FINANCIAL INFORMATION

of Hawesko Holding Aktiengesellschaft for the 2019 financial year

COMBINED GROUP MANAGEMENT REPORT AND MANAGEMENT REPORT

of Hawesko Holding Aktiengesellschaft for the 2019 financial year

COMPANY PROFILE

AN ARRAY OF BRANDS – ONE TOP-PERFORMING PREMIUM WINE TRADING GROUP

HAWESKO Holding Aktiengesellschaft (hereinafter Hawesko Holding AG) and its subsidiaries (hereinafter the Hawesko Group) specialise in trading quality wines in the superior and premium market segments. In 2019 it posted sales of around € 556.0 million, with 84.3% of the total achieved in Germany (previous year: 88.7%). The group has several subsidiaries in other European countries. It comprises the parent company Hawesko Holding AG, which functions as the superordinate unit, and performs management tasks in the areas of corporate strategy, corporate financing and corporate cash management, as well as risk management. Operational activity spans the three segments Retail, e-commerce and B2B (wholesale/distribution). The Retail and e-commerce segments serve end customers along a variety of distribution channels, while the B2B segment supplies the catering trade and commercial resellers. All three segments enjoy leading positions in Germany within their respective markets. The group management believes the group structure bears the hallmark of a balance between non-corporate units and corporate functions. Key factors behind the company's success include long-standing, trust-based relationships with top wine producers all over the world. There are agreements in place which secure the group companies the exclusive distribution rights for Germany for many renowned wines and vineyards. There are in addition business relationships with many of the consumers in Germany who are interested in high-class wine.

A NATIONWIDE PRESENCE AND AN ATTRACTIVE INTERNATIONAL POSITION

The group management and the management of the e-commerce segment are based in Hamburg. The e-commerce segment includes the subsidiaries *HAWESKO (Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH)* and *The Wine Company (The Wine Company Hawesko GmbH),* which are managed from Hamburg. The Retail segment comprises *Jacques' Wein-Depot (Jacques' Wein-Depot Wein-Einzelhandel GmbH)* based in Düsseldorf, as well as *Wein & Co. (Wein & Co. Handelsgesellschaft m.b.H.)* sited in Vösendorf, Austria. Both *Jacques' Wein-Depot* with 320 outlets throughout Germany and *Wein & Co.* with 20 branches covering all of Austria each hold the position of leader in their respective home markets. The B2B segment is managed from Bonn. From there, it coordinates the group's B2B activities in Germany. There are in addition B2B subsidiaries in Austria and Switzerland.

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

The Hawesko Group has set itself the following growth, rate-of-return and liquidity targets and applies these key financial performance indicators for internal control purposes:

- *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. The goal is to continuously increase the market share of the Hawesko Group.

- *Profit margin:* The EBIT margin is to be increased to 7.0% in the long term, but may be lower in growth and transformation phases.

- *Return on capital employed:* The return on capital employed before tax (ROCE) should always be at least 14.0% after adoption of IFRS 16.

- *Free cash flow:* A liquidity surplus is to be generated from business operations so that adequate financial resources are available above all for capital expenditure and for paying appropriate dividends. This indicator is considered primarily at group level on the basis of the cash pooling agreements with the principal subsidiaries.

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

The return on capital employed 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 generate the costs of capital raised on the capital market (see under "Financial position", page 42) in every segment of the group. The group therefore reasserts that it will only invest in those areas of business that exceed their costs of capital and therefore contribute to increasing the corporate value in the long term.

In addition to this value-oriented ratio, the free cash flow – defined as the total of cash flow from current operations, cash flow from investing activities and interest paid, is taken as a liquidity-oriented indicator. Compared to the previous year, from 2019 the free cash flow does not include any cash outflows for the acquisition of subsidiaries because these constitute non-recurring effects and hinder ease of comparison across periods. This ensures that adequate financial resources will continue to be available for payment obligations from operations, the repayment of borrowings and investing in future growth, and that a dividend appropriate to earnings per share can continue to be paid. The Board of Management believes sustained optimisation of working capital and effective investment management will decisively support this goal.

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

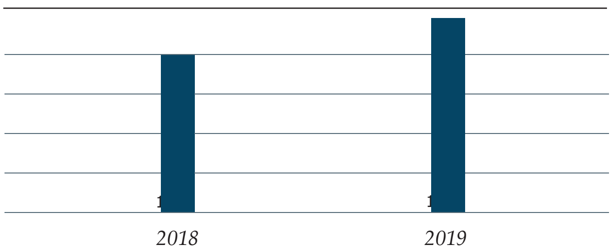
EMPLOYEES

The group employed an average of 1,243 people in the 2019 financial year (including 30 trainees), predominantly in Germany. Women make up 45.0% of the group's workforce (previous year: 51.0%), and the figure among its management is 25.0% (2018: 26.0%). The target for the proportion of women among the management of 25.0% by 30 June 2022 was already realised in 2019.

Expenditure on training and advancement measures in the year under review amounted to € 0.3 million (previous year: € 0.4 million).
On 31 December 2019 403 (prior-year reporting date: 443) employees of the group belonged to the pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

Further information on employee matters is provided in the separate report on environmental, employee and social matters (www.hawesko-holding.com/en/corporate-governance).

EMPLOYEES
Average for year



RESEARCH AND DEVELOPMENT

As a trading company, the Hawesko Group does not perform research and development in the narrower sense. The cost of developing exclusively marketed vintages in partnership with renowned wine producers – including the registration and protection of brands – amounted to € 0.2 million in 2019 (previous year: € 0.4 million).

PARTICULARITIES OF THE WINE TRADE IN RESPECT OF THE GROUP

The principal intangible assets of the group come under the category of relationships with customers and suppliers. This means in particular the customer database, which covers many of the people in Germany and Austria who are interested in high-quality wines. Expertise in warehousing and transport logistics specialising in the product wine equally constitutes a major advantage.

In the Retail and e-commerce segments, almost 1.8 million end customers were served in Germany, Austria and Sweden in 2019 (2018: 1.6 million). The average spend of those customers during the past year was € 211 (previous year: € 204) net. The customer base of the wholesale segment comprises approx. 16,000 customers (previous year: 16,000), predominantly in Germany; they are made up of grocery retailers, specialist wine retailers and the catering branch.

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

As a trading group specialising solely in the wine trade, the Hawesko Group also possesses many years of expertise in wine logistics. All logistics processes and facilities are geared entirely towards the warehousing and shipping of wine. The employees' many years of experience moreover assure expert handling of the wine as a sensitive natural product. The group's distance-selling logistics are based around a fully climate-controlled delivery centre at Tornesch with suitably tailored and optimised processes, to provide the logistics services for the e-commerce segment. In the year under review, logistics for the B2B segment were relocated to a warehouse meeting the requirements of the Hawesko Group and operated by an external provider, situated in the centre of Germany. The Retail segment already uses third-party services.

Information on environmental matters is provided in the separate report on environmental, employee and social matters (www.hawesko-holding.com/konzern/corporate-governance).

ECONOMIC REPORT

GENERAL AND INDUSTRY-SPECIFIC ECONOMIC ENVIRONMENT

Economic growth in Germany in 2019 was at its weakest since 2013. According to provisional calculations by the Federal Statistical Office, real gross domestic product (GDP) grew by a mere 0.6%. This was down from 1.5% in the previous year. GDP growth in 2019 was therefore less than half the ten-year average for the period 2008 to 2018. Manufacturing industry saw gross value added decline sharply across the board, and as such found itself in an economic downturn. On the consumption side this can be attributed substantially to the weak level of exports and equipment investment, whereas consumer and public-sector spending jumped markedly. Despite the weak overall economic development, the relatively favourable outlook for the labour market and income levels supported a continuing willingness to spend among consumers. Consumption remained a mainstay of economic growth in Germany in the year under review.

According to Gesellschaft für Konsumforschung (GfK), the per capita purchasing power of Germans (nominal disposable net income including state transfer payments) is currently just under € 23.8 thousand. This puts it 2.9% above the prior-year figure.
The development initially points to a positive outlook for the current financial year for Germans' willingness to spend, as confirmed by the GfK consumer climate index, which shows greater optimism among consumers in February 2020.

German wine market

According to figures from the German Wine Institute, the German wine market showed a downward development in 2019: consumer purchases were down 0.9% on the previous year in terms of volume and down 0.6% in terms of value. Overall, around 19.5 million hectolitres of wine and sparkling wine were sold in Germany in 2019. The German market consequently reached an overall value in the upper single digit billions of euros. The average price for the conventional 0.75 l bottle at food retailers climbed by 2 cents to € 2.34. On the other hand markedly higher prices were achieved in direct sales and from distribution by specialist and online retailers. Wines of German origin sold for an average € 5.15 for the customary 0.75 l bottle – a slight increase on the previous year (€ 5.10).

BUSINESS PERFORMANCE AND FINANCIAL PERFORMANCE

Overall statement on 2019 business performance and economic situation

The Hawesko Group was able to increase its sales in 2019 by 6.0% compared with the previous year to € 556.0 million. Even disregarding the initial consolidation of Wein & Co., which did not feature in the basis of comparison from 1 January to 30 September 2018, the group achieved a slight increase in sales of 1.3%. About 84.3% of sales were generated within Germany, with year-on-year growth reaching 0.7% domestically. The group thus reasserted its market position. EBIT came to € 29.1 million, as against € 27.7 million in the previous year.
The consolidated balance sheet shows an expanded balance sheet total of € 394.9 million following the first-time adoption of IFRS 16 (prior-year reporting date: € 289.0 million).

The equity ratio is 28.1% (previous year: 38.9%, prior to adoption of IFRS 16). Net debt owed at the balance sheet date amounts to € 134.1 million, compared with € 14.8 million one year earlier. The first-time adoption of IFRS 16 is behind the rise.

Cash flow from current operations for the year under review came to €33.6 million (previous year: € 26.1 million). Free cash flow rose from € 10.7 million in the previous year to € 31.6 million. The principal reasons for the rise included the much lower outpayments for the acquisition of subsidiaries (from 2019 no longer covered by the free cash flow definition). Another factor was the rise in inpayments from the disposal of intangible assets and property, plant and equipment from € 0.1 million to € 10.1 million.

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

The Board of Management's expectations had envisaged a sales rise of 7.0% to 9.0% year on year (€ 524.3 million). This target corridor was not achieved because slightly lower wholesale sales and the relocation of the warehouse weighed more heavily on the sales performance than had been expected.

EBIT came to € 29.1 million and reached the expected range of 5.0% to 5.7%, coming in at 5.2%.

The performance indicators shown in the following are used in analysing the net worth, financial position and financial performance. However to some extent they are not part of IFRS and therefore need to be declared as alternative performance indicators. The indicators used by Hawesko Holding AG are:

	Definition
Sales	Sales revenues
EBIT	Operating result
EBIT margin	EBIT divided by sales revenues
ROCE	EBIT divided by capital employed; see page 38
Free cash flow	Total of cash flow from operating activities, from investing activities and interest paid.

** according to new free cash flow definition € 20.2 million*
Rounding differences possible

The following rate-of-return targets (financial performance indicators) were communicated for 2019 in the 2018 Annual Report. The table below indicates to what extent they were achieved or not achieved.

	Objective	**2019**	*Attained*
Sales growth	Approx. 7.0–9.0%	+6.0%	–
EBIT margin	5.0–5.7% (including IFRS 16 effects)	5.2%	✓
ROCE	17.0% (excluding IFRS 16 effects)	12.3%	–
Free cash flow	€ 12.0 to € 16.0 million (excluding IFRS 16 effects)	€ 31.6 million	✓

Financial performance

2019: increase in sales and earnings

The sales of the Hawesko Group were increased by 6.0% in 2019, from € 524.3 million to € 556.0 million. *Wein & Co.* was consolidated for the first time with effect from 1 October 2018 and is therefore not included in the entire basis of comparison for the prior-year period. After adjustment for acquisitions, sales growth was 1.3%. The online sales component of this in the Retail and e-commerce segments, including *Wein & Co.*, came to € 119.4 million, a rise of 19.6% on the previous year (€ 98.8 million.); excluding *Wein & Co.* the increase was 15.5%. About 84.3% of sales were generated within Germany, with year-on-year growth reaching 0.7% domestically. Wines from France accounted for a total of 23.0% of sales (previous year: 26.0%), Italian products for 26.0% (previous year: 27.0%), Spanish wines for 17.0% (previous year: 18.0%) and German products for around 13% (previous year: 11.0%).
The overall sales volume came to 74 million bottles (previous year: 76 million).

The main driver of the sales increase for the group was consolidation of *Wein & Co.* in the Retail segment for the full year. The organic progress both from expansion and from the continuing high level of customer activity at *Jacques' Wein-Depot* in the retail segment as well as growth in the e-commerce segment provided a positive impetus. In the B2B segment, on the other hand, sales declined as a result of slightly lower wholesale business, as well as the constraints from the relocation of the B2B warehouse in the second half of the year.

Business involving subscription wines – also called "en primeur" – influences sales in the year they are shipped and concerns almost exclusively top-class Bordeaux wines.
These are pre-sold shortly after the harvest and delivered approximately two years later, once the wine has been bottled. In the year under review, sales of € 9.6 million were realised upon shipping of the 2016 vintage. Excluding *Wein & Co.*, sales of subscription wines came to € 7.7 million (previous year, comparable: € 6.9 million for the 2015 vintage).

The gross profit margin, calculated from sales revenues less the cost of purchased goods relative to sales revenues, was increased to 43.3% in the year under review (previous year: 26%). This development is attributable first and foremost to the higher weighting given to the Retail segment, at the expense of the B2B segment. The gross profit margin was also increased by improved mixed costing of the range of products across all segments.

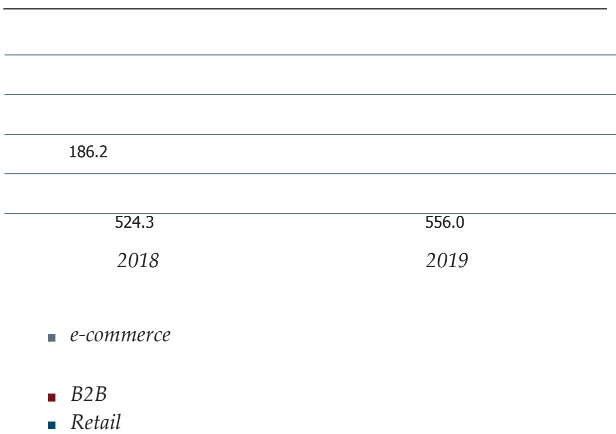
Personnel costs comprised wages and salaries as well as statutory, collectively negotiated and voluntary social contributions.
In the year under review this item rose by 12.6% to € 66.9 million, up from € 59.4 million in the previous year.
The personnel expenses ratio (personnel expenses relative to sales revenues) rose from 11.3% in the previous year to 12.0% in the 2019 financial year. The increase in both the expenses and expenses ratio is primarily attributable to the consolidation of *Wein & Co.* for the full financial year.

Other operating expenses showed a slight decline of € 1.2 million to € € 149.1 million. In a change from the previous year, leases are normally capitalised and amortised over their term on the basis of the IFRS 16 accounting standard adopted from 2019. From 2019, the expenses arising in this connection will be recognised within depreciation and amortisation as well as interest expense, which rose correspondingly following first-time adoption. The decrease in the other operating expenses was largely cancelled out by the higher advertising expenses and delivery costs as well as the full-year consolidation of *Wein & Co.*

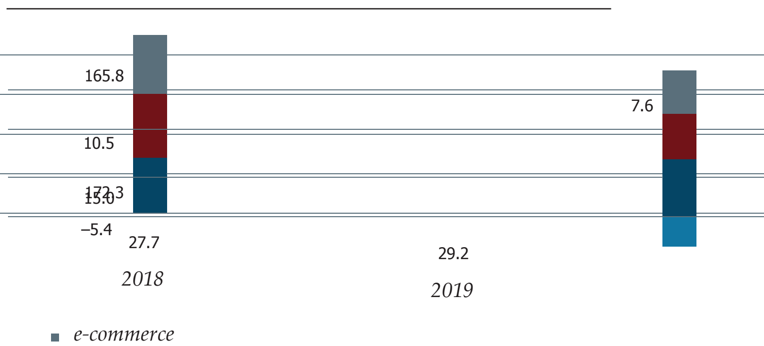
Advertising expenses amounted to € 43.6 million (previous year: € 41.8 million); the level in proportion to sales consequently declined marginally to 7.8% compared with the previous year (8.0%). The advertising expenses include outlay for the acquisition of new customers and the reactivation of inactive customers.
This outlay is designed to broaden the business basis of the group year by year: 381,000 new customers were recruited for the end consumer segments in 2019 (previous year: 345,000).

The delivery costs for the group rose from € 24.8 million to € 31.2 million. For the year under review, this item includes the additional costs arising from the relocation of the B2B warehouse. As a consequence, the delivery costs ratio went up to 5.6% (previous year: 4.7%).
Cost increases at logistics providers, on top of the warehouse relocation, were also a factor in the overproportional rise relative to sales.

CONSOLIDATED SALES BY SEGMENT
€ million



CONSOLIDATED EBIT BY SEGMENT
€ million



Rounding differences possible

(including income of € 4.0 million from sale of property) B2B
Retail
Costs for holding company and consolidating items

Consolidated EBIT increased despite burdens of B2B warehouse relocation

The operating result (EBIT) of the Hawesko Group came to € 29.1 million (previous year: € 27.7 million) in the year under review.
On the one hand EBIT is diminished by the relocation of the B2B warehouse; on the other hand the sale of the warehouse property that consequently fell vacant compensated for the negative effect on earnings.

Another positive factor for EBIT compared to the previous year was the change in the recognition of lease payments in the amount of € +2.7 million following first-time adoption of IFRS 16.

DEVELOPMENT IN EARNINGS € million	**2016**	**2017**	**2018**	**2019**
EBIT	**29.6**	**30.4**	**27.7**	**29.1**
– Year-on-year change	+47.1%	+2.7%	–8.9%	5.1%
– EBIT margin	6.2%	6.0%	5.3%	5.2%
EBT (earnings before taxes)	**28.3**	**28.8**	**30.5**	**25.4**
– Year-on-year change	+48.8%	+1.6%	+6.0%	-16.7%
– EBT margin	5.9%	5.7%	5.8%	4.6%
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**18.5**	**18.5**	**22.0**	**15.8**
– Year-on-year change	+51.8%	–0.4%	+18.9%	-28.1%
– Net margin	3.9%	3.6%	4.2%	2.8%

COST STRUCTURE as % of sales	**2016**	**2017**	**2018**	**2019**
Personnel costs	As reported: –11.7% Adjusted: –11.3%	11.3%	11.3%	12.0%
Advertising costs	8.2%	7.9%	8.0%	7.8%
Delivery costs	4.6%	4.5%	4.7%	5.6%
Other operating income and expenses (balance)	10.3%	10.7%	11.8%	13.4%
Depreciation and amortisation	1.5%	1.6%	1.6%	3.8%
TOTAL	**36.3%**	**36.0%**	**37.4%**	**42.8%**

EBIT MARGINS as % of sales	**2016**	**2017**	**2018**	**2019**
Retail Excluding *Wein & Co.*	11.2%	10.7%	9.7%	11.3%
Including *Wein & Co.*	–	–	8.7%	8.9%
B2B	4.5%	4.9%	5.6%	3.6%
e-commerce	5.8%	6.0%	4.6%	7.2%*

**The margin for e-commerce also includes the income from the sale of a property. The adjusted margin is 4.9%*

Increase in assets from IFRS 16 weighs on return on capital employed (ROCE)

Alongside EBIT, the development in assets has a major influence on ROCE. First-time adoption of IFRS 16 has significantly increased the level of assets recognised compared with the previous year.

From the reporting year following first-time adoption of IFRS 16, the indicator ROCE is calculated as follows in the Hawesko Group: EBIT (€ 29.1 million) divided by the average capital employed of € 236.5 million [(capital employed in previous year + capital employed in current year) divided by 2]. From the year under review, the calculation basis has changed following first-time adoption of IFRS 16: capital employed now rises as a result of recognition of lease liabilities, and the present value of off-balance-sheet lease commitments no longer applies. The average capital employed in the previous year is calculated from the balance sheet total (31 December 2018: € 289.0 million, 31 December 2017: € 259.7 million) plus capitalised lease commitments, less interest-free liabilities including deferred tax assets and provisions as well as cash and cash equivalents.

GROUP IFRS € '000	**01/01–31/12** **2017**	**01/01-31/12** **2018**	**01/01-31/12** **2019** First-time adoption of IFRS 16
EBIT (OPERATING RESULT)	**30,418**	**27,698**	**29,146**
Total assets	259,734	289,006	394,930
less			
– cash	10,736	25,073	18,725
– deferred tax assets	2,211	3,339	6,148
– interest-free liabilities	114,065	133,507	129,930
SUBTOTAL	**132,722**	**127,087**	**240,127**
plus: present value of off-balance-sheet lease commitments	34,874	36,894	–*
Capital employed (reporting date current year)	167,596	163,981	240,127
Average capital employed (over the year)	**154,942**	**165,789**	**236,510****
ROCE	19.6%	16.7%	12.3%***

* *Does not apply in 2019 as a result of IFRS 16, noting that the off-balance-sheet lease liabilities are not comparable to the lease liabilities under IFRS 16 due to different underlying maturities.*

** *For determining the average capital employed (CE), to take account of first-time adoption of IFRS 16 a CE in the amount of € 232,893 thousand was taken as a reflection of the changed assumptions regarding the maturity and interest rate of the lease commitments.*

****ROCE without adoption of IFRS 16 would be 16.5%.*

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

ROCE	**2016**	**2017**	**2018**	**2019** First-time adoption ofIFRS 16
Retail (specialist wine-shop retail)	40.0%	37.0%	28.0%	15.3%
B2B (wholesale/distribution)	16.0%	18.0%	21.0%	16.5%
e-commerce (distance selling)	19.0%	19.0%	14.0%	24.1%*
Group	21.0%	19.6%	16.7%	12.3%

* *The figure for e-commerce includes the income from the sale of a property. The adjusted figure is 16.4%.*

Consolidated net income

The financial result shows a net expense of € 3.8 million that was caused primarily by the new factor of interest expense for leases (2018: income of € 2.8 million). In the previous year subsequent measurement of financial liabilities at 31 December 2018 according to IFRS 9 in respect of Hawesko Holding AG had produced income of € 2.4 million. In contrast, in the year under review the other financial result came to € –0.3 million. Consolidated earnings before taxes in 2019 came to € 25.4 million, down 16.7% on the prior-year figure of € 30.5 million. The effective tax rate rose from 24.9% in the previous year to 35.9% in the year under review. The main reason was tax-free income from the subsequent measurement to IFRS 9 in the previous year. Overall, after deduction of the lower tax expense there remained consolidated net income of €16.3 million, which was 28.8% down on the prior-year figure of € 22.9 million.

