities	1,229	–67	–	–361	–79	–	–868	–	–	–	–	–	–
Sundry financial liabilities	33,936	–	–	–16,870	–	–	–12,627	–	–	–4,439	–	–	–
Other non-interest-bearing liabilities	58,298	–	–	–58,298	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
Forward exchange transactions with hedging relationship	30	–	–	–	–	–	–	–	–	–	–	–	–

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

		Cash flows											
		2016			**2017**			**2018–2020**			**>2020**		
€ '000	*Carrying amount* **31/12/2015**	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*
FINANCIAL LIABILITIES													
Due to banks	11,630	–	–15	–11,630	–	–	–	–	–	–	–	–	–
Finance lease liabilities	1,585	–85	–	–356	–67	–	–361	–79	–	–868	–	–	–
Other financial liabilities	24,904	–	–	–9,968	–	–	–12,678	–	–	–1,936	–	–	–322
Other non-interest-bearing liabilities	62,933	–	–	–62,933	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	11	–22	6	–	–	–	–	–	–	–	–	–	–
Forward exchange transactions with hedging relationship	52	–	–	–	–	–	–	–	–	–	–	–	–

The schedule does not show plan figures; it only shows financial instruments held at 31 December 2016 and 31 December 2015 respectively, and for which contractual agreements on payments exist.

32. SUNDRY LIABILITIES

€ '000	31/12/2016	31/12/2015
OF WHICH FINANCIAL LIABILITIES	**75,557**	**78,048**
– Minority interest in the capital of unincorporated subsidiaries	163	116
– Trade payables	58,298	62,933
– Other financial liabilities	17,096	14,999
OF WHICH NON-FINANCIAL LIABILITIES	**10,643**	**8,371**
– Income taxes payable	1,543	699
– Advances received for 2016	–	4,930
– Advances received for 2017	5,227	2,742
– Advances received for 2018	3,873	–
	86,200	**86,419**
Of which with a maturity of		
– up to 1 year	65,261	68,741
– 1 to 5 years	20,939	17,678
– 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 2017 and 2018.

The advances received include liabilities with a maturity of between one and five years totalling € 3,873 thousand (previous year: € 2,742 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 2016 is € 16,471 thousand (previous year: € 10,742 thousand); within this, € 12,473 thousand (previous year: € 10,742 thousand) is in respect of the original shareholders of *Wein & Vinos GmbH*. This line item in addition contains the market values of the interest rate derivatives of € – thousand (previous year: € 11 thousand) and also forward exchange transactions in the amount of € 30 thousand (previous year: € 53).

33. OTHER LIABILITIES

The other liabilities are composed of the following:

€ '000	31/12/2016	31/12/2015
OF WHICH FINANCIAL LIABILITIES	**16,707**	**9,968**
– Liabilities to employees	9,297	5,953
– Liabilities to other shareholders	124	0
– Due to affiliated companies	111	125
– Miscellaneous	7,175	3,890
OF WHICH NON-FINANCIAL LIABILITIES	**17,837**	**15,296**
– Sales tax and other taxes	13,387	11,140
– Customer bonuses	4,210	4,045
– Liabilities in respect of social insurance	240	111
	34,544	**25,264**

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

€ '000	31/12/2016	31/12/2015
C.C.F. Fischer GmbH	–	17
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	63	58
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	43	42
Global Wines, s.r.o., Prague (Czech Republic)	5	8
	111	**125**

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

34. DEFERRED TAX LIABILITIES

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

DEFERRED TAXES € '000	31/12/2016	31/12/2015
Fixed assets	5,392	3,919
Inventories	387	589
Trade receivables	53	67
Other assets	9	31
Offset against deferred tax assets	-3,561	-3,938
Change in tax rate	–	–
	2,280	**668**

Pursuant to IAS 12.39 (b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 386 thousand (previous year: € 441 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, 2016:

€ '000	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

Carrying amounts, stated amounts and fair values by classification category, 2015:

€ '000	Classification category acc. to IAS 39	Carrying amount 31/12/2015	Stated amount in balance sheet acc. to IAS 39: Acquisition cost	Amortised cost	Fair value in equity	Fair value through profit and loss	Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2015
ASSETS								
Cash	LaR	14,459	–	14,459	–	–	–	14,459
Trade receivables	LaR	45,812	–	45,812	–	–	–	45,812
Receivables and other assets								
– Financial assets	LaR	1,138	–	1,138	–	–	–	1,138
Financial assets								
– Other loans	LaR	44	–	44	–	–	–	44
– Available for sale financial assets	AfS	185	185	–	–	–	–	185
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	116	–	116	–	–	–	n/a
Trade payables	FLAC	62,933	–	62,933	–	–	–	62,933
Due to banks	FLAC	11,630	–	11,630	–	–	–	11,630
Finance lease liabilities	n/a	1,585	–	–	–	–	1,585	1,808
Sundry liabilities								
– Other financial liabilities	FLAC	14,936	–	14,936	–	–	–	14,936
– Derivatives with hedging relationship	n/a	63	–	–	63	–	–	63
Other liabilities								
– Financial liabilities	FLAC	9,968	–	9,968	–	–	–	9,968
Of which aggregated by classification category acc. to IAS 39:								
– Loans and receivables (LaR)		61,453	–	61,453	–	–	–	61,453
– Available for sale financial assets (AfS)		185	185	–	–	–	–	185
– Financial liabilities measured at amortised cost (FLAC)		99,467	–	99,467	–	–	–	99,467

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	31/12/2016				31/12/2015			
	Level 1	*Level 2*	*Level 3*	*Total*	*Level 1*	*Level 2*	*Level 3*	*Total*
ASSETS	–	–	–	–	–	–	–	–
SHAREHOLDERS' EQUITY AND LIABILITIES								
Derivatives with hedging relationship	–	30	–	30	–	63	–	63
Financial liabilities measured at amortised cost (FLAC)	–	–	16,471	16,471	–	–	10,742	10,742

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

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

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

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

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

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

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

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

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

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

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

There is currently no intention to dispose of financial assets.