The consolidated net income attributable to the shareholders of Hawesko Holding AG – excluding non-controlling interests – came to € 15.8 million (previous year: € 22.0 million). The corresponding prior-year figure – after elimination of the non-recurring effects from the first-time consolidation of *Wein & Co* – had been € 19.7 million.

Earnings per share came to € 1.76 (previous year: € 2.45, adjusted € 2.19). The figures for both the year under review and the previous year are based on 8,983,403 shares.

BUSINESS PERFORMANCE OF THE SEGMENTS

Retail:

Jacques' continues profitable growth, Wein & Co. makes progress with profitability

Sales for the Retail segment (*Jacques' Wein-Depot* and *Wein & Co.*) rose by 18.0% overall in the year under review to a total of € 203.3 million. In the previous year *Wein & Co.* was included in consolidation for the first time from 1 October 2018 and therefore only present in the basis of comparison from that point on. The individual company *Jacques'* increased its sales by 3.6% to €164.2 million. Like-for-like, in other words disregarding newly opened outlets, sales growth was 3.2%. *Jacques'* served 900,000 active customers in 2019. That is 2.9% more than in the previous year (875,000). Including *Wein & Co.* the segment had 993,000 customers. *Jacques'* achieved this sales growth for example by stepping up its advertising activities and through successful drives to retain, reactivate and acquire customers. The average spend at *Jacques'* showed a slight rise compared with the previous year. In 2019 *Jacques' Wein-Depot* acquired around 130,000 new customers (previous year: 126,000).

At 31 December 2019 there were 320 *Jacques' Wein-Depot* outlets in operation in Germany (previous year: 313 outlets. There are no outlets outside Germany. Eight new shops were opened, one was closed and one was relocated. At the reporting date for the year, *Wein & Co.* operated 20 locations in Austria, seven of which had a wine bar.
The operating result (EBIT) for the segment was increased by 20.0% to € 18.0 million in the year under review (previous year: € 15.0 million) and corresponds to an EBIT margin of 8.9% (previous year: 8.7%). This includes the positive EBIT effect of € 2.5 million from the first-time adoption of IFRS 16.
ROCE for the segment declined to 15.3% (previous year: 28.0%). This lower indicator is mainly attributable to the increase in capital employed following first-time adoption of IFRS 16.

B2B:

Warehouse relocation weighed on sales and operating result

Following on from healthy Easter business, the B2B segment had to cope with slack demand in the year under review. The relocation of wholesale logistics from north Germany to Worms was beset with delays to the complex process changes and delivery backlogs. This translated into sales losses in the third quarter. The sales of the B2B segment for the year under review were down 4.1% on the previous year, at € 178.6 million (€ 186.2 million). The difficult consumer environment affected all B2B sales subsidiaries; merely *Deutschwein Classics* was able to increase its sales year on year thanks to high demand for German wines. International business (Switzerland and Austria) of € 35.4 million yielded a sales gain of 1.4% year on year (€ 34.9 million); *Globalwine* and *Vogel Vins* combined matched the previous year's sales as expressed in Swiss francs.

The EBIT earned by all B2B brands came to € 6.4 million and was therefore well below the figure for the previous year (€ 10.5 million). Because the new warehouse reached full operating capacity later than expected, the non-recurring start-up and ramp-up costs were higher than planned. International business was slightly down on the previous year.

The EBIT margin for the segment declined from a prior-year 5.6% to 3.6%.

ROCE for the B2B segment came down from 21.0% to 16.5% due to the impact on earnings.

e-commerce:

Healthy performance above all at HAWESKO, WirWinzer and Vinos

In the e-commerce segment, 2019 sales were increased by 5.0% to € 174.0 million (previous year: € 165.8 million). At *HAWESKO* sales rose from € 92.7 million to € 96.5 million, or by 4.1%, thanks to an even stronger online focus. The wine trading platform *WirWinzer* again achieved dynamic growth and grew by 59.0% to € 6.2 million (previous year: € 3.9 million). Thanks to intensive activities to acquire new customers, sales at *Vinos* were up 3.3% to € 47.6 million (previous year: € 46.1 million). *Carl Tesdorpf* enjoyed a year-on-year sales rise of 6.2% both from standard business and from higher deliveries of Bordeaux subscription wines sold in advance. *The Wine Company* (distance selling to Sweden) achieved a slight sales increase of 1.4% in Swedish krona; after translation into euros sales were slightly down on the prior-year level.

The measures to acquire new customers were again a success: 228,000 new customers were acquired across the segment (previous year: 219,000). The figures do not include the customary annual migration. At 31 December 2019 the segment therefore had just under 931,000 active customers on its books, in other words those defined as someone who has placed at least one order in the past four months (the figure at the prior-year reporting date was 853,000).

61.0% (previous year: 55.0%) of total sales were generated online, and the remainder via classic sales channels such as post, phone and fax.

The operating result for the segment (EBIT) came to € 12.5 million in the year under review, including extraordinary income of € 4.0 million. After elimination of the latter amount, the figure was € 8.5 million (previous year: € 7.6 million). The reported EBIT represents an EBIT margin of 7.2%, and the adjusted EBIT an EBIT margin of 4.9% (previous year: 4.6%). The main reason for the higher adjusted result was improvements in the trading margin and cost structure at *HAWESKO*. The online platform *WirWinzer* was still in the start-up phase in the year under review and therefore – as expected – not yet profitable. *Carl Tesdorpf Weinhandel* broadly kept its operating result steady at the prior-year level, and *The Wine Company* (mail order to Sweden) improved its result to close to break-even despite unfavourable shifts in the exchange rate.

Thanks to the higher result – in particular from the income realised from the sale of a property and from the first-time adoption of IFRS 16 – ROCE for the e-commerce segment rose from 14.0% in the previous year to 24.1% in the year under review. Disregarding the income from the sale of a property, ROCE came to 16.4%.

Lower operating result (EBIT) for logistics

The subsidiary *IWL Internationale Wein Logistik* in Tornesch complements the e-commerce and B2B activities with its logistics services, serving the B2B segment above all from the new warehouse since the fourth quarter of 2019. In the period under review, the operating result (EBIT) came to € –1.3 million (previous year: € –0.3 million).

Holding-company costs

The reported costs for the holding company and consolidating items in the group amounted to € 6.4 million for 2019 (previous year: € 5.1 million).

FINANCIAL POSITION

Principles and aims of financial management

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

Capital structure

The capital requirements of the Hawesko Group comprise the capital expenditure on fixed assets and the financing of operating activities.
For these purposes, the group finances itself largely through short-term bank loans, lease agreements and the cash flow from current operations.
At 31 December 2019 the cash resources of the group comprised cash amounting to € 18.7 million (previous year: € 5.1 million).
Within time-unlimited credit lines for the financing of current business operations (working capital), there exist short-term credit facilities with a volume totalling € 65.0 million (no change from previous year). At the reporting date these credit facilities were drawn on to a level of 13.0% (previous year: 31.0%). The Hawesko Group reported short-term and long-term borrowings amounting to € 152.8 million at 31 December 2019 (previous year: € 38.8 million). Of this total, € 25.9 million (€ 24.7 million) is due within the next twelve months.
The net increase results from the first-time adoption of IFRS 16 in the 2019 financial year, with the result that leases classified as operating leases in previous years are now recognised mainly as lease assets, including accompanying lease liabilities. There was an opposite effect from borrowings repaid in the amount of € 5.5 million (previous year: raising of € 18.5 million).
The long-term and short-term borrowings consist predominantly of bank loans from German banks on the basis of credit agreements, as well as the lease liabilities under IFRS 16. The contractual obligations of Hawesko Holding AG within the credit agreements 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 amounts due to banks totalling € 16.1 million as well as lease liabilities of € 108.5 million.

According to internal calculations, the costs of the equity and borrowed capital made available to the group are currently 4.5%. They comprise the weighted costs of the equity capital of 5.1% on the one hand, and 1.5% for borrowed capital on the other. In calculating the cost of equity, the basis used is a long-term risk-free interest rate of 0.01% and a risk premium of 7.5% at a beta factor of 0.7.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2019	*Short-term € million*	*Short-term %*	*Long-term € million*	*Long-term %*	*Total € million*
Due to banks	15.3	48.7	16.1	51.3	31.4
Lease liabilities	12.9	10.6	108.5	89.4	121.4
TOTAL	**28.2**	**18.5**	**124.6**	**81.6**	**152.8**

Rounding differences possible

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

Rounding differences possible

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

At 31 December 2019 net debt amounted to € 134.1 million. The prior-year figure reported, including provisions for pensions of € 1.1 million, was € 14.8 million. The significant change in net debt is the result of the change in recognition due to IFRS 16, which led to a rise in lease liabilities of €116.2 million (cf. also Note 40 to the consolidated financial statements).

The following table shows the development in net debt:

€ million	**2019**	**2018**
Due to banks	31.4	38.3
+ Finance leases	121.4	0.5
+ Provisions for pensions	–	1.1
= GROSS DEBT OWED	**152.8**	**39.8**
- Cash	–18.7	–25.1
= NET DEBT OWED	**134.1**	**14.8**

Rounding differences possible

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

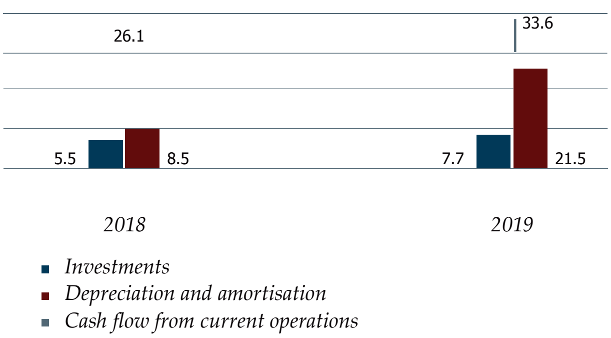
Investment

The Hawesko Group invested €7.7 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 5.5 million). This amount, relative to sales, produced an investment ratio of 1.4% (previous year: 1.0%).

The investments in intangible assets came to € 3.9 million (previous year: € 3.0 million) and were attributable to the optimisation of online business (including for the modernisation of the ERP software in the Retail segment, the online shops in the e-commerce segment and the group BI software at Hawesko Holding AG).

Investments in property, plant and equipment in 2019 totalled € 3.8 million (previous year: € 2.5 million). The Retail segment accounted for a sizeable portion of this amount, at just under € 2.6 million (previous year: € 1.5 million), which was incurred in connection with the expansion and modernisation of individual locations. Other investments in property, plant and equipment – for replacement and expansion investment – came to just under € 0.6 million (previous year: € 0.8 million) in the B2B segment and to just under € 0.4 million (previous year: just under € 0.4 million) in the e-commerce segment.

INVESTMENTS / DEPRECIATION / CASH FLOW
€ million



Liquidity analysis

CONSOLIDATED CASH FLOW € million	**2019**	**2018**
Cash flow from current operations	+33.6	+26.1
Cash flow from investing activities	+2.5	–14.9
Cash flow from financing activities	–42.6	+3.0

The cash flow from current operations rose from € 26.1 million in the previous year to € 33.6 million in the year under review. In particular the change in how outpayments for lease liabilities are recognised within the cash flow from financing activities because of the first-time adoption of IFRS 16 was the key factor behind in this indicator’s marked rise.

The change from the previous year (€ –14.9 million) in the cash flow from investing activities was as a result of the disposal of a property, turning positive at € 2.5 million. The prior-year figure also included the outpayment for the acquisition of *Wein & Co.* The disposal of the property generated a cash inflow of €10.1 million. This compared with outpayments for investments amounting to € 7.7 million.

As well as the payment of dividends (as in the previous year € –11.7 million), the cash flow from financing activities reflected the redemption of credit as well as, for the first time, outpayments for lease liabilities.

NET WORTH

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2019		2018	
	€ million	*% of balance sheet total*	*€ million*	*% of balance sheet total*
NON-CURRENT ASSETS				
Intangible assets	56.4	14%	57.1	20%
Property, plant and equipment	127.1	32%	21.2	7%
Investments accounted for using the equity method	3.9	1%	3.2	1%
Other financial assets	0.1	0%	0.1	0%
Deferred tax	6.1	2%	3.3	1%
Other non-current assets	4.0	1%	5.7	2%
	197.6	**50%**	**90.8**	**31%**
CURRENT ASSETS				
Inventories	120.9	31%	111.9	39%
trade receivables	45.8	12%	48.8	17%
Cash and other current assets	30.6	7%	37.5	13%
	197.3	**50%**	**198.2**	**69%**
BALANCE SHEET TOTAL	**394.9**	**100%**	**289.0**	**100%**

Rounding differences possible

The balance sheet total for the group came to € 394.9 million in 2019 (previous year: 289.0 million). This represents an increase of 36.6%.

Property, plant and equipment includes the rights of use from lease agreements and showed a substantial rise following first-time adoption of IFRS 16. That is also the main reason for the higher deferred tax. On the basis of a simplification rule applied in connection with first-time adoption, the recognised rights of use for selected lease agreements show a lower balance than the accompanying lease liabilities. The long-term advance payments for inventories were below the prior-year figure (under “Other”) because demand for the 2018 Bordeaux vintage was down on that for the previous 2017 vintage.

The portion of advance payments for the 2017 Bordeaux vintage that was still long-term in 2018 was reclassified as scheduled to the corresponding short-term item because the wines in question will be delivered in the coming twelve months.

The current assets declined slightly from € 198.2 million to € 197.3 million. Within this item, inventories went up € 9.0 million. The increase in stock applies mainly to the subsidiaries in the B2B segment, which were responding especially to potential bottlenecks from the changes in the logistics arrangements. Stock levels are expected to come back down in the course of the 2020 financial year. Trade receivables declined from € 48.4 million in the previous year to € 45.8 million in the year under review. This was attributable especially

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES	2019		2018	
	€ million	% of balance sheet total	€ million	% of balance sheet total
SHAREHOLDERS' EQUITY				
Subscribed capital of Hawesko Holding AG	13.7	3%	13.7	5%
Capital reserve	10.1	3%	10.1	3%
Retained earnings	83.6	22%	85.5	30%
Other reserves	–0.2	0%	–0.2	0%
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG	**107.2**	**27%**	**109.1**	**38%**
Non-controlling interests	3.7	1%	3.5	1%
	110.9	**28%**	**112.5**	**39%**
LONG-TERM PROVISIONS AND LIABILITIES				
Provisions	2.9	1%	2.8	1%
BORROWINGS AND LEASE LIABILITIES	124.6	31%	14.1	5%
Remaining non-current liabilities and deferred tax liabilities	15.6	4%	13.7	5%
	143.1	**36%**	**30.5**	**11%**
CURRENT LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	0.3	0%	0.3	0%
BORROWINGS AND LEASE LIABILITIES	28.2	7%	24.7	9%
Trade payables	71.0	18%	65.6	23%
Remaining current liabilities	41.4	11%	55.4	18%
	140.9	**36%**	**146.0**	**50%**
BALANCE SHEET TOTAL	**394.9**	**100%**	**289.0**	**100%**

Rounding differences possible

to a shift in the receipt of orders in the run-up to Christmas. Compared to previous years customers placed their orders much earlier in December to pre-empt potential delays because of bottlenecks at delivery services. Cash declined in 2019 principally as a result of the repayment of short-term borrowings.

Consolidated equity came to € 110.9 million, a slight fall compared with the prior-year figure of € 112.5 million. Retained earnings fell by € 1.9 million compared with the prior-year reporting date to € 83.6 million (previous year: € 85.5 million). This was mainly attributable to the first-time adoption of IFRS 16. The equity ratio (prior to distribution) represented 28.1% of the balance sheet total (previous year: 38.9%).

Long-term provisions and liabilities rose to € 143.1 million (previous year: € 30.5 million). The main reason for the significant increase in long-term borrowings was the first-time adoption of IFRS 16, which led to a sharp increase in the number of lease agreements to be included. The remaining portion of the non-current liabilities and deferred taxes rose from € 13.7 million in the previous year to € 15.6 million at the reporting date for the year. This includes the non-current portion of a financial obligation that could arise from the possible exercise of a put option by the minority interest in *Wir-Winzer GmbH*, a majority in which was acquired in the 2016 reporting year, as well as the liability for the purchase of the remaining shares of *Wein & Vinos GmbH* in 2022. Within the remaining non-current liabilities, the advances received for Bordeaux subscriptions fell in the year under review. This was because of lower demand for the 2018 vintage than for the 2017 vintage, which was reported under this item in the previous year.

The current liabilities fell by € 5.1 million to € 140.9 million mainly as a result of Christmas business being brought forward compared with the previous year. Short-term borrowings went up from € 24.7 million to € 28.2 million. The change was driven by the first-time adoption of IFRS 16, which was the reason for a rise of € 12.8 million. Conversely short-term loans were repaid earlier than in the previous year, with the result that amounts due to banks declined by € 9.4 million to € 15.3 million. Trade payables were year on year € 5.4 million higher, at € 71.0 million.

The portion of advances received from customers for the 2017 Bordeaux vintage that was still non-current in 2018 was transferred to a corresponding current item in 2019 because the wines will be shipped within the next twelve months. The increase reported was attributable to quality-based differences in wine vintages and therefore to higher customer demand.

The 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.

Share price development and capital measures

The price development of Hawesko shares is fundamentally also influenced by the development of the stock market as a whole, as well as by company and industry-specific factors. In a turnaround from the previous year, when indices worldwide had lost considerable ground, 2019 was a year of stock market rises. For example, the Dow Jones gained 22.0%, and the DAX achieved even steeper growth of 25.0%; meanwhile the SDAX small-cap index climbed 31.0%. The EURO STOXX 50, too, rose by 25.0%.

In the new year, the positive share price trend initially continued. As the coronavirus spread worldwide from China, however, major price corrections occurred from the second half of February as market participants increasingly focused on its negative consequences for globally connected movements of goods, and entire branches of industry almost ground to a halt.

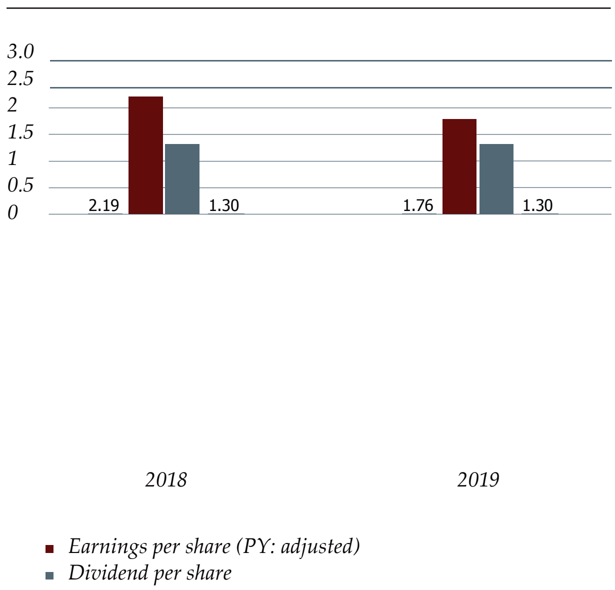
The explanation for the positive development on the stock markets in 2019 and over the first weeks of the current year can be found in the continuing – and to some extent actually extended – policy of cheap money adopted by the main central banks. Real assets – which include shares – are a more interesting alternative to interest-bearing securities for many investors in the prevailing extremely low-interest environment worldwide. In addition, the trade conflict between the USA and China eased as the year progressed and the previous year's high level of uncertainty following the United Kingdom's exit from the EU became a more marginal factor in 2019.

Hawesko Holding shares were unable to tap into the positive overall market trend in 2019.
The shares started the year on € 39.80 (XETRA) and ended it on € 35.00, with the trading price moving in the range of € 32.40 and € 40.00 over the year. The ad hoc announcement on 19 July 2019, which indicated a changed profit trajectory and therefore a year-on-year lower first-half result, prompted little change in the trading price. At the turn of September/October 2019 the shares touched their year-low of € 32.40. After the ad hoc announcement on 22 October 2019 concerning the B2B warehouse relocation and its extraordinary effects on earnings, the trading price developed positively. The year-end price was then € 35.00. The weak trading prices continued in 2020 as far down as approximately € 23.00 in March.

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

As in the previous year, the total number of shares was 8,983,403 throughout 2019.
No capital measures were carried out.

KEY DATA PER SHARE
€



REPORT ON POST-BALANCE SHEET DATE EVENTS

The spread of the coronavirus in Europe since February 2020 and the resulting restrictions to the public, economic and private spheres in all European countries will in all probability have a negative impact on the future net worth, financial position and financial performance.

On 16 March 2020 the German federal government and the heads of government of the federal states decreed the closure or restricting of many catering establishments and certain retail outlets in Germany. The situation in Austria and Switzerland is similar. This will adversely affect the sales and earnings of the subsidiaries in the B2B and Retail segments.

On the other hand in e-commerce – subject to the availability of goods and logistics – the situation is having a positive effect on the future net worth, financial position and financial performance.

As it is impossible to foresee the direction of further possible restrictions and limitations or their duration, no quantitative estimate of the financial consequences of these measures can currently be made. However the positive liquidity situation within the Hawesko Group means no risk to it as a going concern is expected.

Please refer in this connection to the appropriate passage in Note 48 to the consolidated financial statements.

EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS REPORT

REPORT ON EXPECTED DEVELOPMENTS

Direction of the Hawesko Group in the next financial year

New priorities have been defined for the business policy of the group: with its historically very non-central management approach, the group will co-ordinate the activities of the subsidiaries more effectively through the superordinate holding company. 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. Corporate services are being developed and bundled on effective platforms.
This will include for example the central coordination of logistics, a shared digital commerce platform and a group-wide data warehouse. These measures will support the operationally active group brands even better and relieve them of these functions. This will pave the way for the group to consolidate and build on its already strong market position in Germany.

General economic situation

Anticipated future developments in economy as a whole

According to the International Monetary Fund (IMF) the world economy will achieve slightly stronger growth in 2020 than in 2019. While the IMF experts anticipated real grow of 2.9% for 2019 and 3.3% for 2020 in their January projection, they downgraded their forecast slightly in February following the outbreak of the coronavirus epidemic in China. Global economic growth overall is on shaky foundations: the IMF has given express warnings about continuing risks such as the USA/China and USA/Europe trade conflicts, for example, and about newly emerging challenges. These include political risks such as the smouldering conflict between the USA and Iran, and social risks that stem from growing social conflicts in several countries, not least in Europe.