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

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

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2015 (rounding differences possible):

€ '000	*Put option*
01/01/2015	**10,165**
Change	577
31/12/2015	**10,742**

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. A rate of 4.05% for *WirWinzer GmbH* and 4.55% for *Wein & Vinos GmbH* (previous year: 4.55% for *Wein & Vinos GmbH*) was applied in 2016 by way of discount rate.

A change in the future average EBIT would have had the following effect on the fair value of the put option at 31 December 2016:

€ '000	*-1,000*	**31/12/2016**	*+1,000*
Fair value of:			
Wein & Vinos GmbH	9,891	12,473	15,056
WirWinzer GmbH	2,757	3,998	7,832

NET EARNINGS BY CLASSIFICATION CATEGORY, 2016 € '000	*From interest*	*From subsequent measurement*				*From disposal*	*Net earnings* **2016**
		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**

NET EARNINGS BY CLASSIFICATION CATEGORY, 2015 € '000	*From interest*	*From subsequent measurement*				*From disposal*	*Net earnings* **2015**
		At fair value	*At amortised cost*	*Currency translation*	*Impairment*		
Loans and receivables (LaR)	75	–	–	–	15	–	90
Available for sale financial assets (AfS)	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	–633	–	–629	33	–	–	–1,229
TOTAL	**–558**	**–**	**–629**	**33**	**15**	**–**	**–1,139**

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 on 31 December 2016:

€ '000	31/12/2016	31/12/2015
Advance payments outstanding	1,258	1,254

Obligations relating to advance payments outstanding for subscriptions received at 31 December 2016 were settled at the start of 2017.

The minimum total for non-discounted future lease and rental payments amounts to € 18,862 thousand (previous year: € 19,685 thousand). The global obligations for lease and tenancy agreements are due as follows:

€ '000	31/12/2016	31/12/2015
Up to 1 year	11,016	10,341
Over 1 year, up to 5 years	7,016	7,691
Over 5 years	830	1,653
	18,862	**19,685**

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 2016.

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. Hawesko takes the view that the claims of the level indicated are not enforceable. Hawesko Holding AG is negotiating with the minority interest to reach an overall agreement with the minority interest and its shareholder; the purpose of an overall agreement is to definitively settle all previously raised and future claims of all business partners. The provision hitherto created remains unchanged and is intended to cover both the compensation payment to the minority interest and the costs of winding up the subsidiaries.

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).

Hedges/derivative financial instruments

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

The interest rate derivatives (swaps) for financing the purchase price for *Wein & Vinos GmbH* were a cash flow hedge exhibiting 100% retrospective effectiveness. The maturities, interest payments and capital repayments reflected the underlying transaction (bank loan). Measurement was at fair value, with changes in the fair value recognised income-neutrally in the other result. At 31 December 2016 both the loan and the hedging transaction were fully repaid/reversed.

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

	Nominal volume		*Fair value*	
€ '000	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Interest hedging transactions with a negative market value at the reporting date	–	1,000	–	–11

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	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Forward exchange transactions with a negative market value at the reporting date	2,475	2,526	–30	–52

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 liquidity amounted to € 509 thousand at 31 December 2016 (previous year: € 154 thousand).

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

ROCE is a further important indicator for capital management. This is the rate of return, expressed as the operating result (EBIT) divided by the average capital employed, in other words by the balance sheet total (for the group) plus capitalised lease commitments less interest-free liabilities and provisions, as well as cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term ROCE of consistently at least 16% is the aim. A rate of return of 21.2% was achieved in the year under review (previous year: 14.7%).

39. EMPLOYEES

The average number of employees was as follows:

GROUP	2016	2015
Commercial and industrial employees	897	900
Apprentices	43	33
	940	**933**

The average number of employees at the joint venture accounted for using the equity method was 21 in the financial year (previous year: 22).

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 € 472 thousand and interest payments received totalling € 71 thousand. The cash inflows from current operations of € 28,852 thousand (previous year: € 26,050 thousand) include the changes in cash and cash equivalents from operating activities. Cash and cash equivalents comprise cheques, cash on hand as well as cash in banks and amounts due to banks at any time.

The composition of cash and cash equivalents is as follows:

€ '000	2016	2015	*Change*
Cash in banking accounts and cash on hand	13,581	14,459	–878
Due to banks (current accounts)	–	–	–
Cash and cash equivalents at end of period	13,581	14,459	–878

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

€ '000	*WirWinzer GmbH*	*Global Eastern Wine Holding GmbH*
NET CASH OUTFLOW		
Consideration paid	4,706	1,622
Amount of cash of the companies over which control was acquired	715	42
AMOUNTS OF ASSETS AND DEBTS (EXCLUDING CASH) OVER WHICH CONTROL WAS ACQUIRED, CLASSIFIED BY MAIN CATEGORIES		
Intangible fixed assets	6,610	–
Property, plant and equipment	3	–
Investments in associates	–	3,263
Inventories	103	–
Current receivables and sundry current assets	144	–
Non-current liabilities	345	621
Current liabilities	174	218

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 € 44,361 thousand comprise the countries Switzerland (47%), Austria (29%) and Sweden (24%). The total external sales outside Germany amounted to 9% (previous year: 10%).

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

The segments comprise the following areas:

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

- The *wholesale/distribution* segment groups together business activities with retailers; wines and champagnes are sold both by distance selling (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein Wolf* Group). The wholesale segment operates in the Swiss wine market through *Globalwine AG* and *Vogel Vins SA*. *Global Eastern Wine Holding GmbH* and *Sélection de Bordeaux SARL* also belong to the wholesale segment, as well as the company *Château Classic – Le Monde des Grands Bordeaux SARL*, which is currently being wound up.

- The *distance-selling* segment comprises wine and champagne distance selling, with activities focused on the consumer. This segment also includes gifts business for corporate and private customers, based on a special catalogue. The distance-selling division includes the companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*, *Wein & Vinos GmbH*, *Carl Tesdorpf GmbH*, *The Wine Company Hawesko GmbH* and *WirWinzer GmbH*. In the previous year *Weinlet.de GmbH* was also reported under this segment before being merged with *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* with effect from 1 January 2016.

- The *miscellaneous* segment comprises all central group functions and includes Hawesko Holding AG and *IWL Internationale Wein Logistik GmbH* as well as the *Wine Dock GmbH*. The latter is a result of renaming *Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor m.b.H.*, Hamburg in the year under review.

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 (EBT).

- 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	*Specialist wine-shop retail*		*Wholesale/distribution*		*Distance selling*	
€ '000	2016	2015	2016	2015	2016	2015
REVENUES	**146,363**	**140,919**	**181,343**	**190,611**	**175,808**	**166,644**
External	146,323	140,919	171,876	181,205	162,715	154,616
Internal	40	–	9,467	9,406	13,093	12,028
OTHER INCOME	**10,401**	**10,123**	**8,856**	**9,073**	**3,245**	**3,495**
External	10,401	10,073	8,699	9,029	1,820	2,105
Internal	–	50	157	44	1,425	1,390
EBITDA	**18,172**	**17,409**	**9,283**	**7,676**	**12,730**	**12,130**
DEPRECIATION AND AMORTISATION	**1,788**	**1,668**	**1,502**	**1,752**	**3,372**	**677**
EBIT	**16,384**	**15,741**	**7,781**	**5,924**	**9,358**	**11,453**
FINANCIAL RESULT	**–27**	**–33**	**429**	**–432**	**–248**	**–267**
Financial income	13	19	22	29	14	18
Financial expense	–40	–52	–511	–661	–262	–285
Investment result	–	–	918	200	–	–
EARNINGS BEFORE TAXES	**16,357**	**15,708**	**8,210**	**5,492**	**9,110**	**11,186**
TAXES ON INCOME	**–**	**–**	**–**	**–**	**–**	**–**
CONSOLIDATED NET INCOME	**–**	**–**	**–**	**–**	**–**	**–**
SEGMENT ASSETS	**42,789**	**42,928**	**100,917**	**99,979**	**81,837**	**70,937**
SEGMENT DEBTS	**25,472**	**26,336**	**49,901**	**45,524**	**28,908**	**26,029**
INVESTMENT	**3,162**	**2,424**	**1,336**	**1,013**	**2,389**	**2,839**

Geographical segmentation

BREAKDOWN OF SALES BY REGION	*Group, consolidated*	
€ '000	2016	2015
Germany	436,569	429,382
Rest of Europe	44,361	47,368
Other	–	–
	480,930	**476,750**

Miscellaneous		*Total*		*Reconciliation/consolidation*		*Group, consolidated*	
2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
22,383	**21,292**	**525,897**	**519,466**	**–44,967**	**–42,716**	**480,930**	**476,750**
16	10	480,930	476,750	–	–	480,930	476,750
22,367	21,282	44,967	42,716	–44,967	–42,716	–	–
5,474	**3,484**	**27,976**	**26,175**	**–3,177**	**–2,732**	**24,799**	**23,443**
3,879	2,236	24,799	23,443	–	–	24,799	23,443
1,595	1,248	3,177	2,732	–3,177	–2,732	–	–
–3,072	**–9,795**	**37,113**	**27,420**	**–90**	**–8**	**37,023**	**27,412**
742	**3,183**	**7,404**	**7,280**	**–**	**–**	**7,404**	**7,280**
–3,814	**–12,978**	**29,709**	**20,140**	**–90**	**–8**	**29,619**	**20,132**
–1,449	**–360**	**–1,295**	**–1,092**	**–**	**–**	**–1,295**	**–1,092**
733	846	782	912	–710	–837	72	75
–2,182	–1,206	–2,995	–2,204	710	837	–2,285	–1,367
–	–	918	200	–	–	918	200
–5,263	**–13,338**	**28,414**	**19,048**	**–90**	**–8**	**28,324**	**19,040**
–	**–**	**–**	**–**	**–8,893**	**–6,586**	**–8,893**	**–6,586**
–	**–**	**–**	**–**	**–**	**–**	**19,431**	**12,454**
197,902	**192,956**	**423,445**	**406,800**	**–192,157**	**–186,980**	**231,288**	**219,820**
34,828	**26,544**	**139,109**	**124,433**	**–2,215**	**4,065**	**136,894**	**128,498**
485	**215**	**7,372**	**6,491**	**–**	**–**	**7,372**	**6,491**