The German federal government's assessment is that the German economy had not yet pulled through its phase of cyclical weakness by the start of 2020. The first quarter of 2020 continues to exhibit a divide between weak industrial activity dominated by sluggish world trade, and robust service sectors as well as the construction sector. However industry has now seen order levels and sales stabilise. Consumer spending, by contrast, is a reliable mainstay of the domestic economy. The impact of high employment and the noticeable rise in disposable incomes are having a positive effect. The German Federal Bank nevertheless points out the economic risks that could result from the coronavirus. A temporary fall in demand across the economy as a whole could mute German export activity and also limit a number of global value chains through the safety precautions being taken. Supply bottlenecks in individual areas in Germany would then occur. Overall, the outlook for German economic growth in 2020 has consequently taken a turn for the worse recently.

The Hawesko Board of Management echoes the above expectations for the German economy and especially for consumer behaviour. It assumes that the cyclical trend in 2020 will be overall more healthy in the home market Germany than elsewhere because of the German government's economic stimulus programmes. The relatively robust pattern of wine consumption in Germany should also keep the wine market stable.

Wine market in 2020: Smaller harvest reverses production surplus

The International Organisation of Vine and Wine (OIV) estimates wine production in 2019 at 263 million hectolitres; this would indicate a decrease of around 10.0% compared with 2018. Meanwhile worldwide wine consumption stayed at the long-term average level of an estimated 246 million hectolitres. When industrial consumption is added to this figure (at a long-term average of approx. 30 million hectolitres), there is a slight production shortfall worldwide. In all probability the development described here will have a corresponding impact on the wine market in 2020.

Future situation in the trade

Despite economic uncertainty, the German wine market should be bolstered by a continuing healthy level of consumer spending in 2020. It should be possible to maintain the current high level of sales in the premium segment. The Hawesko Board of Management expects that already long-established trends in the upscale market segment will continue and be aided by demographic change. As in many other industries, recent years have seen the significance of online business steadily grow 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 2020 and will define the market: there is growing professionalism in the world of wine, consumers are becoming more 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 a unique selling proposition in the marketplace: its extensive range of top-class wines, knowledgeable handling of the product wine, experience in specialised warehousing and shipping logistics as well as the ability to keep enthusing customers with high service commitment and quality are key to the group brands' high recognition in the wine market.

Anticipated financial performance

The Board of Management of the Hawesko Group continues to strive for sustained, long-term, profitable growth. In the basic scenario the Board of Management expects the group to achieve approximately 3.0% sales growth in the 2020 financial year. Growth for the Retail segment is likely to be in the range of 3.0% to 4.0% and the figure for the e-commerce segment in the range of 1.0% to 2.0%. For the B2B segment, the growth forecast envisages 4.0%. The group EBIT margin is expected to be in the range of 5.0–5.5% in 2020. The target EBIT margin for the Retail segment is around 9.0%, for e-commerce it is in the range of 4.0% to 5.0% and for B2B in the order of 5.0%.

For the financial result, in its basic scenario for 2020 the Board of Management estimates a net expense in the range of € 4.0 million to € 5.0 million, with a free cash flow of between €15.0 million and € 25.0 million for 2020. It also forecasts a ROCE of 10.0% to 15.0% for 2020.

The Board of Management believes the effects of the spread of the coronavirus are currently difficult to foresee because new findings are emerging daily all around the world. However the group management believes that as matters stand, the events in the first and second quarters of 2020 will cause a decline compared to the above forecasts, especially in the B2B and Retail areas.

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 planned capital expenditure both 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. As with the expected financial performance, the group management nevertheless assumes that the developments due to the coronavirus may adversely affect the development in cash flow. The Board of Management therefore already implemented additional liquidity reporting in March 2020 in order to monitor especially cash outflows in more detail and more swiftly. Planned capital expenditure is examined regularly and in some cases deferred to later periods in the year.

Net debt owed at 31 December 2019 came to € 134. million. The Board of Management expects to see this edge up by the 2020 reporting date.

Capital expenditure on property, plant and equipment and intangible assets in the 2020 financial year is likely to decline by € 2.0 million to € 2.5 million compared with the prior-year level (€ 7.7 million). Capital expenditure will focus on the continuing digital transformation and IT as already envisaged, but also on modernisation and expansion measures in the Retail segment, and on expansion and replacement investment in the B2B and e-commerce segments.

The current plans do not envisage other long-term investments or acquisitions.

As it is currently impossible to foresee further developments in possible restrictions and limitations or their duration, no quantitative estimate of the financial consequences can be made at present. However based on the positive liquidity situation within the Hawesko Group its management does not foresee a risk to it as a going concern.

Overall statement on the anticipated development of the group

In light of the above individual factors and the assessment of the wine market's development, the Board of Management considers a steady upward development in the Hawesko Group to be realistic once the coronavirus crisis has passed. It continues to attach high priority to sales growth. The Board of Management also wants growth to be profitable. Consistently exceeding a return on capital employed (ROCE) of 14.0% remains an important benchmark.

RISK REPORT

Risk management system

The core tasks of the Board of Management of Hawesko Holding AG 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 moreover undergoes 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, the binding principles of which are laid down in a risk management guideline.

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

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

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

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

The Supervisory Board, in this context specifically the Audit and Investment Committee of Hawesko Holding AG, is involved in the financial reporting process for the group parent and group, and deals with such matters as key questions of financial reporting, risk management and the audit mandate together with 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 in 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 newly introduced in 2019, using an appropriate authorisation concept, and examined by Group Accounts. The internal control and risk management system of Hawesko Holding AG is designed to ensure that financial reporting by the company and by all companies included in the consolidated financial statements is uniform and in agreement with the legal and statutory requirements as well as internal guidelines.

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

Risks

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

Public debate on alcohol and advertising bans or restrictions

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

Loss (€ million)	
1) Very high (>5)	
2) High (2.5 to ≤5)	
3) Moderate (1 to ≤ 2,5)	
4) Low (0.25 to ≤ 1)	
5) Very low (up to 0.25)	
	(5) Very low (0 to <10)

Probability (%)

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

Increasing competition

The wine markets in Germany and Austria feature increasing competition. New market participants are entering the market and attempting to capture market shares as rapidly as possible. As such market participants do not have a customer base that has been built up over decades, nor the specialist expertise that the Hawesko Group can offer, they try to gain market shares through price. They succeed in this to some extent by using special offers and discounts, with the result that the high price transparency of online offers can increase the pressure on prices and margins for all market participants and erode profitability. Although this approach does not fundamentally threaten the business models of the Hawesko Group with their focus on expertise, service and sustained growth, it hinders the acquisition of new customers and inflates the cost of this process. The effects of more intense competition are built into the plans and risk assessments of the Hawesko Group brands but the very nature of the matter means it is not fully foreseeable. The Hawesko Group attempts to cushion these effects by offering an extensive product range expertly and by striving not to be dependent on individual wines or producers. Furthermore, the group subsidiaries endeavour to include unique products and specially bottled wines in their range to avoid direct comparison.

The risk from *increasing competition* is classified as an A risk with a high 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 5.0% 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.

Dependence on the business cycle

The Hawesko Group generated approx. 84.3% of its sales in the Federal Republic of Germany in 2019. 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.

15.7% of consolidated sales were achieved outside Germany in the year under review. The neighbouring countries Austria and Switzerland account for 88.0% of those sales.

The risk from *dependence on the business cycle* is classified as a B risk with a medium 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 Board of Management assumes that this risk is reduced by spreading the product range across multiple suppliers.

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

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.

Data protection as well as protection of data against unlawful actions

Hawesko's Retail and e-commerce segments each acquire a considerable portion of their new customers by methods covered by the "list privilege", but have equally undertaken to use customer data responsibly. Core aspects include regular training for employees on GDPR, a tighter user rights concept, the logging of all access to personal data compliance with the regulations concerning the storage of customer data on mass storage media. In addition there is regular optimisation of the internal processes (including with external expert support) and of the IT infrastructure. The data protection area is closely intertwined with information security, a topic that is regulated by the Compliance Guideline of the Hawesko Group. Data protection audits as well as regular IT security checks have been and are carried out by external consultants.

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

Logistics risks

Commercial and private customers alike today expect orders of goods to be delivered as swiftly as possible. High-price and premium products such as those sold by the Hawesko Group are no exception. While late delivery for B2B customers (resellers and restaurant trade) may lead to lost sales, a failure to deliver goods ordered by end customers in time for a particular occasion, for example, can spoil their enjoyment of the product. Customers will remember what they perceive as late delivery as a negative service experience and may prompt especially new customers to switch suppliers. The Hawesko Group is therefore eager to implement intelligent purchasing management to keep as large a number of products as possible available immediately. Alongside this, it works solely with reputable partners on the logistics side. All logistics processes focus on keeping goods traffic as efficient as possible and are constantly being refined to create demand-led logistics; corporate logistics management is under development. The relocation of wholesale logistics from north Germany to a more central location in the year under review needs to be viewed in this light.

The risks from the *logistics* area are classified as a B risk with a medium probability.

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.

Failure of web shop

The steadily growing share of transactions handled online, especially in the distance-selling area, also increases awareness of the availability of the web shops operated by the Hawesko Group. A failure, especially if it were to be lengthy, would result in significant sales losses. The issue of IT security and availability is closely managed and updated promptly to reflect new threat scenarios.

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.

	Probability	Reach	Risk assessment	Year-on-year change
Public debate on alcohol and advertising bans or restrictions is classified	Moderate	Very high	A risk	➤
Increasing competition	High	Moderate	A risk	➤
Wine as a natural product – marketability and fitness for consumption, quality, possible negative effects	Moderate	High	A risk	➤
Dependence on the business cycle	Moderate	Moderate	B risk	↘
Loss of the highest-volume suppliers	Moderate	Moderate	B risk	➤
Public debate on duty on alcohol	Very low	High	B risk	➤
Data protection as well as protection of data against unlawful actions	Very low	Very high	B risk	➤
Logistics risks	Moderate	Moderate	B risk	➤
Financial risks	Moderate	Low	B risk	↗
Failure of web shop	Very low	High	B risk	➤

Other risks

Coronavirus

Update on the risk situation in light of the coronavirus pandemic outside the year under review.

At the start of 2020 risks arose or existing risk assessments worsened with the spread of the coronavirus in Europe. The situation is developing dynamically and bringing very rapid changes for customers, suppliers and especially the employees. Based on information currently available, the group management expects the sales situation for the B2B segment, which in essence is adversely affected by closures in the food service trade, to ease in three to four months.

A brief update based on current information is given below for each segment.

General

In connection with this issue the Hawesko Group is exposed mainly to cyclical supplier and employee risks. These risks are already documented in the early warning system but there is the following update.

The risk of losing suppliers and therefore of the supply of goods being interrupted applies across the whole group. As matters stand the cross-border transport of goods remains possible but there could be delays to supplies at the winemakers' end. This risk is currently assessed as moderate because the Hawesko Group is not dependent on any single supplier and has alternatives. In addition, the current stock level also means delays to supplies can be bridged.

With regard to employees, there is the risk that confirmed cases of infection, suspected cases or quarantine orders will limit the ability of the companies and/or service providers to operate, which in turn may lead to distribution failures and therefore lost sales. This applies especially to the area of logistics processes.

Logistics providers have already drawn up comprehensive emergency plans in response. The risk is currently assessed as high. To minimise this risk, extensive organisational measures have already been introduced where appropriate, such as working from home, team splitting, cancelling business travel and shift work. A potential lockdown could increase the assessed risk depending on the actual details of the lockdown.

Specific risks affecting the individual segments are outlined in the following.

B2B

Official orders to close or limit operations by the hotel and restaurant trade mean the B2B area anticipates a decline in demand among this customer group, and therefore falling income. Demand in the food retailing trade is expected to remain steady because food retailers and drinks cash-and-carry shops have so far been unaffected by the official shutdown orders. Overall, the effects of this risk for the B2B area are classified as high.

e-commerce

The economic risks for the e-commerce area are rated as moderate because the mail-order trade as such is not affected by the current shutdown orders. In addition, it is conceivable that the mail-order volume will rise as consumers shift away from wine-shop retailers that have had to close or are severely restricted, and towards mail order.

Retail

The current restrictions on public life that have been put in place to clamp down on the spread of the virus do not currently apply to food retailers, the beverage trade and other areas. Accordingly, the Jacques' outlets are not affected and can remain open. Because further-reaching restrictions cannot be ruled out, the risk is currently assessed as moderate. Capacity at the logistics provider has already been increased in anticipation of higher demand in this area from the online shop. For the businesses in Austria, business has already migrated to online trading following the closure of sales outlets.

There are quite substantial liquidity risks facing the entire group from the aforementioned risks.

Finally, it should be reiterated that the situation is moving very fast and the assessments given here can change correspondingly quickly.

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. The coronavirus means the group is exposed to higher 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 2020 considering the prevailing economic environment. It currently expects consumption of high-end wines commanding a price of more than € 5.00 per bottle to remain stable over the year as a whole, or possibly to grow slightly.

At the balance sheet date of 31 December 2019 the Hawesko Group enjoyed very solid balance sheet ratios, such as the equity ratio of 28.1% as well as the consistently positive operating result (EBIT). 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 might 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. 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 very low.

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

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

Other risk management system/ opportunities management system

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

LEGAL STRUCTURE OF THE GROUP AND INFORMATION REQUIRED UNDER TAKEOVER LAW

REPORT PURSUANT TO SECTIONS 289A AND 315A OF GERMAN COMMERCIAL CODE (HGB):

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

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

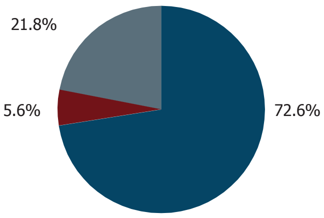
No control or profit transfer agreement exists between Hawesko Holding AG and Tocos Beteiligung GmbH. The Board of Management of Hawesko Holding AG has therefore issued a dependency report on relationships with affiliated companies pursuant to Section 312 of the German Stock Corporation Act. At the end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

LEGAL STRUCTURE OF THE GROUP

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,708,934.14 at the 2019 reporting date is divided into 8,983,403 no par value bearer shares, all carrying identical rights and obligations. The company is not aware of any restrictions affecting voting rights or the transfer of shares. Equally, no other classes of share exist. Under the articles of incorporation the Board of Management is, with the consent of the Supervisory Board, authorised until 18 June 2022 to increase the capital stock by up to a total of € 6,850,000.00, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act exists. An amendment to the articles of incorporation requires a shareholders’ resolution that must be 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 (Mr. Detlev Meyer)*
- *Augendum Vermögensverwaltung GmbH*
- *Institutional and private investors (free float)*

Since the change of control in 2015, Detlev Meyer has been the largest shareholder of Hawesko Holding AG via Tocos Beteiligung GmbH, with 72.6% of the shares; there then follows Michael Schiemann, with a 5.6% shareholding via Augendum Vermögensverwaltung GmbH. Both are resident in the Federal Republic of Germany.
The remaining approx. 1.8% are held by institutional and private investors. There are no employee shares as defined in Sections 289 (1) No. 5, 315 (1) No. 5 of German Commercial Code.

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

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

MANAGEMENT AND CONTROL

Independent responsibility for the running of the company and for the appointment of representatives for transactions with third parties rests with the Board of Management of Hawesko Holding AG. Until 31 March 2019 the Board of Management comprised four members, and since 1 April 2019 has comprised three members. It reaches its decisions by majority vote.
Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group.

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

The Board of Management is overseen and advised by the Supervisory Board. In accordance with the articles of incorporation the Supervisory Board comprises six members, elected by the Annual General 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 Annual General 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 Annual General 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. Until 31 March 2019 each segment of Hawesko Holding AG was led by a Board of Management member. That has no longer been the case since 1 April 2019.

The Board of Management uses sales growth, profit margin, ROCE and free cash flow as the basis for its management approach. The benchmarks it aims for were outlined above under "Management system". The targets and the development of the individual segments on the basis of these bench-marks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies. By incorporating EBIT margins and the return on capital employed into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.
The Notes to the consolidated financial statements contain full details of the members of the Board of Management and Supervisory Board.
Pursuant to Sections 289f of the German Commercial Code and 315d of the German Commercial Code, publicly listed companies are to prepare a corporate governance declaration and incorporate it into their management report as a separate section. It may also be made publicly accessible on the company's website. This declaration, which contains the declaration pursuant to Section 161 of the German Stock Corporation Act as well as relevant disclosures on corporate management practices implemented over and above the statutory requirements, a description of the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of their committees, is published in the Annual Report and can

be accessed at (www.hawesko-holding.com/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 2019, 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 2019 is show in the following tables:

BENEFITS GRANTED € '000	*Thorsten Hermelink* *Chairman*				*Alexander Borwitzky* *Member*				*Raimund Hackenberger* *Member*			
	2018	**2019**	Min.	Max.	**2018**	**2019**	Min.	Max.	**2018**	**2019**	Min.	Max.
Fixed remuneration	450	500	500	500	310	310	310	310	300	300	300	300
Fringe benefits	12	7	7	7	11	9	9	9	11	11	11	11
TOTAL	**462**	**507**	**507**	**507**	**321**	**319**	**319**	**319**	**311**	**311**	**311**	**311**
One-year variable remuneration	–	–	–	–	–	–	–	–	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION												
for financial years 2016–2018	300	–	–	–	–	–	–	–	–	–	–	–
for financial years 2017–2019	–	–	–	–	–	–	–	–	200	200	–	300
for financial years 2018–2020	–	–	–	–	207	207	–	307	–	–	–	–
for financial years 2019–2021	–	335	–	535	–	–	–	–	–	–	–	–
TOTAL	**762**	**842**	**507**	**1042**	**528**	**526**	**319**	**626**	**511**	**511**	**311**	**611**
Termination benefits	–	–	–	–	–	–	–	–	–	–	–	–
Benefit expense	1	3	1	1	1	1	1	1	1	1	1	1
TOTAL REMUNERATION	**763**	**845**	**508**	**1043**	**529**	**528**	**321**	**628**	**512**	**512**	**312**	**612**

BENEFITS GRANTED € '000	*Nikolas von Haugwitz, Member, leave of absence from 01/04/2019, Exit 15/06/2019*			
	2018	**2019**	Min.	Max.
Fixed remuneration	240	122	122	122
Fringe benefits	15	7	7	7
TOTAL	**255**	**129**	**129**	**129**
One-year variable remuneration	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION				
for financial years 2016-2018	160	–	–	–
for financial years 2017-2019	–	–	–	–
for financial years 2018-2020	–	–	–	–
for financial years 2019-2021	–	30	–	30
TOTAL	**415**	**159**	**129**	**159**
Termination benefits	–	661	–	–
Benefit expense	6	5	6	6
TOTAL REMUNERATION	**421**	**825**	**135**	**165**

BENEFITS PAID € '000	*Thorsten Hermelink Chairman*		*Alexander Borwitzky Member*		*Raimund Hackenberger Member*		*Nikolas von Haugwitz Member, leave of absence from 01/04/2019, exit 15/06/2019*	
	2018	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**
Fixed remuneration	450	500	310	310	300	300	240	122
Fringe benefits	12	7	11	9	11	11	15	7
TOTAL	**462**	**507**	**321**	**319**	**311**	**311**	**255**	**129**
One-year variable remuneration	–	–	–	–	–	–	–	–
MULTI-YEAR VARIABLE REMUNERATION								
for financial years 2016-2018	150	420	–	–	–	–	52	37
for financial years 2017-2019	–	–	–	–	25	30	–	–
for financial years 2018-2020	–	–	16	75	–	–	–	–
for financial years 2019-2021	–	–	–	–	–	–	–	30
TOTAL	**612**	**927**	**337**	**394**	**336**	**341**	**307**	**196**
Termination benefits	–	–	–	–	–	–	–	661
Benefit expense	–	2.1	1.3	–	1.3	–	6	5
TOTAL REMUNERATION	**612**	**929**	**338**	**394**	**337**	**341**	**313**	**862**

The former Board of Management member Bernd Hoolmans receives a retirement pension; he was also assured an invalidity allowance. A provision totalling € 271 thousand (previous year: € 254 thousand) was recognised for this commitment at 31 December 2019. The former Board of Management member Nikolas von Haugwitz given leave of absence from 1 April 2019 is entitled to supplementary retirement pay after reaching the age of 65. The company paid an amount of € 4 thousand into a benevolent fund for this commitment 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 2019 is show in the following table:

€ '000	*Variable remu-neration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Detlev Meyer	36	8	25	–	69
Thomas R Fischer	27	6	19	–	52
Dr. Jörg Haas	18	4	12	–	34
Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker	18	4	13	–	35
Wilhelm Weil	18	4	9	–	31
Kim-Eva Wempe	18	4	8	–	30
TOTAL	**135**	**30**	**86**	–	**251**

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

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

OVERVIEW OF THE 2019 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 2019 to German Commercial Code

€ '000	2019	2018
Other operating income	2,791	2,276
Personnel expenses		
a) Salaries	–4,554	–3,984
b) Social security and social maintenance costs	–316	–272
Depreciation of intangible fixed assets and tangible assets	–383	–44
Other operating expenses	–3,865	–3,094
Income from profit transfers	32,386	30,590
Investment income	2,596	5,073
Other interest and similar income	816	1,018
Expenses from losses absorbed	–420	–472
Interest and similar expenses	–523	–419
Income tax expense	–8,442	–5,960
EARNINGS AFTER TAXES	**20,086**	**24,713**
Other taxes	–2	–2
NET INCOME	**20,084**	**24,711**
Profit carryforward from previous year	786	753
Appropriation to other retained earnings	–	–13,000
ACCUMULATED PROFIT	**20,870**	**12,464**

Rounding differences possible

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

The investment income includes the profits of *Wein & Vinos GmbH* from financial year 2018. The expenses from losses absorbed result from those in respect of *IWL Internationale Wein-Logistik GmbH*.

On average over the 2019 financial year, Hawesko Holding AG had 22 employees (no change from previous year).

The net income for the year is € 20.1 million, compared with € 24.7 million in the previous year. The forecast for Hawesko Holding AG was not achieved, substantially due to the decline in investment income and the rise in taxes on income as a result of payments of tax arrears for the previous year.

After addition of the profit carryforward from the previous year, the company reports an unappropriated profit of € 20.9 million (previous year: € 12.5 million).