INFORMATION BY REGION € '000	*Investment*		*Non-current assets*	
	2016	**2015**	**2016**	**2015**
Germany	7,125	6,321	70,243	57,719
Rest of Europe	247	170	3,112	2,590
GROUP, CONSOLIDATED	**7,372**	**6,491**	**73,355**	**60,309**

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, Wein Wolf Import GmbH & Co. Verwaltungs KG, Wein Wolf Import GmbH & Co. Vertriebs KG, Weinland Ariane Abayan GmbH & Co. KG* and *Deutschwein Classics GmbH & Co. KG* make use of the exemption rules of Section 264b of German Commercial Code for the year under review. The consolidated financial statements are published in the 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 Wolf Holding GmbH* and *Wine Dock GmbH* make use of the exemption rules of Section 264 (3) of German Commercial Code for the year under review. The consolidated financial statements are published in the Federal Gazette.

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

The subgroups of *Wein Wolf Holding GmbH, Wein Wolf Import GmbH & Co. Vertriebs KG, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* exercise the exemption rules of Section 291 (1) of German Commercial Code in the year under review, because they have been included in the exempting consolidated financial statements of Hawesko Holding AG. The consolidated financial statements are published in the 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 5 April 2016 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 € 87 thousand (previous year: € 85 thousand) were sold to PIUS WEIN-WELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence. In addition sales of € 9 thousand (previous year: € 4 thousand) were generated with *WeinArt*, in which Tocos Beteiligung GmbH held a 50% interest until 31 December 2016. Furthermore, goods to the value of € 410 thousand (previous year: € 36 thousand) were purchased from *Grand Cru Select Weinhandelgesellschaft mbH*, in which *WeinArt Handelsgesellschaft mbH* holds an interest.

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 2016 financial year (previous year in brackets):

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Dr Joh Christian Jacobs (until 26/03/2015)	–	–	–	–	–
	(8)	(2)	(15)	(–)	(25)
Prof Dr Dr Dres hc Franz Jürgen Säcker (from 27/03/2015)	17	4	11	–	32
	(12)	(3)	(7)	(–)	(22)
Gunnar Heinemann	17	4	11	–	32
	(18)	(5)	(11)	(–)	(34)
Thomas R Fischer	17	4	14	–	35
	(17)	(4)	(15)	(–)	(36)
Detlev Meyer	35	8	29	–	72
	(29)	(7)	(21)	(–)	(57)
Prof Dr-Ing Wolfgang Reitzle	26	6	11	–	43
	(23)	(7)	(11)	(–)	(41)
Kim-Eva Wempe	17	4	7	–	28
	(17)	(4)	(11)	(–)	(32)
TOTAL	**129**	**30**	**83**	**–**	**242**
	(124)	**(32)**	**(91)**	**(–)**	**(247)**

In addition, sales of € 45 thousand (previous year: € 255 thousand) were realised in 2016 with Gebr. Heinemann SE & Co. KG, of which Gunnar Heinemann is limited partner and executive director. Equally, sales of € 192 thousand (previous year: € 173 thousand) were realised with Gerhard D. Wempe KG, of which Kim-Eva Wempe is managing partner.

Furthermore, by notarised deed of 21 December 2016 and with effect from 31 December 2016, the shares of Gebr. Heinemann SE & Co. KG, Hamburg, in *Global Eastern Wine Holding GmbH*, Bonn, were acquired. The purchase price was € 1,549 thousand in an arm's length transaction.

The members of the Board of Management were paid the following total remuneration for their activities in the 2016 financial year (previous year in brackets):

€ '000	*Fixed*	*Variable*	*Total*
Thorsten Hermelink (from 01/12/2015)	450	300	750
	(38)	(–)	(38)
Alexander Margaritoff (until 30/04/2015)	–	–	–
	(1,163)	(784)	(1,947)
Alexander Borwitzky	240	160	400
	(240)	(120)	(360)
Nikolas von Haugwitz	245	160	405
	(245)	(120)	(365)
Bernd Hoolmans (until 31/07/2015)	–	–	–
	(263)	(110)	(373)
Bernd G Siebdrat	482	320	802
	(482)	(–)	(482)
Ulrich Zimmermann (until 31/07/2016)[1]	848	–	848
	(310)	(–)	(310)
TOTAL	**2,175**	**940**	**3,115**
	(2,741)	**(1,134)**	**(3,875)**

[1] *inclusive of all components of the severance agreement (especially the fixed portion of € 300k relating to FY 2016 and 2017)*

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

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 € 270 thousand (previous year: € 259 thousand) was recognised for this commitment at 31 December 2016.

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. In the year under review the company paid an amount of € 30 thousand (previous year: € 30 thousand) into a benevolent fund for this commitment, including (as in the previous year) € 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 2017.

There existed no loans to members of the Board of Management or Supervisory Board in the 2016 financial year.

The balance sheet includes provisions for obligations or current liabilities in respect of the Board of Management and Supervisory Board totalling € 1,598 thousand (previous year: € 6,728 thousand). Of this amount, € 408 thousand is in respect of continuing payments in 2017 from the employment contract of the Board of Management member Ulrich Zimmermann, who stepped down with effect from 31 July 2016.

At 31 December 2016, 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 2016.

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	2016	2015
Audit of financial statements	481	413
Tax consultancy	108	36
Other services	403	600
TOTAL	**992**	**1,049**

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Raimund Hackenberger was appointed new Chief Financial Officer of the company with effect from 1 March 2017. No other events affecting the financial position, net worth and financial performance of the company for the year under review of 2016 occurred after the balance sheet date.

Hamburg, 29 March 2017

The Board of Management

Thorsten Hermelink	Alexander Borwitzky
Raimund Hackenberger	Nikolas von Haugwitz
Bernd G Siebdrat	

DECLARATION OF THE LEGAL REPRESENTATIVES

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

We affirm that, to the best of our knowledge and in accordance with the principles to be applied of proper consolidated reporting, the consolidated financial statements convey a true and fair view of the actual financial position, cash flows and profit or loss of the group, the consolidated management report, 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, 29 March 2017

The Board of Management

Thorsten Hermelink

Alexander Borwitzky

Raimund Hackenberger

Nikolas von Haugwitz

Bernd G Siebdrat

INDEPENDENT AUDITOR'S REPORT

We have examined the consolidated financial statements of Hawesko Holding Aktiengesellschaft, Hamburg – comprising the balance sheet, the income statement, the statement of comprehensive income, the statements of changes in shareholders' equity and cash flow and the Notes to the consolidated financial statements – as well as the group management report, which has been combined with the parent company report – for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and group management report in accordance with IFRS as applied in the European Union, as well as with the applicable commercial regulations pursuant to Section 315a, Paragraph 1 of the German Commercial Code, is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and combined group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 29 March 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Thorsten Dzulko Wirtschaftsprüfer	ppa. Claudia Niendorf-Senger Wirtschaftsprüferin

LIST OF SHAREHOLDINGS

in accordance with Section 313 (2) of the German Commercial Code (HGB) at 31 December 2016

	Registered office	Equity € '000	Share-holding %	Net earnings **2016** € '000
A. DIRECT SHAREHOLDING				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	5,128[1]
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	16,237[1]
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	Tornesch	512	100	429
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	41	100	1
WirWinzer GmbH	Munich	332	65.7	–114
Wein Wolf Holding GmbH (formerly: *Wein Wolf Holding GmbH & Co. KG*)	Bonn	12,689	100	4,624
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	–152[1]
Wein & Vinos GmbH	Berlin	4,997	70	3,997
Château Classic – Le Monde des Grands Bordeaux SARL i.L.	Bordeaux (France)	–4,097	90	–21
Sélection de Bordeaux SARL	Strasbourg (France)	3	100	–2
Globalwine AG	Zurich (Switzerland)	–945	95	491
B. INDIRECT SHAREHOLDING				
Shareholdings of *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH:* *Carl Tesdorpf GmbH*	Lübeck	–669	97.5	5
The Wine Company Hawesko GmbH	Hamburg	–1,873	100	339
Wine Dock GmbH (formerly: *Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.*)	Hamburg	–72	100	–94
Shareholdings of *Jacques' Wein-Depot Wein-Einzelhandel GmbH:* *Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.*	Salzburg (Austria)	106	100	–2
Jacques-IT GmbH	Oberhaching/ Deisenhofen	25	100	133[1]

	Registered office	*Equity* *€ '000*	*Share-holding* *%*	*Net earnings* **2016** *€ '000*
Shareholdings of *Wein Wolf Holding GmbH:*				
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	678	100	612
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	63	100	6
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	431	100	83
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	3,360	100	5,154
Wein Wolf Import GmbH	Bonn	40	100	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	35	100	–1
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,571	100	186
Alexander Baron von Essen Weinhandelsgesellschaft mbH	Bonn	754	100	140
Global Eastern Wine Holding GmbH	Bonn	981	100	1,234
Shareholdings of *Wein Wolf Import GmbH & Co. Vertriebs KG:*				
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	1,831	100[2]	4,396
Weinland Ariane Abayan Verwaltungsgesellschaft mbH	Hamburg	29	100[2]	0
Deutschwein Classics GmbH & Co. KG	Bonn	584	90	200
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	34	90	1
Shareholdings of *Globalwine AG:*				
Vogel Vins SA	Grandvaux (Switzerland)	3,637	70	127
Shareholdings of *Global Eastern Wine Holding GmbH:*				
Global Wines, s.r.o.	Prague (Czech Republic)	1,617	47.5	817
Global Spirits, s.r.o.	Prague (Czech Republic)	2,164[3]	47.5	314[3]

[1] before profit/loss transfer
[2] of which 15% is held directly
[3] Data from FY 2015 (2016 not available at date of accounts)

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Hawesko Group made healthy progress in 2016. Whereas the Supervisory Board and Board of Management had expected sales on a par with the previous year, in actual fact sales were increased slightly to € 481 million. Even after stripping out the online marketplace *WirWinzer* consolidated from 1 October 2016, sales showed a slight 0.5% increase on the previous year. The reported EBIT for 2016 is € 29.6 million, its highest-ever level. The adjusted EBIT margin, too, increased from 5.6% to 6.1%. The Supervisory Board shares the view of the Board of Management that the group is in rude health. Furthermore, it shares the Board of Management's confidence with regard to the medium to long-range business prospects. The Supervisory Board supports the Board of Management in its endeavours to focus increasingly on long-term aspects of growth.

INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2016 financial year the Supervisory Board performed the tasks for which it is responsible in accordance with the legal requirements and the articles of incorporation. It was kept informed about the situation of the company both at regular meetings and in meetings of its committees, supported the Board of Management in an advisory capacity, oversaw it throughout and passed all the necessary resolutions. Over and above its routine meetings, the Board of Management in addition reported to the Supervisory Board on other important matters. The regular oral and written reports submitted to the Supervisory Board pertained to the overall position of the company and current business developments as well as to the medium-term strategy of the company, including its investment, financial and earnings plans as well as management development. The focus of its deliberations was on the economic development of the group companies and the future direction of Hawesko Holding AG.