With regard to use of the unappropriated profit for 2019, the Board of Management proposes that a dividend of € 1.30 per share be distributed, in other words around € 11.7 million in total.

Financial position of Hawesko Holding AG

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

Net worth of Hawesko Holding AG

€ '000	31/12/2019	31/12/2018
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	150	18
Advance payments	–	332
TANGIBLE ASSETS		
Land, equivalent rights and buildings, including buildings on third-party land	40	46
Other fixtures and fittings, tools and equipment	136	159
FINANCIAL ASSETS		
Shares in affiliated companies	133,581	124,643
Advance payments on shares in affiliated companies	–	–
Other loans	–	–
	133,907	**125,197**
CURRENT ASSETS		
RECEIVABLES AND OTHER ASSETS		
Due from affiliated companies	83,314	87,603
Other assets	4,981	5,080
BANK ACCOUNTS IN CREDIT	7,124	8,814
	95,420	**101,496**
PREPAID EXPENSES	73	93
	229,400	**226,786**

Rounding differences possible

The assets at the reporting date total € 229.4 million (previous year: € 226.8 million) and are made up predominantly of financial assets in the amount of € 133.6 million (previous year: € 124.6 million) along with receivables from affiliated companies in the amount of € 83.3 million (€ 87.6 million). Financial assets represent 58.2% of the balance sheet total (previous year: 55.0%).

The rise in financial assets stems from the addition of further shares of 20.0% in *Wein & Vinos GmbH*, Berlin, with effect from 1 January 2019, taking the shareholding now to 90.0%.

€ '000	31/12/2019	31/12/2018
SHAREHOLDERS' EQUITY		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other retained earnings	91,938	91,938
Accumulated profit	20,870	12,464
	190,584	**182,178**
PROVISIONS		
Provisions for taxation	3,949	2,748
Other provisions	1,223	1,675
	5,172	**4,423**
LIABILITIES		
Due to banks	24,332	31,096
Trade payables	236	154
Due to affiliated companies	2,189	2,763
Other liabilities	5,916	5,228
	32,674	**39,241**
DEFERRED TAX LIABILITIES	971	944
	229,400	**226,786**

Rounding differences possible

The equity and liabilities side of the balance sheet comprises € 190.6 million in equity (prior-year reporting date: € 182.2 million) and provisions and liabilities of € 37.8 million (€ 43.7 million). The amounts due to banks declined mainly as a result of scheduled repayments. Equity represents 83.1% of the balance sheet total (previous year: 80.3%).

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 joint and several liability with the material group companies 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. Please refer to the remarks on the Hawesko Group.

PLANNED CAPITAL EXPENDITURE BY HAWESKO HOLDING AG

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

CORPORATE GOVERNANCE DECLARATION

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

GROUP FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2019 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2019

€ '000	Notes	01/01-31/12/2019	01/01-31/12/2018
SALES REVENUES FROM CONTRACTS WITH CUSTOMERS	9.	**556,011**	**524,298**
Increase/decrease in finished goods inventories		–125	169
Other production for own assets capitalised	17.	542	496
Other operating income	10.	25,539	22,017
Cost of purchased goods and services		–315,314	–301,015
Personnel expenses	11.	–66,926	–59,437
Depreciation/amortisation and impairment	12.	–21,484	–8,539
Other operating expenses	13.	–149,097	–150,291
– Impairment losses from financial assets		*–550*	*–218*
OPERATING RESULT		**29,146**	**27,698**
Interest income	14.	58	254
Interest expense	14.	–4,468	–599
Other financial result	14.	–254	2,442
Result from companies reported using the equity method	14.	877	707
EARNINGS BEFORE TAXES		**25,359**	**30,502**
Taxes on income	15.	–9,108	–7,601
CONSOLIDATED NET INCOME		**16,251**	**22,901**
of which attributable to the shareholders of Hawesko Holding AG		15,823	22,017
of which attributable to non-controlling interests		428	884
Earnings per share (basic = diluted) (€)	16.	1.76	2.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2019

€ '000	*Notes*	**01/01-31/12/2019**	**01/01-31/12/2018**
CONSOLIDATED NET INCOME		**16,251**	**22,901**
AMOUNTS THAT CANNOT BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE		**–80**	**8**
– Actuarial gains and losses from defined benefit plans, including deferred tax		–80	8
AMOUNTS THAT MAY BE RECOGNISED AS PROFIT OR LOSS IN THE FUTURE		**151**	**–45**
– Effective portion of the gains/losses from cash flow hedges, including deferred tax		–110	–112
– Currency translation differences		261	67
OTHER RESULT		**71**	**–37**
TOTAL COMPREHENSIVE INCOME		**16,322**	**22,864**
of which attributable			
– to the shareholders of Hawesko Holding AG		15,843	21,912
– to non-controlling interests		479	952

CONSOLIDATED BALANCE SHEET

at 31 December 2019

ASSETS € '000	*Notes*	**31/12/2019**	**31/12/2018**
NON-CURRENT ASSETS			
Intangible assets	17.	56,413	57,140
Property, plant and equipment	18. & 33.	127,125	21,237
Investments accounted for using the equity method	7.	3,895	3,222
Other financial assets	19.	88	138
Inventories and advance payments for inventories	21.	3,113	4,720
Receivables and other assets	22.	870	980
Deferred tax	20.	6,148	3,339
		197,652	**90,776**
CURRENT ASSETS			
Inventories and advance payments for inventories	21.	120,875	111,911
Trade receivables	22.	45,820	48,433
Receivables and other assets	22.	4,976	5,183
Accounts receivable from taxes on income	22.	6,882	7,630
Cash in banking accounts and cash on hand	23.	18,725	25,073
		197,278	**198,230**
		394,930	**289,006**

EQUITY AND LIABILITIES € '000	*Notes*	**31/12/2019**	**31/12/2018**
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	24.	13,709	13,709
Capital reserve	25.	10,061	10,061
Retained earnings	26.	83,599	85,499
Other reserves	27.	–190	–210
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG		**107,179**	**109,059**
Non-controlling interests	28.	3,686	3,464
		110,865	**112,523**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	29.	1,115	1,055
Other long-term provisions	30.	1,823	1,726
Borrowings	31.	16,069	14,071
Lease liabilities*	33.	108,535	–
Contract liabilities	32.	5,359	1,972
Other liabilities	32.	6,243	7,225
Deferred tax	34.	3,973	4,465
		143,117	**30,514**
CURRENT LIABILITIES			
Minority interest in the capital of unincorporated subsidiaries	32.	264	295
Borrowings	31.	15,321	24,703
Lease liabilities*	33.	12,831	–
Trade payables	32.	70,967	65,577
Contract liabilities	32.	13,778	18,498
Income taxes payable	32.	4,013	3,460
Other liabilities	32.	23,774	33,436
		140,948	**145,969**
		394,930	**289,006**

**Reported separately for first time from 2019 financial year in accordance with IFRS 16*

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2019

€ '000		Notes	01/01 – 31/12/2019	01/01 – 31/12/2018
	Earnings before taxes	40.	25,359	30,502
+	Depreciation and amortisation of fixed assets		21,484	8,539
+/–	Other non-cash expenses and income	14. & 40.	2,615	–496
+	Interest result (interest income and expense)	40.	4,410	–2,097
+/–	Result from the disposal of fixed assets		–4,050	–68
+/–	Result from companies reported using the equity method		–877	–707
+/–	Dividend payouts received from distributions by investments		354	861
+/–	Change in inventories		–7,073	6,724
+/–	Change in receivables and other assets		–22	3,419
+/–	Change in provisions		213	1,021
+/–	Change in liabilities (excluding borrowings)		–178	–15,100
+/–	Interest received		35	140
–	Taxes on income paid out	40.	–8,669	–6,654
=	NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS		**33,601**	**26,084**
–	Acquisition of subsidiaries net of cash acquired		26	–9,494
–	Outpayments for property, plant and equipment and for intangible assets		–7,677	–5,519
+	Inpayments from the disposal of intangible assets and property, plant and equipment		10,138	68
=	NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES		**2,487**	**–14,945**
–	Outpayments for dividend		–11,678	–11,678
–	Outpayments to non-controlling interests		–55	–3,063
–	Outpayments to NCI Forwards	40.	–1,114	–
–	Outpayments for lease liabilities	33.	–10,973	–324
+	Raising and repayment of borrowings	40.	–14,355	18,505
–	Interest paid	40.	–4,388	–454
=	OUTFLOW/INFLOW OF NET FUNDS FOR FINANCING ACTIVITIES		**–42,563**	**2,986**
	Effects of exchange rate changes on cash		127	212
	NET DECREASE/INCREASE IN FUNDS		**–6,348**	**14,337**
+	Funds at start of period		25,073	10,736
=	FUNDS AT END OF PERIOD		**18,725**	**25,073**

CHANGES IN CONSOLIDATED EQUITY

for the period from 1 January to 31 December 2019

€ '000	Subscribed capital	Capital reserve	Re-tained earnings	Other reserves: Bal-ancing item from currency translation	Other reserves: Revalu-ation re-serve for retirement benefit obliga-tions	Other reserves: Reserve for cash flow hedges	Own-ership in-terest of Hawesko Holding AG share-holders	Non-control-ling inter-ests	Equity
POSITION AT 1 JANUARY 2018	**13,709**	**10,061**	**70,756**	**103**	**–229**	**21**	**94,421**	**9,949**	**104,370**
Transactions with non-control-ling interests	–	–	4,372	–	–	–	4,372	–4,372	–
Change in group of consoli-dated companies	–	–	32	–	–	–	32	–	32
Dividends	–	–	–11,678	–	–	–	–11,678	–3,065	–14,743
Consolidated net income	–	–	22,017	–	–	–	22,017	884	22,901
Other result	–	–	–	–1	25	–154	–130	68	–62
Deferred tax on other result	–	–	–	–	–17	42	25	–	25
POSITION AT 31 DECEMBER 2018/ COMPREHENSIVE INCOME	**13,709**	**10,061**	**85,499**	**102**	**–221**	**–91**	**109,059**	**3,464**	**112,523**
Change in accounting method from first-time adop-tion of IFRS 16	–	–	–5,133	–	–	–	–5,133	–	–5,133
POSITION AT 1 JANUARY 2019	**13,709**	**10,061**	**80,366**	**102**	**–221**	**–91**	**103,926**	**3,464**	**107,390**
Change in group of consoli-dated companies	–	–	202	–	–	–	202	–202	–
Dividends	–	–	–11,678	–	–	–	–11,678	55	–11,733
Dividends to NCI Forwards	–	–	–1,114	–	–	–	–1,114		–1,114
Consolidated net income	–	–	15,823	–	–	–	15,823	428	16,251
Other result	–	–	–	210	–101	–135	–26	51	25
Deferred tax on other result	–	–	–	–	21	25	46	–	46
POSITION AT 31 DECEMBER 2019/ COMPREHENSIVE INCOME	**13,709**	**10,061**	**83,599**	**312**	**–301**	**–201**	**107,179**	**3,686**	**110,865**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2019 financial year

PRINCIPLES AND METHODS APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

HAWESKO Holding Aktiengesellschaft has its registered office in Hamburg, Germany (Address: Elbkaihaus, Grosse Elbstrasse 145d, 22767 Hamburg). It is entered on the Commercial Register at the Local Court of Hamburg under number 66708. The activities of the group include in particular the trading and sale of wines, champagnes and other alcoholic drinks to consumers and re-sellers. The operating subsidiaries under the corporate umbrella of Hawesko Holding AG are grouped into three segments: Retail, B2B and e-commerce.

1. GENERAL PRINCIPLES

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

The requirements were satisfied in full and the consolidated financial statements give a true and fair view of the net worth, financial position and financial performance.
The annual financial statements of the consolidated companies are based on standard recognition and measurement principles. For greater clarity, certain items in the statement of income and balance sheet are combined; they are explained in the Notes. The standard reporting date for all group companies is 31 December 2019.

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, which are measured at their fair value.

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

The consolidated financial statements are to be released for publication after the consolidated financial statements have been signed off by the Supervisory Board on 3 April 2020.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2019 of Hawesko Holding AG are published in the electronic 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

The following summary shows the new or amended standards (IAS/IFRS) of the International Accounting Standards Board (IASB) or Interpretations (IFRIC), adoption of which is mandatory from 1 January 2019:

- IFRS 16 “Leases” (for adoption from 1 January 2019, endorsed on 31 October 2017)

- Amendments to IFRS 9 “Financial Instruments – Prepayment Features with Negative Compensation” (for adoption from 1 January 2019, endorsed on 22 March 2018)

- IFRIC 23 “Uncertainty over Income Tax Treatments” (for adoption from 1 January 2019, endorsed on 23 October 2018)

- Amendments to IAS 28 ““Investments in Associates and Joint Ventures” (for adoption from 1 January 2019, endorsed on 8 February 2019)

- Amendments to IAS 19 “Employee Benefits – Plan Amendment, Curtailment or Settlement” (for adoption from 1 January 2019, endorsed on 13 March 2019)

- Annual Improvements 2015–2017 “Clarifications to IAS 12, IAS 23 and IFRS 3/11” (for adoption from 1 January 2019, endorsed on 14 March 2019)

Of the standards, clarifications and interpretations, adoption of which is mandatory from 1 January 2019, in particular IFRS 16, Leases, affected the net worth, financial position and financial performance of the group and is presented in the following. First-time adoption of all other amended accounting standards listed had no or no material influence on the presentation of the net worth, financial position and financial performance or on earnings per share.

TRANSITION TO IFRS 16

The Hawesko Group adopted IFRS 16 – Leases for the first time in the financial year beginning on 1 January 2019. First-time adoption took place in accordance with the transitional provisions of the standard, modified retroactively, but with no adjustment of the prior-year figures. All reclassifications and adjustments arising from first-time adoption are therefore contained in the opening balance sheet at 1 January 2019. The new accounting methods are explained in Note 5.

With first-time adoption of IFRS 16, the group recognised lease liabilities for leases previously classified under IAS 17 as operating leases. The leases mainly concern tenancies of office and warehouse buildings as well as retail stores. These liabilities are measured at the present value of the remaining lease payments, discounted at the incremental borrowing rate of the lessee at 1 January 2019. The weighted average incremental borrowing rate of the lessee applied to the lease liabilities at 1 January 2019 is 3.3%.

For leases previously classified as finance leases, the carrying amount of the leased asset to IAS 17 directly before first-time adoption of IFRS 16 as well as the carrying amount of the lease liability to IAS 17 are taken as the initial carrying amount of the right-of-use asset and lease liability to IFRS 16. The measurement principles of IFRS 16 are only applied after that. This led to no material valuation adjustments. The corresponding valuation adjustments to the lease liabilities are booked as an adjustment to the accompanying right-of-use assets directly after initial recognition.

Hawesko Holding AG made use of the election to exclude intangible assets from the scope of IFRS 16 and to treat individual leases that end in 2019 in agreement with the exemption provisions for short-term leases.

Upon first-time adoption of IFRS 16 the Hawesko Group made use of the following further simplifications:

- The retention of previous assessments of whether a lease is onerous as an alternative to testing for impairment – there were no onerous contracts at 1 January.
- The non-consideration of initially direct costs in the measurement of right-of-use assets at the time of first-time adoption.
- The retroactive determination of the term of leases with extension or termination options.

In the case of leases that were concluded before the transition date, the group decided not to re-examine whether or not a contract is or contains a lease at the time of first-time adoption, and instead to retain the previous assessments reached under IAS 17 and IFRIC 4.

For the rental agreements that already existed at 1 January 2019 for buildings at *Jacques Wein Depot*, in measuring the right-of-use assets the group set the carrying amount as if the standard had already been applied since the date of provision. Measurement was performed using the incremental borrowing rate at 1 January 2019. At the date of first-time adoption this produces a difference of € 7.5 million that was recognised in retained earnings, less deferred tax assets. For all other contracts, right-of-use assets were measured at the date of first-time adoption in the amount of the lease liability, reduced by lease payments already made.

Overall, the adjustments made at 1 January 2019 through the first-time adoption of IFRS 16 have the following effect on the consolidated balance sheet:

€ '000	*Carrying amount to IAS 17 31 Dec 2018*	*Remeasurements*	*Reclassifications*	*Carrying amount to IFRS 16 1 Jan 2019*
ASSETS				
Assets				
Property, plant and equipment	21,237	108,658	–	129,895
– of which right-of-use assets	385	108,658	–	109,043
Deferred tax assets	3,339	2,394	–	5,733
EQUITY AND LIABILITIES				
Debt				
Borrowings	38,774	–	–534	38,240
Lease liabilities	–	116,185	534	116,719
Shareholders' equity				
Retained earnings	85,499	–5,133	–	80,366

RECONCILIATION FOR LEASE LIABILITIES € million	
Tenancy and leasing commitments for real estate and movable assets already in use at 31 December 2018	72.7
Facilitation to adoption for short-term leases and leases for low-value assets	0.6
Reassessment of extension and termination options	67.5
OBLIGATIONS FROM OPERATING LEASES (UNDISCOUNTED)	**140.8**
Effect from discounting	24.6
Carrying amount of liabilities from finance leases at 31 December 2018	0.5
CARRYING AMOUNT OF LEASE LIABILITIES AT 1 DECEMBER 2019	**116.7**

The above include:

Short-term lease liabilities	€ 11.9 million
Long-term lease liabilities	€ 104.8 million

Recognition of the right of use to the leased object in question is under the same item within property, plant and equipment under which the underlying asset would have been recognised, had it been acquired. The rights of use recognised relate to the following types of assets:

RIGHTS OF USE AT 1 JANUARY 2019 € million	
Land and buildings	€ 107.2
Technical equipment and machinery	€ 0.8
Other fixtures and fittings	€ 1.0
TOTAL RIGHTS OF USE	**€ 109.0**

No adjustments to the recognition of assets leased under operating leases where the group acts as lessor were necessary from the first-time adoption of IFRS 16.

For detailed information, please refer to the relevant Notes 5 and 33 in the Notes to the consolidated financial statements.

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 2019 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 adoption is not yet mandatory for businesses with a financial year ending 31 December 2019:

- Amendments to the references to the Conceptual Framework for Financial Reporting (for adoption from 1 January 2020, not yet endorsed)
- Amendments to IFRS 3 “Business Combinations” (for adoption from 1 January 2020, not yet endorsed)
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current” (not yet endorsed)
- Amendments to IAS 1 and IAS 8 “Presentation of Financial Statements / Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material” (for adoption from 1 January 2020, endorsed on 29 November 2019)
- Reform of the LIBOR and other reference interest rates (IBOR reform) (amendments to IFRS 9, IAS 39 and IFRS 7) (for adoption from 1 January 2020, endorsed on 15 January 2020)
- IFRS 17 “Insurance Contracts” (for adoption from 1 January 2021, not yet endorsed)

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

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

4. CONSOLIDATION PRINCIPLES

The consolidated financial statements of Hawesko Holding AG include all significant domestic and foreign subsidiaries where the company directly or indirectly has a right to variable returns and also scope for influencing those variable returns through its ability to determine activities. We indicate which businesses are included in the consolidated financial statements under "Consolidated companies".

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 or 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 or 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.

The items contained in the consolidated financial statements for all group companies are measured using the currency of the primary economic environment in which each business is active (functional currency). The consolidated financial statements are stated in euros, which is the functional and reporting currency of Hawesko Holding AG.

Foreign currency transactions are translated into the functional currency using the exchange rates on the dates of the transactions. Foreign exchange gains and losses from the processing of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency at year-end rates are generally recognised in profit or loss. They are stated within equity as deferred items if they originate in the net investment in a foreign business operation.

The expenses, income, assets and liabilities of foreign business operations with a functional currency other than the reporting currency are translated into the reporting currency as follows:

- Assets and liabilities are translated at the respective closing date for each balance sheet presented.
- Income and expense items are translated at the average exchange rates for every presentation of profit or loss and other comprehensive income.
- All translation results arising are recognised in other comprehensive income.

In consolidation, exchange differences resulting from the translation of net investments in foreign business operations as well as borrowings and other financial instruments designated as hedges for such investments are recognised within other comprehensive income.

Goodwill and amounts for fair value adjustment of assets and liabilities from the acquisition of a foreign business operation are treated as assets and liabilities of the foreign business operation and translated at closing rates.

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 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.

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 and leasehold improvements	6 to 50 years
Technical equipment and machinery	3 to 5 years
Other fixtures and fittings, tools and equipment	2 to 15 years

The Hawesko Group rents various office and warehouse buildings as well as retail stores, plant and vehicles. Tenancy agreements are generally concluded for fixed periods of between three and ten years, but may include extension options.

Contracts may include both lease and non-lease components. The Hawesko Group allocates the transaction price to these components based on their relative individual order prices. Land that Hawesko Holding rents as the lessee is an exception. In such cases the group exercises the option not to distinguish between lease and non-lease components, and instead to account for the entire contract as a lease agreement.

Rental terms are negotiated on an individual basis and comprise a wide range of different terms. The lease agreements do not contain credit terms except where the leased items serve as collateral for the lessee. Leased assets may therefore not be used additionally as collateral for securing loans.

Until 2018 inclusive, leases for property, plant and equipment were classified as either finance leases or operating leases. Since 1 January 2019 leases have been recognised as a right of use and a corresponding lease liability from the point in time when the leased object is available for use by the group.

Assets and debts from leases are recognised at present values upon first-time recognition. The lease liabilities include the present value of the following lease payments:

- Fixed payments less any lease incentives to be received,
- Variable lease payments that are linked to an index, initially measured with the index at the date of provision,
- Expected payments by the group from drawing on residual value guarantees,
- The exercise price of a put option, the exercising of which by the group is sufficiently certain.

The measurement of the lease liability also takes account of lease payments where it is sufficiently certain that extension options will be used.

Lease payments are discounted at the implicit underlying interest rate for the lease, provided this can be readily determined. Otherwise – and this is normally the case in the group – it is discounted at the incremental borrowing rate of the lessee. This corresponds to the interest rate that the lessee in question would need to pay if it needed to raise funds in order to acquire an asset of comparable value for a comparable period, with comparable collateral and on comparable terms in a comparable economic environment.

To determine the incremental borrowing rate, the Hawesko Group starts with a risk-free interest rate and adjusts it for the credit risk of the lessee. Further adjustments in addition concern the term of the lease, the economic environment and the lease agreement.

The Hawesko Group is exposed to possible future rises in variable lease payments that could result from a change in an index or interest rate. These possible changes in leasing instalments are not reflected in the lease liability until they take effect. As soon as changes to an index or interest rate start to affect the lease instalments, the lease liability is adjusted against the right of use.

Lease instalments are divided into principal and interest payments. The interest portion is recognised through profit or loss over the term of the lease so as to produce a constant periodic interest rate on the balance of the liability for each period.

Rights of use are measured at cost, which is comprised of the following:

- The amount of initial measurement of the lease liability,
- All lease payments made upon or before provision less any lease incentives,
- All direct costs initially arising for the lessee,
- Estimated costs that the lessee incurs for dismantling or removal of the underlying asset, for re-establishment of the location where the latter is situated, or for conversion of the underlying asset back into the condition required in the lease agreement.

Rights of use are depreciated by the straight-line method over the shorter of the two periods of right of use or term of the underlying lease agreement.

Payments for short-term leases of technical equipment and machinery, tools and equipment as well as vehicles and other leases with low-value underlying assets are recognised as an expense by the straight-line method in profit or loss.
Lease agreements with a term of up to 12 months are considered short-term leases.
Low-value assets are all leases with an initial right of use worth less than € 5 thousand.

Various real estate lease agreements of the Hawesko Group contain extension and termination options. Such contractual terms are used to obtain maximum operational flexibility from the assets in use. The majority of the existing extension and termination options can be exercised only by the Hawesko Group, and not by the respective lessor.

In determining the term of leases, the management considers all facts and circumstances that offer an economic incentive to exercise extension options or not to exercise termination options. Changes in term arising from the exercising of extension or termination options are only included in the term of the agreement if extension or non-exercise of a termination option is sufficiently certain.

To the extent that there existed extension options in connection with the leasing of vehicles, warehouse vehicles as well as tools and equipment, these were not included in the determination of the lease term and therefore the lease liability because these assets can be replaced by the group at no significant cost or interruption to operations.

At 31 December 2019 possible future cash inflows in the amount of € 35.7 million (undiscounted) were not included in the lease liability because it is not sufficiently certain that the lease agreements will be extended or terminated.

The assessment is examined if an extension option is actually exercised or not exercised. A reassessment of the original assessment is carried out if a there is a materially significant event or a material change in circumstances that may influence the previous assessment. In the current period under review, remeasurements as well as adjustments to the term of agreements led to an increase in the recognised lease liabilities and rights of use of € 9.3 million.

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 the 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, reductions for impairment amounting to € 332 thousand were applied to internally produced intangible assets. These concern reporting software used in the past but no longer used following the introduction of LucaNet across the group in 2019 as the corporate consolidation software. 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 inventories acquired at cost are valued after deduction of discounts and price reductions. The net realisable value is determined as the estimated sales proceeds in the ordinary course of business, less the estimated costs required for disposal. The impairment of inventories is based on the expected unit sales as well as the development in market prices, in particular for especially high-quality, or premier, wines. These are influenced considerably by the vintage and location of the wines, which can lead to fluctuations in impairment from year to year.

The *provisions for pensions* are calculated according to the projected unit credit method pursuant to IAS 19 (2011), taking account of the anticipated pay and pension increases. Retirement benefit obligations are measured on the basis of retirement benefit appraisals, which are prepared by an independent actuarial expert. 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 or loss.

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

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

a) At amortised cost (AC),

b) At fair value through other comprehensive income (FVOCI),

c) At fair value through profit or loss (FVtPL).

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

Financial liabilities are placed in the following categories:

- Financial liabilities measured at fair value through profit or loss, and

- Financial liabilities measured at amortised cost.

The financial assets include in particular cash in banking accounts and cash on hand, trade receivables as well as other loans extended and receivables. The financial liabilities include the minority interest in the capital of unincorporated subsidiaries, trade liabilities, amounts due to banks, lease liabilities and derivative financial liabilities.

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

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

If the Hawesko Group has fulfilled its contractual obligations, a *contract asset* or a *receivable* is recognised. Receivables are recognised if the entitlement to receive consideration is no longer subject to any conditions. This normally occurs if the group is contractually entitled to invoice the customer. A receivable is normally recognised for trade customers upon shipping of goods because at that point the entitlement to consideration is unconditional, i.e. it is due automatically from that point on, upon expiry of the period. For individual customers, the receivable is recognised upon successful acceptance of the goods by the customer or upon fulfilment of the shipping terms in the contract of sale.

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

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

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

Loans raised are recognised first at fair value less transaction costs arising. The loans are subsequently measured at amortised cost. Differences between the amounts received (less transaction costs) and the repayment amount are recognised through profit or loss over the term of the loans, using the effective interest method.

Loans are accounted for as current liabilities to the extent that the group does not have an unrestricted right to delay fulfilment of the obligation by at least 12 months after the reporting period.

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

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

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

In customer bonus programmes, customers can normally build up a bonus credit balance through regular purchases of wine and redeem it in subsequent transactions. The sales revenues for accumulated bonuses are realised at the time of redemption. The basis for measurement of the bonus entitlements is a forward-looking consideration of redemption behaviour taking account of historical values. The price here is determined on the basis of the weighted redemption behaviour for individual markets and customer groups. The prices for measuring additions are recalculated each year and applied to all additions for that year. Utilisation is measured at the average rate for the bonus programme at the start of the year (equal to that of the previous year). Bonus entitlements not redeemed are realised through profit after the contractual expiry period.

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

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

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

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

Derivatives that are not bound up in an effective hedging relationship pursuant to IFRS 9 are placed in the category of "financial assets and liabilities at fair value through profit or loss".
They are measured at fair value. A gain or loss from subsequent measurement is recognised through profit or loss.

For the hedging of future cash flows (cash flow hedges), the hedges are measured at fair value. The designated effective portion of the hedge is to be recognised in other comprehensive income (OCI) and the non-designated effective portion of the hedge in OCI II. Only when the underlying transaction is realised are these recognised through profit or loss. The ineffective portion of a cash flow hedge is posted immediately to profit or loss.

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

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

Recognition of income and expense
According to the provisions of IFRS 15, sales revenues are recognised at the point when the promised goods and services are transferred to the customer, i.e. when the group fulfils its performance obligation. The performance obligation is met when the products have been shipped to the designated place, the risks have passed to the customer and it has taken delivery of the products in agreement with the contract of sale. Sales revenues are recognised in the amount that the Hawesko Group can expect in return for the transfer of the promised goods or services. The sales revenues are reduced by reductions in sales proceeds, taxes and fees. Discounts granted on total sales are assigned to the respective goods in proportion to their individual selling prices. On the other hand discounts granted only for certain articles are assigned only to those articles.

Almost exclusively time-related, but to no significant extent period-related, performance obligations are met within the group.

Retroactive volume discounts based on total sales over a 12-month period are often agreed on the sale of wines in the wholesale trade. The proceeds of these sales are recognised in the amount of the price specified in the contract, less the estimated volume discounts. The estimate of the provision is based on past experience. Sales revenues are recognised only to the extent that there is a high probability that no significant cancellation of sales will become necessary. A receivable is recognised for trade customers upon shipping of goods and for individual customers upon acceptance of the goods, because at that point the entitlement to consideration is unconditional, i.e. it is due automatically from that point on, upon expiry of the period.

In retail trade, proceeds from the sale of wines are recognised when the products are handed over to customers. Payment of the transaction price is due immediately when the customer acquires and accepts the goods. In distance selling and the retail trade, in some cases the Hawesko Group offers its end customers a right of return of normally between 14 days and three months. A refund liability and to some extent a right of return for the goods are correspondingly recorded for the products that will prospectively be returned. The accumulated past experience is used at the time of sale in estimating these returns. Because the number of product returns was almost constant in recent years, it is highly probable that there will be no reversal of the accumulated proceeds recorded in this way. The validity of this assumption and the estimated number of returns are remeasured at each reporting date.

The Hawesko Group runs various customer loyalty programmes under which customers can collect points as they shop, earning them an entitlement to money off later purchases. A contract liability for the points is recognised at the time of the sale. The proceeds from the points are recognised when these are redeemed or expire as per the terms.

With the points, customers are granted a material right that they would not receive without concluding a contract. The promise to credit the customer with points is therefore a separate performance obligation. The transaction price is assigned to the product and the points based on the relative individual selling prices. The management estimates the individual selling price per point based on the discount that is granted at the time the points are redeemed and with reference to the likelihood of redemption, based on past experience.

Subscription business is a distinctive feature of the wine trade. Here, the customer pays on account for the wines one to two years before they are actually delivered. Because the wines in question are very high-price, high-quality wines, the winemakers take orders for them from traders and customers very early on, as they cannot otherwise guarantee that the desired quantities will be available. The advance payments made for these therefore have the primary purpose of securing availability of the goods, meaning that possible financing does not need to be accounted for separately.

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

Current tax expense comprises the actual income tax expense. The tax liabilities and receivables mainly comprise liabilities and claims for domestic and foreign income tax.

They contain both the current year and any liabilities and claims from previous years. The liabilities and claims are created on the basis of the fiscal provisions in the countries of the respective business activities.

Deferred taxes result from the temporarily divergent valuations in the IFRS consolidated balance sheet and the respective tax balance sheet values for these asset and liability items. Deferred tax assets on fiscally realisable loss carryforwards are capitalised if it is likely that taxable income can 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 refund claims and obligations resulting from the preparation of the accounts according to IFRS are carried as deferred tax assets and liabilities. Deferred taxes are offset if on the one hand a corresponding legally enforceable entitlement to offsetting exists. On the other hand the deferred tax assets and liabilities must 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 events. All estimates and assessments are subject to ongoing review and remeasurement. The actual amounts arising may differ from the amounts obtained by estimates and assumptions. Key estimates and assumptions are required in the following areas in particular:

Goodwill is tested annually for impairment in accordance with IAS 36. The recoverable amount is determined on the basis of the fair value less disposal costs for the cash-generating unit. Cash-generating units normally represent individual subsidiaries within the group. Determining the fair value in particular requires estimates of the future cash flow based on group planning. The most important assumptions on which the calculation of fair value is based include estimates of growth rates, weighted capital cost rates and tax rates. The carrying amount for goodwill at 31 December 2019 was € 26,902 (previous year: € 26,856 thousand).

The measurement of inventory risks within *inventories* depends substantially on the assessment of future demand and of the time for which stocks of goods are held as a result, and in the case of special high-price wine segments (in particular Grands Crus) the estimate of future market price development. For high-price wines, this estimate is made based on market price observations as well as discussions with market participants (in particular courtiers). The total impairment of inventories amounted to € 441 thousand at 31 December 2019 (previous year: € 887 thousand).

Impairment of *trade receivables* comprises the expected credit losses that are estimated from past experience. The total impairment of trade receivables amounted to € 885 thousand at 31 December 2019. In the previous year, impairment had come to € 1,124 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 at 31 December 2019 was € 1,115 thousand (previous year: € 1,055 thousand).

Provisions for *reconversion obligations* for installations in the catering outlets as well as for returning the leased asset to the condition required in the lease agreement are recognised in the amount of the present value of the estimated future obligations. A corresponding amount in reconversion obligations is capitalised as a component of the cost of leasehold improvements and rights of use. The estimated cash flows are discounted based on an appropriate discounting rate for the maturities and risks. Compounding is recognised in the statement of comprehensive income as interest expense in the period in which it occurs. The carrying amount of the long-term provisions for this item at 31 December 2019 was € 365 thousand (previous year: € 357 thousand).

The key assumptions and estimates in the measurement of the lease liabilities are detailed in Note 5.

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 customer bonus liabilities at 31 December 2019 was € 5,030 thousand (previous year: € 4,829 thousand).

The other financial liabilities include € 2,914 thousand (previous year: € 2,659 thousand) for the financial liability from the put options of the minority interest in subsidiaries. The measurement of the option is based for example on the expected EBIT (operating result) for 2020 and 2021 of *WirWinzer GmbH*. The put option of the minority interest in *WirWinzer GmbH* can be drawn for the first time in 2020 and – because the minority interest has not yet signalled its intention to draw the option – is recognised as a non-current option.

CONSOLIDATED COMPANIES

7. CONSOLIDATED COMPANIES

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 26 (previous year: 25) domestic and foreign companies, as well as one (previous year: one) international joint venture, over which Hawesko Holding AG directly or indirectly exercised joint control. This is the smallest group of consolidated companies. In addition, the company is included in the consolidated financial statements of Tocos Beteiligung GmbH with registered office in Hamburg (as the largest group of consolidated companies).

FULLY CONSOLIDATED SUBSIDIARIES	*Registered office*	*Segment*	*Shareholding %*
Alexander Baron von Essen Weinhandels GmbH	Bonn	B2B	100.0
CWD Champagner- und Wein-Distributionsgesellschaft mbH	Hamburg	B2B	100.0
Deutschwein Classics GmbH & Co. KG	Bonn	B2B	90.0
Gebr. Josef und Matthäus Ziegler GmbH	Freudenberg	B2B	100.0
Globalwine AG	Zurich (Switzerland)	B2B	95.0
Vogel Vins SA	Grandvaux (Switzerland)	B2B	66.5
Vins de Prestige Classics SARL (en liquidation) (formerly Château Classic – Le Monde des Grands Bordeaux SARL (en liquidation))	Bordeaux (France)	B2B	100.0
Sélection de Bordeaux SARL	Strasbourg (France)	B2B	100.0
Wein Service Bonn GmbH	Bonn	B2B	100.0
Global Eastern Wine Holding GmbH	Bonn	B2B	100.0
Wein Wolf GmbH	Bonn	B2B	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	B2B	100.0
Volume Spirits GmbH (formerly Weinland Ariane Abayan Verwaltungsgesellschaft mbH)	Bonn	B2B	100.0
Weinland Ariane Abayan GmbH	Hamburg	B2B	100.0
Grand Cru Select Weinhandelsgesellschaft mbH	Rüdesheim	B2B	75.0
WeinArt Handelsgesellschaft mbH	Geisenheim	B2B	51.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	Retail	100.0
Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.	Salzburg (Austria)	Retail	100.0
Wein & Co. Handelsges. mbH	Vösendorf (Austria)	Retail	100.0
Wine Dock GmbH	Hamburg	e-commerce	100.0
Carl Tesdorpf GmbH	Lübeck	e-commerce	100.0
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	e-commerce	100.0
The Wine Company Hawesko GmbH	Hamburg	e-commerce	100.0
Wein & Vinos GmbH	Berlin	e-commerce	90.0

WirWinzer GmbH	Munich	e-commerce	65.7
IWL Internationale Wein Logistik GmbH	Tornesch	Miscellaneous	100.0

Since 1 January 2019 *Volume Spirits GmbH* (formerly *Weinland Ariane Abayan Verwaltungsgesellschaft mbH*) with its registered office in Bonn has been fully consolidated within the Hawesko Group. The company changed its business activity in 2019, since when it has been trading in spirits. The new business activity was commenced in the fourth quarter of 2019.

With effect from 1 January 2019 the 75% of the shares in *Grand Cru Select Weinhandelsgesellschaft mbH* previously held by *WeinArt Handelsgesellschaft mbH* were acquired by *CWD Champagner- und Wein-Distributionsgesellschaft mbH*. This increases the shareholding in the company from 38.5% to 75%.

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

	31/12/2019	31/12/2018
Carrying amount € '000	3,895	3,222
Share of capital in %	47.5	47.5

The joint venture comes under the B2B segment and is a partner for the sale of wines in the Czech Republic. The following tables show the aggregated key figures for the joint venture included in the consolidated financial statements using the equity method, on the basis of the 47.5% ownership interest (previous year: 47.5%).

SHARE OF ASSETS AND DEBTS € '000	31/12/2019	31/12/2018
Non-current assets	140	152
Current assets	4,898	3,670
ASSETS	**5,038**	**3,822**
Shareholders' equity	2,524	1,976
Short-term provisions and liabilities	2,514	1,846

SHARE OF INCOME AND EXPENSES € '000	2019	2018
Sales revenues	11,012	9,112
Other operating income	42	873
Cost of materials	–7,785	–6,793
Personnel expenses	–840	–805
Depreciation and amortisation	–60	–43
Other operating expenses	–1,269	–1,473
OPERATING RESULT	**1,100**	**871**
Interest income	–	5
Interest expense	–13	–
RESULT FROM ORDINARY ACTIVITIES	**1,087**	**876**
Taxes on income	–210	–169
ACCUMULATED PROFIT FOR THE YEAR (CORRESPONDING TO COMPREHENSIVE INCOME)	**877**	**707**

Distributions of € 354 thousand (previous year: € 861 thousand) were received in the year under review.

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

€ '000	31/12/2019	31/12/2018
Net assets of the associate	2,524	1,976
Goodwill	1,260	1,260
Net income	877	707
Dividend payments received	–354	–861
Effect from currency translation	–412	140
CARRYING AMOUNT OF GROUP INVESTMENT	**3,895**	**3,222**

EQUITY AND LIABILITIES	**5,038**	**3,822**

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*	*2019 net earnings in € '000*
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	100.0	78	5
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	90.0	37	1
WeinArt Handels- und Beteiligungsgesellschaft mbH	Geisenheim	51.0	43	1*

**Financial year from 01/04/2018 to 31/03/2019*

8. MATERIAL CHANGES IN CONSOLIDATION

The notarised shareholders' agreement dated 17 December 2018 agreed a fixed price for the 30% minority interest in *Wein & Vinos GmbH*, Berlin, with the result that the original shareholders no longer participate in the risks and opportunities of the company's future development. Pursuant to IFRS 10, no further minority interest in the consolidated financial statements has been reportable for *Wein & Vinos GmbH* since 18 December 2018. A transfer of the minority interest in the equity of the company amounting to € 4,372 thousand to the retained earnings attributable to the shareholders of Hawesko Holding AG was made on 31 December 2018.

Since 1 January 2019 *Volume Spirits GmbH* (formerly *Weinland Ariane Abayan Verwaltungsgesellschaft mbH*), registered office in Bonn, has been fully consolidated within the Hawesko Group. The company changed its business activity in 2019, since when it has been trading in spirits. The new business activity was commenced in the fourth quarter of 2019 and generated EBIT of € –131 thousand.

By notarised deed dated 17 December 2018 and with effect from 31 December 2018, midnight, Hawesko Holding AG contributed the limited partner's share in *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* to *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft mbH* in Hamburg as share premium of € 1,000.00 for a capital increase of

€ 25,000.00 .

This combined the general partner's and limited partner's share in *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft mbH*, with the result that the assets of *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* have been transferred to the limited-liability company with all asset and liability items, by dissolution without liquidation by way of succession (extended accretion).

In this connection *Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft mbH* was renamed *CWD Champagner- und Wein-Distributionsgesellschaft mbH*.

By notarised deed dated 17 December 2018 and with financial effect from 1 January 2019 *CWD Champagner- und Wein-Distributionsgesellschaft mbH* acquired 75% of the shares of *Grand Cru Select Weinhandelsgesellschaft mbH* in Rüdesheim from *WeinArt Handelsgesellschaft mbH* in Geisenheim.
The purchase price for these shares was € 1,373 thousand and was paid on 10 January 2019. As a result the indirect minority interest (via the minority interest of *WeinArt Handelsgesellschaft mbH*) has been liquidated and Hawesko Holding AG now directly holds 75% of the shares of *Grand Cru Select Weinhandelsgesellschaft mbH.* The accounting profit of € 978 thousand realised at *WeinArt Handelsgesellschaft mbH* was eliminated within the group.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

9. SALES REVENUES

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

€ '000	2019	2018
Retail	203,343	172,254
B2B	178,628	186,218
e-commerce	174,018	165,789
Miscellaneous	22	37
	556,011	**524,298**

84.3% (previous year: 88.7%) of sales revenues are generated in Germany.

€ '000	2019	2018
Income from the sale of merchandise	548,334	517,490
Income from advertising expense subsidies from suppliers	4,885	4,583
Income from brokerage commissions in the marketplace	1,993	1,676
Other income	799	549
	556,011	**524,298**

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

10. OTHER OPERATING INCOME

€ '000	2019	2018
Rental income	9,827	9,255
Advertising expense subsidies	3,607	2,724
Income from cost refunds	2,075	1,902
Income from currency translation	769	1,882
Sundry	9,261	6,254
	25,539	**22,017**

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

The sundry other operating income includes income unrelated to the accounting period in the amount of € 695 thousand (previous year: € 1,603 thousand). The sundry income includes income from the disposal of fixed assets in the amount of € 4,389 thousand.

11. PERSONNEL EXPENSES

€ '000	2019	2018
Wages and salaries	56,453	50,407
Social security and other pension costs	10,473	9,030
– of which in respect of old age pensions	233	148
	66,926	**59,437**

The employee benefit expenses include payments from defined contribution plans totalling € 174 thousand (previous year: € 90 thousand) and from defined benefit plans totalling € 59 thousand (previous year: € 59 thousand).

12. DEPRECIATION/AMORTISATION AND IMPAIRMENT

€ '000	2019	2018
Depreciation/amortisation of intangible assets	5,191	4,378
Depreciation/amortisation of property, plant and equipment (not including rights of use)	4,241	4,161
Depreciation/amortisation of rights of use	12,052	–
	21,485	**8,539**

13. OTHER OPERATING EXPENSES AND OTHER TAXES

€ '000	2019	2018*
Advertising	43,622	41,787
Commissions to partners	40,387	39,680
Delivery costs	31,238	24,830
IT and communication costs	5,258	5,107
Expenses for premises	4,489	3,925
Motor vehicle and travel costs	4,077	4,369
Legal and consultancy costs	3,283	3,212
Other personnel expenses	3,235	2,529
Board	3,220	3,118
Rental and leasing	2,915	14,410
Insurance premiums	1,076	992
Expenses from currency translation	726	1,884
Sundry	5,571	4,448
	149,097	**150,291**

**Figures to some extent adjusted within items*

The sundry other operating expenses include costs of monetary movements amounting to € 1,751 thousand (previous year: € 1,184 thousand), costs of receivables in the amount of € 928 thousand (previous year: € 702 thousand), other taxes (€ 109 thousand, previous year: € 91 thousand) and other expenses unrelated to the accounting period (€ 787 thousand, previous year: € 424 thousand).
The lower rental and leasing expenses are mainly the result of first-time adoption of IFRS 16.

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

€ '000	2019	2018
INTEREST INCOME	**58**	**254**
Interest expense:		
Interest expense from monetary movements	–698	–470
Interest for lease liabilities	–3,762	–47
Interest from the compounding of provisions	–8	–3
Net profit for the year due to minority interests in unincorporated subsidiaries	–	–36
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	–2	–43
INTEREST EXPENSE	**–4,468**	**–599**
INCOME/EXPENSES FROM PUT/CALL OPTIONS (OTHER FINANCIAL RESULT)	**–254**	**2,442**
Result for the participating interests reported using the equity method	**877**	**707**
FINANCIAL RESULT	**–3,787**	**2,804**
of which:		
– Loans and receivables	58	254
– Financial liabilities	–962	1,890

The expenses from put options in the total amount of € 254 thousand (previous year: € 2,442 thousand income) relate to the measurement effect for the financial liability from the put options of WirWinzer GmbH (€ 254 thousand expense, previous year: € 1,944 thousand income) at the reporting date.