The Supervisory Board held four ordinary meetings in the 2016 financial year to assure itself of the lawfulness and regularity of the company's management, and was prepared and supported through the meetings of the Audit and Investment Committee and of the Personnel and Nominating Committee. The topics of the reports and discussions of the Supervisory Board included the current trading position of the group, the principles of corporate governance and their implementation in the company, personnel matters, risk management within the group, and also strategic business plans. The following individual topics were considered by the full board:

- Matters concerning acquisitions and external growth opportunities
- The future group structure, in particular the changeover to direct management of the B2B and retail brands and the further development of Hawesko Holding into the strategy, management and integration centre for the group, as well as the group-wide bundling of back-office functions within the holding company
- The departure of the former Chief Financial Officer and the search for a successor
- The in-depth discussion of an e-commerce strategy differentiating between the various sales types, and their respective market opportunities
- The majority interests acquired in *WirWinzer* and *WeinArt* as well as the increased shareholding in *Global Wines s.r.o.*
- The examination of the internal systems of control in the group and in the wholesale segment
- The three-year plan for the financial years 2017 to 2019
- The proposal that the Shareholders' Meeting of the company appoint PricewaterhouseCoopers GmbH as auditors of the consolidated and annual financial statements for the 2016 financial year

Pursuant to Section 8 of the articles of incorporation, an individual investment project involving a sum of more than € 2.5 million, the acquisition of other companies and the disposal of investments in companies with a value of more than € 0.5 million require the prior consent of the Supervisory Board. This must be given by a majority of two-thirds of the votes. In the 2016 financial year the Board of Management sought approval of the acquisition of majority interests in *WirWinzer* and *WeinArt*. Following detailed examination approval was granted unanimously. As the Supervisory Board members Detlev Meyer and Thomas R Fischer had not participated in the discussions regarding *WeinArt*, they abstained from the vote.

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

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

The annual financial statements prepared by the Board of Management, the consolidated financial statements and the combined management report of the group and the parent company for the 2016 financial year, including the bookkeeping, were examined by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 13 June 2016. The auditors did not find any cause for objection and issued their unqualified opinion. The Audit and Investment Committee simultaneously monitored the independence of the auditors and in this connection obtained the corresponding declaration.

The Board of Management submitted the annual and consolidated financial statements, the combined management report for the group and the parent company for the 2016 financial year, and the audit reports of the independent auditors on the examination of the annual and consolidated financial statements and the Board of Management's proposal on the appropriation of earnings to the Audit and Investment Committee for review. At its meeting on 22 March 2017, the committee considered the financial statements of the affiliated companies and discussed them in the presence of the auditors. The annual financial statements and the consolidated financial statements of Hawesko Holding AG as well as the auditors' audit reports were discussed at length and examined in detail by the whole Supervisory Board at its meeting on 29 March 2017. The Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2016 pursuant to Section 171 of the German Stock Corporation Act. The annual financial statements are thus approved in accordance with Section 172 of the German Stock Corporation Act.

The Supervisory Board endorses the proposal of the Board of Management to use the unappropriated profit for the 2016 financial year for the distribution of a dividend of € 1.30 per no par value share.

SUPERVISORY BOARD COMMITTEES

The Audit and Investment Committee came together on six occasions in 2016, and the Personnel and Nominating Committee on three occasions.

WORK OF THE AUDIT AND INVESTMENT COMMITTEE

The Audit and Investment Committee met before the publication of each quarterly financial report and discussed these pursuant to Article 7.1.2 of the German Corporate Governance Code. On 16 March 2016 the committee discussed the accounts of the subsidiaries in the presence of the auditors. On 2 May 2016 it addressed specific acquisition plans. On 23 May 2016 it dealt with the findings of an examination of the information and control system. The meeting on 29 July 2016 was earmarked for both the information and control system and the acquisition plans. On 2 November 2016 audit priorities were defined for the 2016 audit of the financial statements and the effects of the transformation process in the distance-selling segment were addressed. The meeting on 29 November 2016 was devoted to the three-year plan.

WORK OF THE PERSONNEL AND NOMINATING COMMITTEE

The Personnel and Nominating Committee devoted its meeting on 13 June 2016 to personnel matters. On 20 September 2016 it equally dealt with personnel matters and with the promotion of juniors in the wholesale segment. On 8 December 2016 it again considered personnel matters as well as the management structure within the group and formed an impression of new managers at three subsidiaries.

CORPORATE GOVERNANCE

On 5 April 2016 the Board of Management and Supervisory Board submitted the annual Declaration of Compliance in respect of the German Corporate Governance Code. The Declaration of Compliance approved today pursuant to Section 161 of German Stock Corporation Law is published separately in the Annual Report as part of the Corporate Governance Declaration along with disclosures on the principles of corporate management and the description of the modus operandi of the Board of Management and Supervisory Board (see pages 135–138); the document is also available on the Internet at www.hawesko-holding.com. The Supervisory Board assessed its efficiency in a self-evaluation process.

CHANGES IN THE COMPOSITION OF THE EXECUTIVE BODIES

Board of Management

The former Chief Financial Officer Ulrich Zimmermann left the Hawesko Group with effect from 31 July 2016. The Supervisory Board would expressly like to thank Mr Zimmermann for his huge dedication and successful work. He made a significant contribution to the steady development of the group as Chief Financial Officer.