15. TAXES ON INCOME

€ '000	2019	2018
Current tax	9,970	8,232
Deferred tax	–862	–631
	9,108	**7,601**

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	2019	2018
Current year	8,999	9,155
Previous years	971	–923
	9,970	**8,232**

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

€ '000	2019	2018
Use of loss carryforwards	–151	–592
Other temporary differences	370	–141
Change in tax rate	–	8
Tax carried for provisions	98	94
Leases	545	–
	862	**–631**

The actual tax expense for the year 2019 of € 9,108 thousand (previous year: € 7,601 thousand) is € 1,047 thousand higher (previous year: € 2,096 thousand lower) than the anticipated tax expense of € 8,061 thousand (previous year: € 9,697 thousand) which would have resulted from the application of a tax rate to pre-tax earnings that was based on the current German legislation at the balance sheet date. The anticipated tax rate is 31.79% (previous year: 31.79%) and is obtained as follows:

%	2019	2018
Trade tax (average municipal factor 456% previous year: 435%)	15.96	15.96
Corporation tax	15.00	15.00
Solidarity surcharge (5.5% of corporation tax)	0.83	0.83
TOTAL TAX BURDEN ON PRE-TAX EARNINGS	**31.79**	**31.79**

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

€ '000	2019	2018
Earnings before taxes	25,359	30,502
Anticipated tax expense	8,061	9,697
Reclassification of minority interest	–18	–36
Tax expenses/income unrelated to the accounting period	971	–923
Non-recognition of fiscal loss carryforwards	–890	377
Capitalisation of deferred taxes on loss carryforwards	–52	–1,126
Tenancy and leasing commitments to be included in trade tax	200	380
Fiscally non-deductible portion of Supervisory Board remuneration	40	40
Effect of divergent national tax rates	84	39
Tax-free expenses and income	254	–776
Other tax effects	458	–71
ACTUAL TAX EXPENSE	**9,108**	**7,601**
Effective tax rate in %	35.91	24.92

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

At the end of the year the fair values of the derivatives reported in other comprehensive income came to € –133 thousand (previous year: € –122 thousand). In connection with this, deferred tax assets of € 25 thousand (previous year: € 42 thousand) were written back in the year under review. In addition, deferred tax assets totalling € –21 thousand (previous year: € –17 thousand) were written back for the actuarial gains/losses of € –101 thousand (previous year: € 25 thousand) that were reported in other comprehensive income.

16. EARNINGS PER SHARE

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

€ '000	2019	2018
Consolidated earnings of the shareholders	15,823	22,017
Average number of shares ('000)	8,983	8,983
Basic earnings per share	1.76	2.45

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

INTANGIBLE ASSETS € '000	*Software and licences*	*Other intangible assets*
HISTORICAL COST		
Position at 01/01/2018	**27,916**	**23,435**
Currency translation	24	–
Extension on the basis of consolidation	1,818	8,013
Additions	1,933	232
Transfers	–	–
Disposals	–1,266	–21
Position at 31/12/2018	**30,425**	**31,659**
Position at 01/01/2019	**30,425**	**31,659**
Currency translation	1	26
Additions	2,323	69
Transfers	4,333	–3,297
Disposals	–18	71
Position at 31/12/2019	**37,064**	**28,528**
ACCUMULATED DEPRECIATION AND AMORTISATION		
Position at 01/01/2018	**20,282**	**8,606**
Currency translation	18	–
Extension on the basis of consolidation	1,370	–
Additions	2,373	2,005
Disposals	–912	–
Position at 31/12/2018	**23,131**	**10,611**
Position at 01/01/2019	**23,131**	**10,611**
Currency translation	–	20
Additions	2,362	2,497
Impairment	–	–
Transfers	2,961	–2,961
Disposals	–18	69
Position at 31/12/2019	**28,436**	**10,236**
RESIDUAL CARRYING AMOUNT		
Position at 31/12/2019	**8,628**	**18,292**
Position at 31/12/2018	**7,294**	**21,048**

Goodwill	*Advance payments for intangible assets*	*Total*
22,783	**721**	**74,855**
–62	–	–38
8,197	–	18,028
–	1,221	3,386
–	–	–
–	–	–1,287
30,918	**1,942**	**94,944**
30,918	**1,942**	**94,944**
46	–	75
–	2,017	4,409
–	–1,036	–
–	–332	–279
30,964	**2,591**	**99,147**
4,062	**–**	**32,950**
–	–	18
–	–	1,370
–	–	4,378
–	–	–912
4,062	**–**	**37,804**
4,062	**–**	**37,804**
–	–	20
–	332	5,191
–	–	–
–	–	–
–	–332	–281
4,062	**–**	**42,734**
26,902	**2,591**	**56,413**
26,856	**1,942**	**57,140**

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

€ '000	31/12/2019	31/12/2018
Software	8,628	7,294
Other intangible assets including advance payments	20,883	22,992
Goodwill	26,902	26,854
	56,413	**57,140**

In the year under review, advance payments in the amount of € 263 thousand were capitalised for a data warehouse in distance selling, including € 140 thousand for own assets capitalised. In addition, advance payments in the amount of € 1,258 thousand were capitalised for the development of a group-wide digital commerce platform; the figure includes € 327 thousand for own assets capitalised.

The intangible assets include internally produced intangible assets amounting to € 2,358 thousand (previous year: € 2,297 thousand). The accumulated depreciation and amortisation on this came to € 1,669 thousand at 31 December 2019 (previous year: € 1,164 thousand). In 2019 the additions from internal development came to € 61 thousand (previous year: € 532 thousand) and depreciation and amortisation to € 505 thousand (previous year: € 503 thousand).

The item "Other intangible assets" includes € 18,565 thousand (previous year: € 20,873 thousand) for the measurement of supplier and customer contacts as well as exclusive agreements and brands from the initial consolidation of *Wein & Vinos GmbH*, *WirWinzer GmbH*, *WeinArt Handelsgesellschaft mbH* and *Grand Cru Select Weinhandelsgesellschaft mbH*, as well as *Wein & Co. Handelsges. mbH* since 1 October 2018.
A useful life of 5–6 and 14–15 years respectively is recorded for the supplier and customer contacts, eight years for the exclusive agreements and ten or 20 years for the brands.

The development in goodwill from the consolidation of capital for 2019 is as follows:

€ '000	*Acquisition cost 01/01/2019*	*Acquisition cost 31/12/2019*	*Accumulated impairment 31/12/2019*	*Carrying amount 31/12/2019*
RETAIL	**8,650**	**8,650**	–	**8,650**
Jacques' Wein-Depot Wein-Einzelhandel GmbH	453	453	–	453
Wein & Co. Handelsgesellschaft mbH	8,197	8,197	–	8,197
B2B	**9,789**	**9,789**	**2,981**	**6,808**
Wein-Wolf Group	6,690	6,690	2,209	4,481
Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation	615	615	615	–
Globalwine AG	1,197	1,245	–	1,245
Vogel Vins SA	165	165	165	–
CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG	47	47	11	36
Sélection de Bordeaux SARL	–19	–19	–19	–
WeinArt Handelsgesellschaft mbH	955	955	–	955
Grand Cru Select Weinhandelsgesellschaft mbH	139	139	–	139
E-COMMERCE	**11,851**	**11,851**	**455**	**11,396**
The Wine Company Hawesko GmbH	–2	–2	–2	–
Carl Tesdorpf GmbH	457	457	457	–
Wein & Vinos GmbH	8,710	8,710	–	8,710
WirWinzer GmbH	2,686	2,686	–	2,686
TOTAL	**30,290**	**30,338**	**3,436**	**26,902**

There continues to exist acquired goodwill of € 626 thousand. There is no limit on its useful life and it is fully amortised.

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

€ '000	Acquisition cost 01/01/2018	Acquisition cost 31/12/2018	Accumulated impairment 31/12/2018	Carrying amount 31/12/2018
RETAIL	**453**	**8,650**	**–**	**8,650**
Jacques' Wein-Depot Wein-Einzelhandel GmbH	453	453	–	453
Wein & Co. Handelsgesellschaft mbH	–	8,197	–	8,197
B2B	**9,853**	**9,789**	**2,981**	**6,808**
Wein-Wolf Group	6,690	6,690	2,209	4,481
Château Classic – Le Monde des Grands Bordeaux SARL, in liquidation	615	615	615	–
Globalwine AG	1,261	1,197	–	1,197
Vogel Vins SA	165	165	165	–
CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG	47	47	11	36
Sélection de Bordeaux SARL	–19	–19	–19	–
WeinArt Handelsgesellschaft mbH	955	955	–	955
Grand Cru Select Weinhandelsgesellschaft mbH	139	139	–	139
E-COMMERCE	**11,851**	**11,851**	**455**	**11,396**
The Wine Company Hawesko GmbH	–2	–2	–2	–
Carl Tesdorpf GmbH	457	457	457	–
Wein & Vinos GmbH	8,710	8,710	–	8,710
WirWinzer GmbH	2,686	2,686	–	2,686
TOTAL	**22,157**	**30,290**	**3,436**	**26,854**

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 costs of disposal (FVLCOD) based on the future discounted cash flows. The measurement is treated as Level 3 in the fair value hierarchy because of the non-observable inputs applied in measurement. The management approach and the key assumptions in determining the FVLCOD for the cash-generating unit are essentially based on the cash flows anticipated in group planning for the next three years, rolled over for future years and discounted at the balance sheet date.

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

Segment	Retail (specialist wine-shop retail)	B2B (wholesale/ distribution)	e-commerce (distance selling)
Carrying amount goodwill 31/12/2019	8,650	6,856	11,396
Write-down	–	–	–
Duration of planning period	3 years	3 years	3 years
Revenue growth p.a. after end of planning period	0.75%	0.75%	0.75%
EBIT margin at end of planning period	4.2%–11.9%	3.0%–8.3%	6.7%–7.5%
Discounting rate*	4.49%	4.49%	4.49%

*) *After-tax interest rate*

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

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

For the company *Wein und Co. Handelsgesellschaft mbH*, an increase in the discounting rate of one percentage point (i.e. a discounting rate of 5.49%) would result in a need for amortisation of € 3,005 thousand.

A reduction in sales growth of 0.75 percentage points (i.e. a growth rate of 0% instead of 0.75%) would result in a need for amortisation of € 873 thousand. A deterioration in the EBIT margin of one percentage point (i.e. a reduction from 4.2% to 3.2%) would result in a need for amortisation of € 3,275 thousand.

At *CWD Champagner und Wein-Distributionsgesellschaft mbH*, a reduction in sales growth of 0.38 percentage points (i.e. a growth rate of 0.375% instead of 0.75%) would result in a need for amortisation of € 460 thousand.
An increase in the discounting factor of one percentage point (i.e. a discounting rate of 5.49%) would result in a need for amortisation of € 1,985 thousand. A reduction in the EBIT margin of one percentage point (i.e. a reduction from 4.6% to 3.6%) would result in a need for amortisation of € 2,811 thousand.

18. PROPERTY, PLANT AND EQUIPMENT AS WELL AS RIGHTS OF USE

PROPERTY, PLANT AND EQUIPMENT € '000	*Land, equivalent rights and buildings including buildings on third-party land*	*Technical equipment and machinery*
HISTORICAL COST		
Position at 01/01/2018	**34,781**	**–**
Currency translation	–	–
Extension on the basis of consolidation	7,711	–
Additions	8	–
Transfers	–	–
Disposals	–	–
Position at 31/12/2018	**42,500**	**–**
Adjustment to reporting within property, plant and equipment		1,957
Position at 01/01/2019	**42,500**	**1,957**
First-time adoption of IFRS 16	106,872	823
Currency translation	64	10
Additions	6,272	783
Transfers	–	–
Disposals	–14,763	–26
Remeasurement	8,592	–
Position at 31/12/2019	**149,537**	**3,547**
ACCUMULATED DEPRECIATION AND AMORTISATION		
Position at 01/01/2018	**23,663**	**–**
Currency translation	–	–
Extension on the basis of consolidation	5,979	–
Additions	604	–
Disposals	–	–
Position at 31/12/2018	**30,246**	**–**
		1,794
Position at 01/01/2019	**30,246**	**1,794**
Currency translation	6	2
Additions	11,889	525
Transfers	–	–
Disposals	–8,307	–9
Position at 31/12/2019	**33,834**	**2,312**
RESIDUAL CARRYING AMOUNT		
Position at 31/12/2019	**115,703**	**1,235**
Position at 31/12/2018	**12,254**	**–**

Other fixtures and fittings, tools and equipment	*Advance payments and construction in progress*	*Total*
36,250	**77**	**71,108**
42	–	42
4,361	4	12,076
2,621	–	2,629
75	–75	–
–1,447	–	–1,447
41,902	**6**	**84,408**
–1,957		
39,945	**6**	**84,408**
963	–	108,658
46	–	120
3,537	206	10,638
4	–4	–
–1,781	–161	–16,731
692	–	9,284
43,406	**47**	**196,537**
26,915	**–3**	**50,575**
25	–	25
3,585	–	9,564
3,557	–	4,161
–1,154	–	–1,154
32,928	**–3**	**63,171**
–1,794		
31,134	**–3**	**63,171**
33	–	41
3,719	160	16,293
–	–	–
–1,620	–157	–10,093
33,266	**–**	**69,412**
10,140	**47**	**127,125**
8,974	**9**	**21,237**

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

€ '000	**31/12/2019**	**31/12/2018**
Land and buildings	6,255	11,869*
Technical equipment and machinery	202	0**
Other fixtures and fittings, tools and equipment	8,612	8,974
Construction in progress	47	9
	15,116	**20,852**

* *The figures for 2018 included € 385 thousand in rights of use from finance leases under IAS 17. For greater ease of comparison these have been removed from this overview because they were reported in 2019 in the table of leases shown below.*

** *The figures for 2018 included technical equipment and machinery in the amount of € 163 thousand within other fixtures and fittings, tools and equipment; this item is reported separately in 2019.*

At 31 December 2018 land and buildings included € 385 thousand where the group was the lessee under a finance lease arrangement (please refer to Note 31 for additional notes).

From 2019, lease assets are presented as rights of use within property, plant and equipment. For details of the changes to the accounting policies, please refer to Note 2.

The balance sheet shows the following items in connection with leases, under property, plant and equipment (at 1 January 2019 excluding the amount from finance leases):

€ '000	**31/12/2019**	**01/01/2019**
Land and buildings	109,448	106,935
Technical equipment and machinery	1,033	832
Other fixtures and fittings, tools and equipment	1,528	963
	112,009	**108,730**

The additions to the rights of use during financial year 2019 amounted to € 16,112 thousand.

19. OTHER FINANCIAL ASSETS

FINANCIAL ASSETS € ’000	*Investments accounted for using the equity method*	*Shares in other affili-ated companies*	*Total*
HISTORICAL COST			
Position at 01/01/2018	**3,402**	**138**	**3,540**
Currency translation	–	–	–
Extension on the basis of consolidation	–	–	–
Additions	–	–	–
Transfers	–	–	–
Disposals	–180	–	–180
Position at 31/12/2018	**3,222**	**138**	**3,360**
Position at 01/01/2019	**3,222**	**138**	**3,360**
Currency translation	–	–	–
Additions	672	–	672
Transfers	–	–	–
Disposals	–	–50	–50
Position at 31/12/2019	**3,894**	**88**	**3,982**
ACCUMULATED DEPRECIATION AND AMORTISATION			
Position at 01/01/2018	–	–	–
Currency translation	–	–	–
Extension on the basis of consolidation	–	–	–
Additions	–	–	–
Disposals	–	–	–
Position at 31/12/2018			
Position at 01/01/2019	–	–	–
Currency translation	–	–	–
Additions	–	–	–
Impairment	–	–	–
Transfers	–	–	–
Disposals	–	–	–
Position at 31/12/2019	–	–	–
RESIDUAL CARRYING AMOUNT			
Position at 31/12/2019	**3,894**	**88**	**3,982**
Position at 31/12/2018	**3,222**	138	**3,360**

The development in financial assets for the year under review and for the previous year is shown in the consolidated assets movement schedule. The other financial assets concern shares in affiliated companies (€ 88 thousand; previous year: € 138 thousand).

€ '000	31/12/2019	31/12/2018
Weinland Ariane Abayan Verwaltungs GmbH	–	25
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	–	25
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	35	35
Deutschwein Classics Verwaltungsgesellschaft mbH	25	25
WeinArt Handels- und Beteiligungs GmbH	28	28
	88	**138**

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

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

20. DEFERRED TAX ASSETS

The deferred tax assets developed as follows:

€ '000	31/12/2019	31/12/2018
Opening balance	3,339	2,211
Increase	37,420	4,284
Increase (income-neutral upon first-time adoption of IFRS 16)	2,394	–
Decrease	–299	–444
Offset against deferred tax liabilities	–36,706	–2,726
Change in tax rate	–	14
	6,148	**3,339**

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

€ '000	31/12/2019	31/12/2018
Goodwill from restructuring measures with an effect on taxes	3,024	3,807
From loss carryforwards	1,591	1,742
From the fair value measurement of derivative financial instruments	58	33
From leases	37,224	46
From inventories	137	89
From provisions	437	332
Other	383	2
Offsetting	–36,706	–2,726
Change in tax rate	0	14
	6,148	**3,339**

The reported deferred taxes on loss carryforwards at 31 December 2019 relate to the tax loss carryforwards available for future use of the subsidiaries *The Wine Company Hawesko GmbH,* Hamburg, *Wir-Winzer GmbH,* Munich, *Globalwine AG,* Zurich, and *Wein & Co. Handelsges. mbH,* Vösendorf.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 10,749 thousand (previous year: € 8,795 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 1,064 thousand is expected to be realised from the deferred tax assets within twelve months.

21. INVENTORIES AND ADVANCE PAYMENTS FOR INVENTORIES

€ '000	31/12/2019	31/12/2018
Raw material and consumables used	854	899
Work in progress	4,963	4,914
Finished goods and merchandise (at cost)	106,048	97,204
Advance payments	12,123	13,614
	123,988	**116,631**
Of which with a maturity of up to 1 year	120,875	111,911
Of which with a maturity of 1 to 5 years	3,113	4,720

Impairment on inventories in the amount of € 885 thousand (previous year: € 1,124 thousand) was recognised as an expense. The carrying amount of inventories reported at net realisable value is € 1,036 thousand (previous year: € 1,261 thousand).

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

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	31/12/2019	31/12/2018
Trade receivables (gross)	46,705	49,557
Less impairment	–885	–1,124
TRADE RECEIVABLES	**45,820**	**48,433**
Accounts receivable from taxes on income	6,882	7,630
Receivables and other assets	5,846	6,163
	58,548	**62,226**
Of which with a term of:		
– up to 1 year	57,678	61,246
– over 1 year	870	980

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

IMPAIRMENT MATRIX FOR TRADE RECEIVABLES € '000	*Receivables from payment service providers*	*Not overdue or between 1 and 90 days overdue*	*Over 90 days overdue*	*Total*
RETAIL				
Default rate in % (calculated from net values)	0.10%	0.30%	50%	
Gross figures for trade receivables in € thousand	3,205	3,809	61	**7,215**
Expected loss in € thousand	10	45	25	**80**
B2B				
Default rate in % (calculated from net values)	0.10%	0.20%	60%	
Gross figures for trade receivables in € thousand	24	30,362	774	**31,160**
Expected loss in € thousand	1	59	472	**532**
E-COMMERCE				
Default rate in % (calculated from net values)	0.10%	0.40%	50%	
Gross figures for trade receivables in € thousand	277	7,545	508	**8,330**
Expected loss in € thousand	5	25	243	**273**
Total receivables of group	**3,506**	**41,518**	**1,343**	**46,705**
Total expected defaults	**16**	**129**	**740**	**885**

The simplified impairment model is applied based on past data. To determine impairment, the debitor groups were split up into customer groups in the e-commerce segment and B2B segment according to expected creditworthiness. For the B2B segment, fewer payment defaults are recorded in a reflection of the customer structure. In the Retail segment, low non-payment rates are equally to be expected in view of the high proportion of cash sales.

The expected loss rates are based on the payment profiles for sales over a period of 36 months before 31 December 2019 and the corresponding historical defaults in that period. The historical loss ratios are adjusted to reflect current and forward-looking information on the macroeconomic factors that govern customers' ability to settle the receivables.

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	2019	2018
IMPAIRMENT AT 1 JANUARY	1,124	806
IFRS 9 adjustment at 1 January	–	300
Added	550	261
Drawn	–474	–228
Reversed	–315	–15
IMPAIRMENT AT 31 DECEMBER	**885**	**1,124**

Receivables and other assets:

€ '000	31/12/2019	31/12/2018
OF WHICH FINANCIAL ASSETS	**4,404**	**2,193**
– Receivables from trade representatives	265	269
– Tax refund claims	233	343
– Borrowings	74	132
– Rent deposits	3	752
– Sundry	3,829	1,040
OF WHICH NON-FINANCIAL ASSETS	**1,442**	**3,631**
– Accrued costs	1,102	1,178
– Sundry other assets	340	2,110
	5,846	**5,824**
FINANCIAL ASSETS		
Of which with a term of:		
– up to 1 year	3,534	337
– over 1 year	870	845
NON-FINANCIAL ASSETS		
Of which with a term of:		
– up to 1 year	1,442	4,507
– over 1 year	–	135

The remainder of the assets were neither impaired nor overdue because only minor non-payment risks are expected at the reporting date. Because there were no material payment defaults within financial assets in the past and the Hawesko Group does not expect these to occur within future payment series, the general approach of IFRS 9 for other financial assets was not applied.

The sundry financial assets mainly comprise creditors with debit accounts.

23. CASH IN BANKING ACCOUNTS AND CASH ON HAND

Cash in banking accounts and cash on hand totalling € 18,725 thousand (previous year: € 25,073 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 2019 no treasury shares are held, as in the previous year.

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

Authorised capital

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

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

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

a) to the extent that is necessary to eliminate residual amounts;

b) to the extent that is necessary to grant the bearers of warrant or conversion rights or conversion obligations from bonds or participation rights with conversion rights and/or warrants or a conversion obligation a right to subscribe to new shares to the same extent they would be entitled to following exercising of the warrant or conversion right or following fulfilment of the conversion obligation,

c) to the extent that the new shares are issued for cash and the theoretical capital stock for the shares issued does not exceed a total of 10% of the capital stock either at the time of this authorisation taking effect or at the time of its exercising ("cap") and the issuing price of the new shares to be issued does not significantly undercut the market price for already-quoted shares of the company with the same features at the time the issuing price is finally determined,

d) to the extent that the new shares are issued for contributions in kind, especially in the form of businesses, business units, participating interests or receivables or other assets (such as patents, licences, copyrights and rights of exploitation as well as other intellectual property rights),

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

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

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

The authorised capital at 31 December 2019 amounts to € 6,850,000.00 (previous year: € 6,850,000.00).

25. CAPITAL RESERVE

€ '000	**31/12/2019**	**31/12/2018**
Capital reserve	10,061	10,061

The capital reserve for the group essentially comprises the premium from the capital increase and the issuance of shares to employees in 1998, as well as from the issuance of and premium on subscription shares from the convertible bond issued in 2001 and from a capital increase for contribution in kind in 2010.

26. RETAINED EARNINGS

€ '000	31/12/2019	31/12/2018
Retained earnings	83,599	85,499

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 € 20,870 thousand (previous year: € 12,464 thousand).

The Board of Management will propose to the Annual General 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, corresponding to a distributed amount of € 11,678 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 2017 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 € 254 thousand (previous year: € 2,442 thousand) that occurred in the year under review are reported in the financial result. The conversion of the put options of *Wein & Vinos GmbH* into liabilities in 2018 resulted in an addition to the retained earnings of € 4,372 thousand. First-time adoption of IFRS 16 reduces the retained earnings by € 5,133 thousand. For further remarks, please refer to Note 3.

The individual components of the equity and its development in the years 2018 and 2019 are shown in the consolidated statement of movements in equity.

27. OTHER RESERVES

Other reserves totalling € –190 thousand (previous year: € –210 thousand) include translation differences from the translation of the functional currency of foreign group companies, the revaluation component from the retirement obligation and the reserve for the cash flow hedges. These are reported in the consolidated financial statements directly under other comprehensive income. No taxes on income are due on the translation differences of € 210 thousand (previous year: € 67 thousand). The revaluation component for provisions for pensions includes changes in value of € –101 thousand in the year under review (previous year: € –25 thousand), less deferred taxes of € +21 thousand (previous year: € –17 thousand). Also, the fair values of the derivatives in the amount of € –135 thousand (previous year: € –154 thousand) were reported under other comprehensive income in the year under review; in connection with this, deferred tax assets of € 25 thousand (previous year: € 42 thousand) were created or written back.

28. NON-CONTROLLING INTERESTS

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

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

COMBINED BALANCE SHEET € '000	WirWinzer GmbH 31/12/2019	WirWinzer GmbH 31/12/2018	Globalwine AG 31/12/2019	Globalwine AG 31/12/2018
Non-current assets	6,526	6,581	6,078	5,103
Current assets	751	577	9,535	8,542
ASSETS	**7,278**	**7,158**	**15,613**	**13,645**
Shareholders' equity	3,270	4,057	2,794	2,337
Long-term provisions and liabilities	1,147	1,100	841	–
Short-term provisions and liabilities	2,861	2,001	11,978	11,308
EQUITY AND LIABILITIES	**7,278**	**7,158**	**15,613**	**13,645**
ACCUMULATED NON-CONTROLLING INTERESTS	**200**	**471**	**1,333**	**1,274**

€ '000	WeinArt GmbH 31/12/2019	WeinArt GmbH 31/12/2018	Grand Cru Select GmbH 31/12/2019	Grand Cru Select GmbH 31/12/2018
Non-current assets	2,358	2,729	186	169
Current assets	6,457	6,798	3,912	3,169
ASSETS	**8,815**	**9,527**	**4,098**	**3,338**
Shareholders' equity	5,048	3,785	768	677
Long-term provisions and liabilities	469	378	58	7
Short-term provisions and liabilities	3,298	5,364	3,272	2,654
EQUITY AND LIABILITIES	**8,815**	**9,527**	**4,098**	**3,338**
ACCUMULATED NON-CONTROLLING INTERESTS	**2,006**	**1,387**	**157**	**332**

COMBINED STATEMENT OF COMPREHENSIVE INCOME	*WirWinzer GmbH*		*Globalwine AG*	
€ '000	**2019**	**2018**	**2019**	**2018**
Total sales	6,233	3,879	18,155	16,975
Result from ordinary activities	–910	–1,016	543	362
Taxes on income	122	332	–5	–177
Net income = comprehensive income	–788	–684	539	185
Profit due to controlling interests	–270	–235	31	10
Dividends paid to holders of non-controlling interests	–	–	–	–

	WeinArt GmbH		*Grand Cru Select GmbH*	
€ '000	**2019**	**2018**	**2019**	**2018**
Total sales	5,220	6,439	5,483	5,532
Result from ordinary activities	1,383	818	160	30
Taxes on income	–120	–235	–48	–10
Net income = comprehensive income	1,263	583	112	20
Profit due to controlling interests	619	285	28	12
Dividends paid to holders of non-controlling interests	–	1,713	–	50

	WirWinzer GmbH		*Globalwine AG*	
€ '000	**2019**	**2018**	**2019**	**2018**
Net inflow of cash from current operations	205	–909	710	1,201
Net cash employed for investing activities	–2	524	–67	139
Outflow/inflow of net cash for financing activities	–51	421	–302	104
Net decrease/increase in cash and cash equivalents	151	36	341	1,444
Effects of changes on cash and cash equivalents (up to 3 months to maturity)	–	–	42	–
Funds at start of period	150	114	2,376	932
Funds at end of period	301	150	2,760	2,376

	WeinArt GmbH		*Grand Cru Select GmbH*	
€ '000	**2019**	**2018**	**2019**	**2018**
Net inflow of cash from current operations	–1,017	–848	607	–607
Net cash employed for investing activities	275	510	–1	61
Outflow/inflow of net cash for financing activities	624	339	–726	297
Net decrease/increase in cash and cash equivalents	–118	1	–119	–249
Effects of changes on cash and cash equivalents (up to 3 months to maturity)	–	–	–	–
Funds at start of period	9	8	124	373
Funds at end of period	–109	9	5	124

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	**2019**	**2018**
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 1 JAN	1,055	1,124
Current service cost	–	–
Interest expense	18	14
Actuarial losses (+)/gains (–)	101	–25
Payments made	–59	–58
PRESENT VALUE OF RETIREMENT BENEFIT OBLIGATIONS AT 31 DEC	**1,115**	**1,055**

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

%	**2019**	**2018**
Discounting rate	1.0	1.75
Pensions trend	1.0	1.0

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

Outpayments of € 60 thousand (previous year: € 59 thousand) are expected for 2020.

A change in the actuarial interest rate of +50/–50 base points at 31 December 2019, 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/ 2019**	*+50 base points*
Present value of retirement benefit obligations	1,181	1,115	1,054

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

30. OTHER LONG-TERM PROVISIONS

€ '000	**01/01/ 2018**	*Drawn*	*Allocated*	**31/12/ 2019**
Other provisions for personnel	1,369	–240	329	1,458
Provisions for reconversion obligations	357	–	8	365
Total	**1,726**	**–240**	**337**	**1,823**

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

The partial retirement obligations are measured on the basis of actuarial calculations according to the block model, taking account of the 2018 G (previous year: 2018 G) reference tables by Dr. Klaus Heubeck. The actuarial interest rate is 1.97% (previous year: 2.32%). Based on the probable development in the key measurement factors, a salary trend of 2.0% (previous year: 2.5%) was assumed.

In 2019, the provisions for personnel declined by € 1 thousand as a result of the interest income (previous year: decrease of € 1 thousand from interest expense).

31. BORROWINGS

€ '000	31/12/2019	31/12/2018
Banks	31,390	38,240
Lease liabilities	121,366	534
	152,756	**38,774**
Of which with a maturity of		
– up to 1 year	28,152	24,703
– 1 to 5 years	58,276	14,071
– over 5 years	66,328	–

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* **2019**	*Credit facility* **2018**
MATURITY		
Unlimited	65,000	65,000

The interest rates of short-term loans raised in 2019 were between 0.21% and 1.05% (previous year: between 0.30% and 1.33%).

The amounts due to banks with a maturity of one to five years total € 16,069 thousand (previous year: € 13,865 thousand). In the financial year, the amount with a maturity of up to one year was € 15,321 thousand (previous year: € 24,374 thousand). There are no amounts due to banks with a maturity of over five years, as in the previous year. At 31 December 2019 € 8,292 thousand of the credit facility had been drawn (previous year: € 19,696 thousand).

Please refer to Notes 2, 5 and 33 with regard to accounting for lease liabilities.

The reconciliation with the finance lease liabilities at 31 December 2018 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	354	212	–	**566**
Interest component	26	6	–	**32**
Principal repaid	328	206	–	**534**

The leased object in 2018 was the distance-selling logistics centre in Tornesch, near Hamburg, which was leased for a total period of 22.5 years. The purchase option at the end of the contract's term (31 March 2020) was drawn in 2019. 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 e-commerce logistics centre at the time of formation of the contract. The present value was calculated using effective interest rates ranging from 5.5% to 7.0%, depending on the contract.

Hawesko Holding AG 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:

		Cash flows											
		2020			**2021**			**2022–2024**			**> 2024**		
€ '000	*Carrying amount* **31/12/ 2019**	*Fixed interest*	*Variable interest*	*Prin-cipal*	*Fixed in-terest*	*Variable interest*	*Prin-cipal*	*Fixed in-terest*	*Variable interest*	*Prin-cipal*	*Fixed in-terest*	*Variable interest*	*Prin-cipal*
DERIVATIVE FINANCIAL ASSETS													
Foreign exchange options without hedging relationship	103	–	–	103	–	–	–	–	–	–	–	–	–
	103	**–**	**–**	**103**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
FINANCIAL LIABILITIES													
Due to banks	31,390	–114	–146	–15,321	–43	–115	–4,700	–34	–176	–9,342	–	–64	–2,027
Lease liabilities	121,366	–3,288	–	–11,543	–2,984	–	–11,289	–7,222	–	–30,387	–8,103	–	–68,147
Trade payables	70,967	–	–	–70,967	–	–	–	–	–	–	–	–	–
Sundry financial liabilities	33,938	–	–	–27,695	–	–	–1,822	–	–	–4,421	–	–	–
	257,764	**–3,402**	**–146**	**–125,423**	**–3,027**	**–115**	**–17,811**	**–7,256**	**–176**	**–44,150**	**–8,103**	**–64**	**–70,174**
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	197	–45	–14	–	–36	–12	–	–72	–27	–	–23	–11	–
Forward exchange transactions with hedging relationship	58	–	–	–58	–	–	–	–	–	–	–	–	–
Total	**258,019**	**–3,447**	**–160**	**–125,481**	**–3,063**	**–127**	**–17,811**	**–7,328**	**–203**	**–44,150**	**–8,126**	**–75**	**–70,174**

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

		Cash flows											
		2019			**2020**			**2021–2023**			**> 2023**		
€ '000	*Carrying amount* **31/12/2018**	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*	*Fixed interest*	*Variable interest*	*Principal*
DERIVATIVE FINANCIAL ASSETS													
Foreign exchange options without hedging relationship	30	–	–	–30	–	–	–	–	–	–	–	–	–
	30	**–**	**–**	**–30**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
FINANCIAL LIABILITIES													
Due to banks	38,240	–	–5	–28,639	–	–22	–2,400	–	–66	–7,201	–	–	–
Finance lease liabilities	534	–26	–	–328	–6	–	–206	–	–	–	–	–	–
Other non-interest-bearing liabilities	65,577	–	–	–65,577	–	–	–	–	–	–	–	–	–
Sundry financial liabilities	48,596	–	–	–41,516	–	–	–2,659	–	–	–4,421	–	–	–
	152,977	**–26**	**–5**	**–136,090**	**–6**	**–22**	**–5265**	**–**	**–66**	**–11,622**	**–**	**–**	**–**
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives with hedging relationship	92	–68	–20	–	–45	–14	–	–82	–32	–	–37	–19	–
Forward exchange transactions with hedging relationship	30	–	–	–30	–	–	–	–	–	–	–	–	–
Total	**153,099**	**–94**	**–25**	**–136,120**	**–51**	**–36**	**–5,265**	**–82**	**–98**	**–11,622**	**–37**	**–19**	**–**

The schedule does not show plan figures; it only shows financial instruments held at 31 December 2019 and 31 December 2018 respectively, and for which contractual agreements on payments exist.

32. OTHER LIABILITIES

€ '000	31/12/2019	31/12/2018
OF WHICH OTHER FINANCIAL LIABILITIES	**105,160**	**109,994**
– Trade payables	70,967	65,577
– Sales tax and other taxes	12,893	12,782
– Liabilities to minority interests	4,440	13,370
– Liabilities to employees	4,244	5,532
– Income taxes payable	4,013	3,460
– Minority interest in the capital of unincorporated subsidiaries	264	295
– Liabilities in respect of social insurance	233	402
– Due to affiliated companies	54	174
– Other	8,052	8,402
OF WHICH NON-FINANCIAL LIABILITIES	**19,238**	**20,469**
– Contract liabilities	19,137	20,469
– Other	101	–
OF WHICH WITH A MATURITY OF		
– up to 1 year	112,796	–
– 1 to 5 years	11,602	–
– over 5 years	–	–

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

The following contract liabilities were recorded in the year under review:

€ '000	31/12/2019	31/12/2018
CONTRACT LIABILITIES		
Liabilities from subscription business with a maturity of 1 to 5 years	5,359	1,972
Liabilities from subscription business with a maturity of up to 1 year	2,515	8,106
Gift vouchers	4,753	4,402
Customer bonus programmes	5,030	4,829
Sundry contract liabilities	1,480	1,161
	19,137	**20,470**
REVENUE RECORDED IN THE REPORTING PERIOD FROM THE OPENING INVENTORIES OF THE CONTRACT LIABILITIES		
Revenue from subscriptions	7,426	6,295
Revenue from customer bonus programmes	4,829	4,015
Revenue from gift vouchers	4,402	2,344
	16,657	**12,654**

In keeping with the simplification rules of IFRS 15, no disclosures are made on the performance obligations at 31 December 2019 with an expected original maturity of one year or less. Furthermore, the simplification rules of IFRS 15.94 are applied in respect of the recognition of expense for contract initiation costs if the depreciation period otherwise to be taken into account would be less than twelve months.

The order backlog (in essence concerning subscriptions) at the reporting date is € 5,359 thousand for a period of more than 12 months.

From existing long-term framework service contracts, at 31 December 2019 the Hawesko Group expects future sales amounting to € 5,255 thousand from performance obligations not (or only partially) met at the reporting date and expected to be realised in the amount of € 5,255 thousand in the next financial year. The contracts expire in the next financial year.

The advances received in the year in progress are in respect of subscription payments collected from customers for wines which are to be delivered in 2020 and 2021.

The sundry contract liabilities show € 113 thousand in provisions for returns; these essentially have a maturity of up to one year.

The other liabilities include the liability that could arise through the exercise of a put option by the minority interest in *WirWinzer GmbH*. The value as of 31 December 2019 is € 2,914 thousand (previous year: € 2,659 thousand).

€ 4,421 thousand of the liabilities to minority interests (previous year: € 13,262 thousand) concerns the liabilities to the original shareholders of *Wein & Vinos GmbH* at the balance sheet date because of the modification to the shareholders' agreement on 17 December 2018 on the acquisition of the remaining 10% of the shares in the company.

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

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

€ '000	31/12/2019	31/12/2018
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	–	72
Verwaltungsgesellschaft CWD Champagner- und Wein- Distributionsgesellschaft m.b.H.	–	45
WeinArt Handels- und Beteiligungsgesellschaft mbH	49	47
Global Wines & Spirits, s.r.o., Prague (Czech Republic)	5	11
	54	**175**

The market values of forward exchange transaction derivatives of € 255 thousand (previous year: € 102 thousand) are also included.

33. LEASE LIABILITIES

First-time adoption of IFRS 16 led to the reclassification of the finance lease liabilities previously reported under financial liabilities now to lease liabilities, in the amount of € 534 thousand.

At the reporting date, the balance sheet shows the following liabilities in connection with lease agreements (at 1 January 2019 without the finance lease liabilities amounting to € 534 thousand):

LEASE LIABILITIES € '000	31/12/2019	01/01/2019
Short-term	12,831	11,601
Long-term	108,535	104,657
	121,366	**116,257**

The expenses relating to leases of low-value assets that are not included in the short-term leases (covered by other operating expenses) amount to € 129 thousand. The expenses relating to leases of assets with a limited maturity that are not included in the short-term leases (covered by other operating expenses) amount to € 504 thousand. There were no expenses relating to variable lease payments that are not included in the lease liabilities.

The total outpayments for leases in 2019 came to € 15,368 thousand.

In the financial year the group sold an office and warehouse building then rented back parts of it for a period of three years. This yielded an income of € 3,992 thousand that is reported under other operating income. The relocation of the wholesale warehouse as presented in the management report means that medium-term, the group's own, existing warehouse capacity will no longer be needed to the same extent.

The group accrued cash in the amount of € 10.0 million from the transaction. There were no payments included in measurement of the lease liabilities.

€ '000	2019
Depreciation/amortisation for rights of use	12,052
– of which for buildings and land	11,212
– of which for technical equipment and machinery	474
– of which for other fixtures and fittings, tools and equipment	366
Interest expense for lease liabilities	3,762
Expense for short-term leases	504
Expense for leases of a low-value asset	129
Expense for variable lease payments not included in the measurement of lease liabilities	–
Income from sub-leasing of rights of use	–
Cash outflows for leases	15,368
Additions to rights of use	16,112
Gains from sale-and-leaseback transactions	3,992
Carrying amounts of rights of use at end of reporting period	112,009
– of which buildings and land	109,040
– of which buildings and land from sale-and-leaseback transactions	408
– of which technical equipment and machinery	1,033
– of which other fixtures and fittings, tools and equipment	1,528

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 TAX € '000	**31/12/2019**	**31/12/2018**
From fixed assets	5,819	6,714
From inventories	464	452
From the measurement of trade receivables	96	1
From the fair value measurement of derivative financial instruments	15	–
From leases	34,285	–
Other	–	–
Offset against deferred tax assets	–36,706	–2,726
Change in tax rate	–	24
	3,973	**4,465**

Pursuant to IAS 12.39 (b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 91 thousand (previous year: € 90 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

A sum of € 360 thousand is expected to be used from the deferred tax liabilities within twelve months.

35. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The following tables reconcile the balance sheet items at 31 December 2019 with the categories of financial instruments, divided up by the carrying amounts and fair values of the financial instruments. The fair value of financial instruments measured at amortised cost, such as receivables and liabilities, is determined by discounting on the basis of a market rate that is appropriate for the risk and with matching maturities.

			Stated amount in balance sheet acc. to IFRS 9				
€ '000	*Classification category acc. to IFRS 9*	*Carrying amount* **31/12/2019**	*Amortised cost*	*Fair value in equity*	*Fair value through profit or loss*	*Stated amount in balance sheet acc. to IFRS 16*	*Fair value* **31/12/2019**
ASSETS							
Cash	AC	18,725	18,725	–	–	–	18,725
Trade receivables	AC	45,820	45,820	–	–	–	46,705
Receivables and other assets							
– Financial assets	AC	11,183	11,183	–	–	–	11,183
Financial assets							
– Financial assets recognised at fair value	FVtPL	88	–	–	88	–	88
– Derivatives without hedging relationship	FVtPL	103	–	–	103	–	103
EQUITY AND LIABILITIES							
Minority interest in the capital of unincorporated subsidiaries	AC	264	264	–	–	–	n.a.
Trade payables	AC	70,967	70,967	–	–	–	71,677
Due to banks	AC	31,390	31,390	–	–	–	31,390
Lease liabilities	n.a.	121,366	–	–	–	121,366	121,366
Other liabilities							
– Other financial liabilities	AC	33,674	33,674	–	–	–	33,674
– Derivatives with hedging relationship	n.a.	255	–	255	–	–	255
Of which aggregated by classification category acc. to IFRS 9							
– Loans and receivables (AC)	AC	75,728	75,728	–	–	–	75,728
– Financial assets recognised at fair value (FVtPL)	FVtPL	191	–	–	191	–	191
– Financial liabilities measured at amortised cost (AC)	AC	136,295	136,295	–	–	–	136,295

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

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

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 on the one hand derivatives with a hedging relationship, as well as standalone derivatives (foreign exchange options without a hedging relationship). On the other hand the put option of the minority interest *WirWinzer GmbH* is recognised at the present value of the buy-back price.

€ '000	31/12/2019				31/12/2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
ASSETS								
Financial assets	–	–	88	88	–	–	138	138
Trading derivatives	–	103	–	103	–	30	–	30
EQUITY AND LIABILITIES								
Derivatives with hedging relationship	–	255	–	255	–	122	–	122
Financial liabilities recognised at fair value (AC)	–	–	2,914	2,914	–	–	2,659	2,659

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

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

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

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

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

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

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

Trade liabilities and other liabilities have predominantly short maturities, with the result that the reported values are approximately the

same as the fair value.

The fair values of amounts due to banks and from leases 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 2019:

€ '000	*Put option*
01/01/2019	**2,659**
Change	255
31/12/2019	**2,914**

Rounding differences possible

The following table shows the changes in the financial liabilities classified as Level 3 at 31 December 2018:

€ '000	*Put option*
01/01/2018	**18,364**
Change	–2,442
Transfer to other liabilities	–13,263
31/12/2018	**2,659**

Rounding differences possible

A pre-agreed valuation schedule which is based on the future average EBIT and a multiplier is applied to the put option. Because the right to deliver the 34.3% share to the majority interest in *WirWinzer GmbH* can only take effect from July 2020, this financial liability is additionally discounted. A discounting rate of 3.65% (previous year: 4.05%) was applied in 2019 for *WirWinzer GmbH*.