Raimund Hackenberger was appointed Chief Financial Officer with effect from 1 March 2017.

Supervisory Board

There were no changes among the members of the Supervisory Board in the 2016 calendar year. Prof Dr-Ing Wolfgang Reitzle has announced his intention to resign from his office as Supervisory Board member after the close of the Shareholders' Meeting on 19 June 2017.

Conflicts of interest

The Chairman has not been notified of any conflicts of interest.

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

Hamburg, 29 March 2017

The Supervisory Board

Detlev Meyer
Chairman

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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

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

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

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

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

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, considered aspects of corporate governance on several occasions in the 2016 financial year and jointly declare that since 5 April 2016 (date of submission of last Declaration of Compliance) the recommendations of the German Corporate Governance Code ("Code" or "GCGC") in the version of the Code dated 5 May 2015, have been and are complied with, except in the following respects. The exceptions refer to the aspects listed below:

- *Article 5.4.1 of the Code:* The Supervisory Board has not stipulated a limit to the period for which a member may serve on the Supervisory Board. In the opinion of the Supervisory Board, the decision on whether to remain a member is often best left to the individual Supervisory Board member; a limit would impose an inappropriate restriction.
- *Article 5.4.6 of the Code:* The remuneration of the Supervisory Board members includes a performance-related component that is based on the unappropriated profit for the year in question. The Board of Management and Supervisory Board are of the opinion that this year-specific remuneration component appropriately reflects the consultative and supervisory function of the Supervisory Board. In addition, time-based determination of the variable remuneration more closely reflects in-year changes in the composition of the Supervisory Board as a result of the exit or arrival of new Supervisory Board members.
- *Article 7.1.2 of the Code:* The consolidated financial statements of the company at 31 December of each year are made public not within 90 days of the end of the financial year, but instead within 120 days in order to attract appropriate interest.

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

Organisation and management

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

The Hawesko Group is essentially divided into three business segments (cf. "Business model" section in the combined management report).

The Board of Management uses EBIT[1] and ROCE[2] as the basis for its management approach. The target minimum rates of return are presented in the "Management system" section of the combined management report. The targets and the development of the individual segments on the basis of these benchmarks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies. By incorporating EBIT margins and the ROCE into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.

Shareholders and Shareholders' Meeting

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

The Supervisory Board member Detlev Meyer is the biggest shareholder of Hawesko Holding AG, holding 72.6% of the shares through Tocos Beteiligung GmbH. There then follows Michael Schiemann, with a 5.6% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 21.8% are held by institutional and private investors. There are no employee shares as defined in Sections 289 (4) No. 5 and 315 (4) No. 5 of German Commercial Code.

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

[2] *ROCE: return on capital employed. This is the ratio of EBIT to the average amount of capital employed and provides an indication of the return on the capital employed in the period under review.*

Supervisory Board

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

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

The Supervisory Board has formed two committees that perform the functions assigned to them on behalf of the whole Supervisory Board. The committees are convened by their respective chairs and meet as often as is deemed necessary. There is currently a Personnel and Nominating Committee, and also an Audit and Investment Committee, each comprising three members. The Supervisory Board endeavours also to take diversity aspects into consideration, and not solely specialist and personal qualifications of the candidates, in making its proposals for election to the Shareholders' Meeting. The target for the proportion of women on the Supervisory Board has been defined as at least one woman by the deadline of 30 June 2017. It is currently met.

Board of Management

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

The Board of Management comprises five members and reaches its decisions by majority vote. Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group. The Board of Management members work together collegially and continually inform each other of important measures and events in their divisions. There are no sub-committees within the Board of Management. A target of 0–30% for the proportion of women on the Board of Management by 30 June 2017 was set. It is currently met.

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

When filling management functions in the company, the Board of Management strives for diversity, in particular through the suitable involvement of women. A target was defined of 25% women among the group's management by 30 June 2017. This level is currently not yet achieved.

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

Financial reporting and auditing of financial statements

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

The following was agreed with the independent auditors:

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

Transparency

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

Further information is published in the form of press releases and ad hoc announcements in accordance with Article 17 of the Market Abuse Regulation. All such notices are available on the Internet.

REMUNERATION REPORT

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in a separate section of the combined management report for the group and the parent company for 2016, as well as in the Notes to the consolidated financial statements and Notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

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

At 31 December 2016, 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: also 6,522,376 shares). The Board of Management held no shares in Hawesko Holding AG at 31 December 2016; nor did it hold any in the previous year.

Hamburg, 29 March 2017

The Supervisory Board **The Board of Management**

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

MEMBERS OF THE BOARD OF MANAGEMENT

Thorsten Hermelink, Chief Executive Officer, Hamburg

Thorsten Hermelink (born 1969) completed his business studies at the University of Lüneburg in 1994 with a Business Administration degree. He subsequently held senior positions at international-scale trading companies. He has been Chief Executive Officer of Hawesko Holding AG since December 2015.

Alexander Borwitzky, Düsseldorf

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

Raimund Hackenberger, Hamburg (since 01/03/2017)

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

Nikolas von Haugwitz, Hamburg

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

Bernd G Siebdrat, Bonn

Bernd G Siebdrat (born 1956) is co-founder of *Wein Wolf Holding*, which was started in 1981 and acquired by Hawesko Holding in 1999. In January 2008 he joined the Board of Management of Hawesko Holding AG, where he has been responsible for the wholesale/distribution segment.

MEMBERS OF THE SUPERVISORY BOARD

Detlev Meyer[1]

Chairman
Managing Director of Tocos Beteiligung GmbH, Hamburg

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

Prof Dr-Ing Wolfgang Reitzle[1] *(until 19/06/2017)*

Deputy Chairman
Former Chairman of the Executive Board of Linde AG

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

Thomas R Fischer[2]

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

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

Gunnar Heinemann[2]

Former Managing Partner of Gebr. Heinemann KG, Hamburg

Member of the following supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:
- Gebr. Heinemann SE & Co. KG, Hamburg;
- Travel Retail Norway A/S, Gardermoen, Norway

Professor Dr iur Dr rer pol Dres hc Franz Jürgen Säcker[2]

Executive Director of the Institute for Energy and Regulatory Law e. V., Berlin

Kim-Eva Wempe[1]

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

[1] Member of the Personnel and Nominating Committee. Detlev Meyer is Chairman.

[2] Member of the Audit and Investment Committee. Prof Dr Dr Dres hc Franz Jürgen Säcker is Chairman and complies with the regulatory requirements in accordance with Section 100 (5) German Stock Corporation Law (AktG).

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KEY FINANCIAL DATA OF HAWESKO GROUP

€ million	2016	2015	2014	2013
Net sales	480.9	476.8	472.8	465.2
Gross profit	204.4	198.4	198.0	190.5
– as % of net sales	42.5%	41.6%	41.9%	40.9%
Operating result before depreciation and amortisation (EBITDA)	37.0	27.4	26.9	29.4
– as % of net sales	7.7%	5.7%	5.7%	6.3%
Depreciation and amortisation	7.4	7.3	6.8	6.8
Operating result (EBIT)	29.6	20.1	20.1	22.6
– as % of net sales	6.2%	4.2%	4.2%	4.8%
Consolidated net income (after taxes and minority interests)	18.5	12.2	14.8	16.2
Cash flow from current operations	28.9	26.1	19.3	31.1
Cash flow from investing activities	–15.4	–5.8	–5.1	–7.5
Free cash flow	13.1	19.7	13.1	22.7
Proposed dividend distribution for the current year (parent company)	–11.7	–11.7	–11.7	–14.8
Non-current assets	73.4	60.3	60.3	64.7
Current assets	157.9	159.5	156.9	169.5
Equity less proposed dividend	82.7	79.6	79.4	77.3
– as % of balance sheet total	35.8%	36.2%	36.6%	33.0%
Total assets	231.3	219.8	217.2	234.3
Capital employed	139.5	137.3	137.5	140.8
Return on total assets	13.1%	9.2%	8.9%	9.6%
Return on capital employed	21.2%	14.7%	14.6%	16.0%
Earnings per share (€)	2.06	1.36	1.65	1.80
Regular dividend per share (€)	1.30	1.30	1.30	1.65
Bonus dividend payment (€)	–	–	–	–
Total dividend per share (€)	1.30	1.30	1.30	1.65
Total shares (average number outstanding in the year, '000)	8,983	8,983	8,983	8,983
Year-end share price (€)	43.30	41.48	41.52	38.25
Market capitalisation at end of year	389.0	372.6	372.9	343.6
Total employees (average for year)	940	933	925	925

2012	2011	2010	2009	2008	2007
446.4	409.1	377.7	338.5	338.8	333.7
181.8	161.7	150.1	138.4	135.6	130.9
40.7%	39.5%	39.7%	40.9%	40.0%	39.2%
32.8	31.5	31.3	27.1	30.0	23.3
7.3%	7.7%	8.3%	8.0%	8.9%	7.0%
7.2	5.3	5.6	4.7	4.5	5.0
25.6	26.2	25.7	22.4	25.5	18.3
5.7%	6.4%	6.8%	6.6%	7.5%	5.5%
22.5	17.9	20.0	13.1	14.6	6.7
17.5	16.9	21.8	28.8	24.7	17.9
–25.4	–4.1	+2.5	–7.1	–5.8	–2.6
–8.9	12.3	23.8	20.8	17.5	13.6
–14.8	–14.4	–15.7	–11.9	–10.6	–8.8
65.9	47.6	52.6	46.5	44.7	48.9
170.0	168.8	149.2	127.1	125.4	127.7
74.9	81.1	77.8	70.2	66.6	62.6
31.8%	37.5%	38.6%	40.5%	39.1%	35.4%
235.8	216.4	201.8	173.6	170.1	176.6
140.3	105.7	101.8	103.1	102.9	103.9
11.3%	12.5%	13.7%	13.0%	14.7%	10.5%
18.3%	24.8%	25.3%	21.7%	24.8%	17.6%
2.51	1.99	2.24	1.48	1.67	0.76
1.65	1.60	1.50	1.35	1.20	1.00
–	–	0.25	–	–	–
1.65	1.60	1.75	1.35	1.20	1.00
8,983	8,983	8,915	8,835	8,742	8,805
40.06	35.23	29.42	23.00	19.43	22.70
359.9	316.5	264.3	203.4	171.7	200.5
835	739	696	657	614	609

FINANCIAL CALENDAR

20 April 2017	Annual press conference/Analyst conference
11 May 2017	Interim report at 31 March 2017
19 June 2017	Annual Shareholders' Meeting
2 August 2017	Half-year interim report
7 November 2017	Interim report at 30 September 2017

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