A change in the future average EBIT would have had the following effect on the buy-back price of the put option at 31 December 2019:

		31/12/2019	
€ '000	*–1,000*		*+1,000*
Fair value of			
WirWinzer GmbH	2,522	2,914	5,272

NET EARNINGS BY CLASSIFICATION CATEGORY, 2019 € '000	*Measure-ment-category acc. to IFRS 9*		*From subsequent measurement*					
		From interest	*From changes in cash flow esti-mates*	*At amor-tised cost*	*Currency trans. lation*	*Impair-ment*	*From disposal*	*Net earnings* **2019**
Loans and receivables (AC)	AC	58	–	–	–	–135	–	–77
Financial assets recognised at fair value through profit or loss (FVtPL)	FVtPL	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (AC)	AC	–708	–254	–	–	–	–	–962
TOTAL		**–650**	**–254**	**–**	**–**	**–77**	**–**	**–1,039**

NET EARNINGS BY CLASSIFICATION CATEGORY, 2018 € '000		*From subsequent measurement*					
	From interest	*From changes in cash flow esti-mates*	*At amor-tised cost*	*Currency trans-lation*	*Impair-ment*	*From disposal*	*Net earnings* **2018**
Loans and receivables (AC)	254	–	–	–	–318	–	–64
Financial assets recognised at fair value through profit or loss (FVtPL)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (AC)	–473	2,442	–79	–	–	–	1,890
TOTAL	**–219**	**2,442**	**–79**	**–**	**–318**	**–**	**1,826**

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

The effects on earnings of the financial instruments held for sale 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. OTHER FINANCIAL OBLIGATIONS

The Hawesko Group rents various office and warehouse buildings as well as retail stores, plant and vehicles. Tenancy agreements are generally concluded for fixed periods of between three and ten years, but may include extension options.

Since 1 January 2019 the group has recognised rights of use for these leases, except in the case of short-term leases of low value. Further details are provided in Notes 5, 18 and 33.

The total future lease payments from non-cancellable operating leases are no longer reported because of the change in accounting following adoption of IFRS 16.

37. RISK MANAGEMENT AND FINANCIAL DERIVATIVES

Principles of risk management

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

Risk management for the group is governed in the first instance by a corporate finance department (Group Finance) based on guidelines that the management has approved.

The Group Finance department identifies, assesses and hedges financial risks in close cooperation with the group's operating companies. The management provides written principles for overall risk management as well as principles for certain areas, such as foreign currency exposure, interest rate risk, default risk, use of derivative and non-derivative financial instruments as well as the handling of liquidity surpluses.

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

Derivatives and hedges

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

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

RESERVE FOR CASH FLOW HEDGE € '000	*Forward exchange transactions*	*Interest rate swaps*	*Total*
OPENING BALANCE ON 1 JANUARY 2018	**21**	**–**	**21**
Effective change in the fair values of hedges recognised within other comprehensive income	69	–92	–23
Reclassified to statement of income because underlying transaction realised through profit or loss	–131	–	–131
Deferred tax	20	22	42
CLOSING BALANCE ON 31 DECEMBER 2018	**–21**	**–70**	**–91**
Effective change in the fair values of hedges recognised within other comprehensive income	–23	–107	–130
Reclassified to statement of income because underlying transaction realised through profit or loss	–5	–	–5
Deferred tax	9	16	25
CLOSING BALANCE ON 31 DECEMBER 2019	**–40**	**–161**	**–201**

There were no other reclassifications to profit or loss on the basis of early termination, changed expectations regarding the underlying transaction, due to uncollectable losses recognised within other comprehensive income or due to an adjusted basis.

As in the previous year, the closing balance results exclusively from assets-side cash flow hedges. There are no effects from terminated cash flow hedges here.

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

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

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

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

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

If forward transactions are used to hedge expected transactions (highly probable transactions), the group designates the entire change in the forward transaction's fair value as a hedge. Gains or losses from the effective portion of the change in the fair value of the entire forward transaction are recognised in the reserve for cash flow hedges as an equity component. Where material, it is discounted.

Accumulated amounts recognised within equity are reclassified to the periods in which the hedged underlying transaction occurs. The gain or loss from forward exchange transactions is realised within the item sales revenues.

If a hedge expires or is sold or terminated or the hedge no longer meets the criteria for hedge accounting, the accumulated amounts remain within OCI until the transaction underlying is realised. If the transaction is no longer expected to materialise, it is reclassified immediately from OCI to profit or loss.

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

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

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

The ineffectiveness of hedging with interest rate swaps is assessed using the same principles as for foreign-currency sales. In this instance the reasons include for example adjustments for the non-payment risk of one contracting party to the interest rate swap not cancelled out by value changes in the hedged loans, or subsequently arising differences in the contractual conditions between interest rate swap and hedged loan.

The gain or loss from the interest rate swaps is reported under interest expense in the profit or loss for the period in which the interest expense for the hedged borrowings arises.

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

At the reporting date there exist foreign exchange options with a nominal volume amounting to € 932 thousand for CHF/EUR and to $ 305 thousand for CHF/USD relations that are not designated within hedge accounting.

Exchange risks

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

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

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

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

FORWARD EXCHANGE TRANSACTIONS	2019	2018
Carrying amount, € '000 (liability)	–58	–30
Nominal amount, SEK	28,600	22,300
Due date	January 2020 to June 2020	January 2019 to June 2019
Hedging ratio	1:1	1:1
Change in the fair value of outstanding hedges since start of year	–28	–30
Ineffectiveness recognised through profit or loss (recognised in other operating result)	–	–
Range of hedging rates (SEK/EUR) – average rate weighted	10.6938	10.4046

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

The changes in value of the underlying transaction for determining ineffectiveness came to € 28 thousand (previous year: € 30 thousand).

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

	Influence on earnings after taxes		*Influence on other equity components*	
€ '000	**2019**	**2018**	**2019**	**2018**
EUR/CHF exchange rate – rise of 10% (2018 – 10%)	–149	–34	–149	–34
EUR/CHF exchange rate – fall of 10% (2018 – 10%)	149	250	149	250
USD/CHF exchange rate – increase of 10% (2018 – 10%)	–11	14	–11	14
USD/CHF exchange rate – fall of 10% (2018 – 10%)	11	–7	11	–7
EUR/SEK exchange rate – rise of 10% (2018 – 10%)	92	88	199	198
EUR/SEK exchange rate – fall of 10% (2018 – 10%)	–92	–88	–364	–241

The carrying amount of the monetary debts of the group denominated in Swiss francs (CHF) at the reporting date is € 8,293 thousand (previous year: € 8,696 thousand); no monetary assets exist.

The sensitivity analysis contains merely outstanding monetary items held in Swiss francs and adjusts their translation at year-end based on a 10% change in the exchange rate. It includes exclusively external loans.

The 10% change is the figure that is used for internal reporting of the exchange rate risk to the governing bodies, and represents the management's assessment with regard to a reasonable possible exchange rate movement.

Interest rate risks

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

If there is no close hedging relationship in connection with the underlying transactions in the case of the interest rate derivatives due to the lack of matched maturities between, and high variation in the levels of use of, underlying and hedging transactions, they are measured at fair value, with gains or losses from the change in fair value recognised in profit and loss through the interest result. At the reporting date there were no interest rate derivatives without hedge relationships.

If the hedging relationship between the underlying and hedging transactions is considered effective (cash flow hedge), measurement is likewise at fair value, with changes in the fair value recognised income-neutrally in the other result. Swaps currently in place cover € 17 million of the outstanding variable-rate loans. The variable interest rates of the loans follow the 3-month EURIBOR. The borrowing rates hedged by the interest rate swaps are 0.92% and 1.58% overall. Payments from the interest rate swaps are made at the end of each quarter.
The settlement dates match the dates on which the interest payments on the underlying liabilities are due.

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

INTEREST RATE SWAPS	2019	2018
Carrying amount, € '000 (liabilities)	–197	–92
Nominal amount, € '000	17,000	17,000
Due date	October 2023 and October 2028	October 2023 and October 2028
Hedging ratio	1:1	1:1
Change in the fair value of outstanding hedges since 1 January	–105	–92
Ineffectiveness recognised through profit or loss (recognised in interest expense)	–	–
Fixed overall borrowing rates secured by hedging relationship	0.92%–1.58%	0.92%-1.58%

The changes in value of the underlying transaction for determining ineffectiveness came to € 105 thousand (previous year: € 92 thousand).

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

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

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

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

Changes in the market rates of interest rate derivatives which are not bound up in a hedging relationship pursuant to IFRS 9 affect the other financial result and are therefore taken into account in the earnings-related sensitivities.

If market interest rates had hypothetically risen or fallen by 100 base points respectively (parallel shift in interest curves) while other variables remained unchanged, the measurement of interest rate swaps measured at fair value would have been € 0.3 million lower or € 0.3 million higher respectively.
The effects were recognised as a fair value change within other comprehensive income

Non-payment risks

The credit and non-payment risk of financial assets from business operations (essentially trade receivables) corresponds to no more than the amounts shown on the assets side and is well diversified thanks to the large number of individual receivables from customers. The impairment of financial assets concerns trade receivables and is reflected by adoption of the simplified approach under IFRS 9 in order to measure the expected credit losses. Consequently, for all trade receivables reference is made to the expected lifetime credit losses. To measure the expected credit losses, trade receivables were grouped together based on common credit risk features and the number of days overdue. The expected loss rates are based on the payment profiles for sales over a period of 12 months before 31 December 2019 or 31 December 2018 and the corresponding historical defaults in that period. The historical loss rates are compared with the collection rates of the debt collection agencies appointed, and adjusted as appropriate. In view of the group's customer structure, no further adjustments to the loss ratios are necessary to reflect current and forward-looking information on the macroeconomic factors that govern customers' ability to settle the receivables.

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

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

Cautious *liquidity risk management* means keeping adequate cash as well as having access to financial resources through an appropriate amount in agreed credit lines, to be able to meet obligations due. At the end of the reporting period the group held immediately available cash in banking accounts and cash on hand of € 18,726 thousand (previous year: € 25,073 thousand), which prospectively generate cash inflows at any time for the management of the liquidity risk.

As a result of the dynamism of the underlying business activities, the group upholds its financial flexibility by keeping the agreed credit lines available.

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

38. CAPITAL MANAGEMENT

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

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

The capital structure is managed on the basis of the net debt or net liquidity position. This is defined as the sum of amounts due to banks, leases and provisions for pensions, less cash. Net debt amounted to € 134,031 thousand at 31 December 2019 (previous year: € 14,756 thousand net debt).

ROCE (return on capital employed) is a further important indicator for capital management. This is the rate of return, expressed as the operating result (EBIT) divided by the average capital employed, in other words by the balance sheet total (for the group) plus capitalised lease commitments less interest-free liabilities and provisions, as well as cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) of consistently at least 14% is the aim. A rate of return of 12.3% was achieved in the year under review (previous year: 16.6%). The difference compared with the previous year essentially stems from the changed assessment for the maturities of leases following first-time adoption of IFRS 16 in the financial year.

39. EMPLOYEES

The average number of employees was as follows:

The average number of employees at the joint venture accounted for using the equity method was 48 in the financial year (previous year: 45). The rise is mainly attributable to the inclusion of the employees of *Wein & Co. Handelsgesellschaft mbH* for a first full year in 2019.

GROUP	2019	2018
Commercial and industrial employees	1,213	1,000
Apprentices	30	27
	1,243	**1,027**

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 inflows from current operations of € 33,601 thousand (previous year: € 26,084 thousand) include the changes in cash and cash equivalents from operating activities.

NCI Forwards denotes the original shareholders of *Wein & Vinos GmbH*, which still hold 10% of the shares in the company at the 2019 reporting date. As described in Note 8, the previous minority interest was reclassified in 2018 to the retained earnings attributable to the shareholders of Hawesko Holding AG. In 2019 a distribution of the net income for 2018 of *Wein & Vinos GmbH* in the amount of € 1,114 thousand was made to NCI Forwards.

In addition, as described in Note 32 the contractually agreed payment for the acquisition of 20% of the shares of *Wein & Vinos GmbH* was made in the financial year. This payment of € 8.8 million is reported in the cash flow statement under repayment of borrowings, within the cash flow from financing activities

The composition of cash and cash equivalents is as follows:

€ '000	**2019**	**2018**	*Change*
Cash in banking accounts and cash on hand	18,725	25,073	–6,348
Due to banks (current accounts)	–	–	–
Cash and cash equivalents at end of period	18,725	25,073	–6,348

The net liabilities and their development for the period shown are made up as follows:

€ '000	2019	2018
Cash and cash equivalents	18,726	25,073
Liquid investments	–	–
Borrowings – repayable within one year (including current account)	–15,321	–24,374
Borrowings – repayable after more than one year	–16,069	–13865
NET LIABILITES	**–12,665**	**–13,166**
Cash and liquid investments	18,725	25,073
Gross liabilities – fixed-rate	–17,525	–21,839
Gross liabilities – variable-rate	–13,865	–16,400
NET LIABILITES	**–12,664**	**–13,166**

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

€ '000	*Borrowings*	*Leases*	*Subtotal*	*Cash*	*Total*
NET LIABILITIES AT 1 JANUARY 2018	–19,725	–868	–20,593	10,736	–9,857
Cash changes	–18,505	324	–18,181	14,125	–4,056
Exchange-rate-based changes	–	–	–	212	212
Other changes	–10	10	–	–	–
NET LIABILITIES AT 31 DECEMBER 2018	**–38,240**	**–534**	**–38,774**	**25,073**	**–13,701**
Retrospective adjustment upon adoption of IFRS 16	–	–116,185	–116,185	–	–116,185
Acquisitions – leases	–	–15,555	–15,555	–	–15,555
Cash changes	6,849	10,974	17,823	–6,475	11,348
Exchange-rate-based changes	–	–67	–67	127	60
Other changes	1	1	2	–	2
NET LIABILITIES AT 31 DECEMBER 2019	**–31,390**	**–121,366**	**–152,756**	**18,725**	**–134,031**

41. SEGMENT REPORTING

In agreement with the rules of IFRS 8, individual data from the annual financial statements is broken down by operating segment; 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) in the amount of € 85,098 thousand (previous year € 59,172 thousand) comprise the countries Austria (€ 52,070 thousand; previous year: € 27,219 thousand), Switzerland (€ 22,579 thousand; previous year: € 21,894 thousand) and Sweden (€ 10,421 thousand; previous year: € 10,059 thousand). The total external sales outside Germany amounted to 16% (previous year: 11%).

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 *Retail* segment sells wine via a network of retail outlets *(Jacques' Wein-Depot Wein-Einzelhandel GmbH)* which are run by independent agency partners. Since 1 October 2018 the group has had a comprehensive premium lifestyle and connoisseurship concept in Austria based around shops, bars and an online shop, in the guise of *Wein & Co. Handelsgesellschaft mbH*.

- The *B2B* segment groups together business activities with retailers; wines and champagnes are sold both by distance selling *(CWD Champagner- und Wein-Distributionsgesellschaft mbH)* and by an organisation of trade representatives (*(Wein-Wolf Group)*. The B2B segment operates in the Swiss wine market through *Globalwine AG* and *Vogel Vins SA*. Since 1 January 2017 operations in the fine wine market have been increased with the acquisition of the majority interest in *WeinArt Handelsgesellschaft mbH* and *Grand Cru Select Weinhandelsgesellschaft mbH*. *Global Eastern Wine Holding GmbH* and *Sélection de Bordeaux SARL* also belong to the B2B segment, as does the company *Château Classic – Le Monde des Grands Bordeaux SARL*, which is currently being wound up. The assets of the B2B segment include investments of € 3,895 thousand accounted for using the equity method.

- The *e-commerce* 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 *Wine Dock GmbH, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Wein & Vinos GmbH, Carl Tesdorpf GmbH, The Wine Company Hawesko GmbH* and *WirWinzer GmbH.*

- The *Miscellaneous* segment comprises all corporate group functions, and includes Hawesko Holding AG as well as *IWL Internationale Wein Logistik GmbH*. Of the EBIT reported, € -6,356 thousand (previous year: € -4,942 thousand) is attributable to the corporate holding functions of Hawesko Holding AG, and € 44,000 of the segment debts (previous year: € 56,945 thousand) comprise liabilities of Hawesko Holding AG to third parties. € 25,274 thousand of these liabilities to third parties have a maturity of up to one year and € 18,125 thousand a maturity of between one and five years.

The segment data has been calculated in the following way:

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

- The segment result is defined as earnings before interest, taxes and any deduction for minority interest (EBIT). The EBIT of each segment serves as the management tool.

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

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

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

- There are no significant non-cash income and expenses in the segments.

SEGMENT REPORTING € '000	Retail 2019	Retail 2018	B2B 2019	B2B 2018	e-commerce 2019	e-commerce 2018
SALES REVENUES	**203,364**	**172,259**	**185,233**	**192,439**	**177,659**	**171,060**
External sales	203,343	172,254	178,628	186,218	174,018	165,789
Internal sales	21	5	6,605	6,221	3,639	5,271
OTHER INCOME	**12,670**	**13,188**	**5,704**	**5,010**	**7,498**	**4,213**
External	12,668	13,111	5,640	4,948	6,316	2,877
Internal	2	77	63	62	1,181	1,336
EBITDA	**30,983**	**17,784**	**8,879**	**12,161**	**17,272**	**11,165**
DEPRECIATION AND AMORTISATION	**12,955**	**2,801**	**2,436**	**1,699**	**4,760**	**3,543**
EBIT	**18,028**	**14,983**	**6,443**	**10,462**	**12,512**	**7,622**
FINANCIAL RESULT	**–3,464**	**–131**	**224**	**249**	**–481**	**–329**
Financial income	22	19	20	81	20	25
Financial expense	–3,486	–150	–673	–539	–502	–354
Investment result	–	–	877	707	–	–
EARNINGS BEFORE TAXES	**14,564**	**14,852**	**6,667**	**10,711**	**12,031**	**7,293**
TAXES ON INCOME						
CONSOLIDATED NET INCOME						
SEGMENT ASSETS	**174,804**	**71,616**	**134,665**	**113,155**	**91,743**	**78,589**
SEGMENT DEBTS	**164,768**	**40,754**	**109,642**	**62,131**	**56,858**	**23,128**
INVESTMENT	**9,741**	**2,878**	**1,723**	**1,238**	**3,271**	**1,723**

Geographical segmentation

SALES BREAKDOWN BY REGION

€ '000	Group, consolidated 2019	Group, consolidated 2018
Germany	468,592	465,126
Rest of Europe	85,098	59,172
Miscellaneous	2,321	–
	556,011	**524,298**

	Miscellaneous		Total		Reconciliation/consolidation		Group, consolidated	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
	21,423	**23,655**	**587,678**	**559,412**	**–31,667**	**–35,115**	**556,011**	**524,298**
	22	37	556,011	524,298	–	–	556,011	524,298
	21,401	23,618	31,667	35,115	–31,667	–35,115	–	–
	2,974	**2,526**	**28,845**	**24,937**	**–3,306**	**–2,920**	**25,539**	**22,017**
	915	1,074	25,539	22,010	–	7	25,539	22,017
	2,059	1,452	3,306	2,927	–3,306	–2,927	–	–
	–6,365	**–4,769**	**50,769**	**36,341**	**–139**	**–104**	**50,630**	**36,237**
	1,334	**496**	**21,484**	**8,539**	**–**	**–**	**21,484**	**8,539**
	–7,698	**–5,265**	**29,285**	**27,802**	**–139**	**–104**	**29,146**	**27,698**
	–62	**3,015**	**–3,784**	**2,804**	**–4**	**–**	**–3,787**	**2,804**
	772	3,409	834	3,534	–776	–838	58	2,697
	–834	–394	–5,494	–1,437	772	838	–4,722	–600
	–	–	877	707	–	–	877	707
	–7,760	**–2,250**	**25,501**	**30,606**	**–143**	**–104**	**25,359**	**30,502**
					–9,108	**–7,601**	**–9,108**	**–7,601**
							16,251	**22,901**
	221,970	**239,347**	**623,182**	**502,707**	**–228,252**	**–213,701**	**394,930**	**289,006**
	47,820	**31,118**	**379,088**	**157,131**	**–95,023**	**19,352**	**284,065**	**176,483**
	312	**176**	**15,047**	**6,015**	**–**	**–**	**15,047**	**6,015**

INFORMATION BY REGION	*Investment*		*Non-current assets*	
€ '000	**2019**	**2018**	**2019**	**2018**
Germany	13,627	5,825	162,863	67,791
Rest of Europe	1,421	190	34,789	22,985
GROUP, CONSOLIDATED	**15,047**	**6,015**	**197,652**	**90,776**

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

The group company *Deutschwein Classics GmbH & Co. KG* makes use of the exemption rules of Section 264b of German Commercial Code for the year under review. The consolidated financial statements are published in the electronic Federal Gazette.

43. APPLICATION OF THE EXEMPTION RULES OF SECTION 264 (3) OF GERMAN COMMERCIAL CODE FOR INCORPORATED FIRMS

The group companies *IWL Internationale Wein-Logistik GmbH, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Jacques' Wein-Depot Wein-Einzelhandel GmbH, Wein Service Bonn GmbH, Wine Dock GmbH, Carl Tesdorpf GmbH, The Wine Company Hawesko GmbH, Weinland Ariane Abayan GmbH, Wein Wolf GmbH, Alexander Baron von Essen Weinhandelsgesellschaft mbH, Gebrüder Josef und Matthäus Ziegler GmbH, CWD Champagner- und Wein-Distributionsgesellschaft mbH* and *Volume Spirits 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 electronic Federal Gazette.

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

The subgroups of *Wein Service Bonn GmbH, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Jacques' Wein-Depot Wein-Einzelhandel GmbH, CWD Champagner- und Wein-Distributionsgesellschaft mbH* and *WeinArt Handelsgesellschaft mbH* exercise the exemption rules of Section 291 (1) of German Commercial Code in the year under review, because they have been included in the exempting consolidated financial statements of Hawesko Holding AG..

The consolidated financial statements are published in the electronic Federal Gazette.

45. DECLARATION OF COMPLIANCE

The Declaration of Compliance with the German Corporate Governance Code, as specified under Section 161 of German Stock Corporation Law, was submitted on 11 April 2019 and is made permanently available on the Internet at (www.hawesko-holding.com/konzern/corporate-governance).

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.

Goods to the value of € 290 thousand (previous year: € 201 thousand) were purchased from St. Antony Weingut GmbH & Co. KG, over which Detlev Meyer exercises considerable influence. In addition, goods to the value of € 190 thousand (previous year: € 0 thousand) were purchased from Heyl zu Herrnsheim Weinkellerei GmbH, over which Detlev Meyer equally exercises considerable influence. Furthermore, goods with a volume of € 239 thousand were bought from related parties in the year under review. The order volume in the corresponding prior-year period was € 125 thousand.

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

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

The members of the Supervisory Board were paid the following total remuneration for their activities in the 2019 financial year (previous year in brackets):

€ '000	Variable remuneration	Fixed remuneration	Attendance fees	Remuneration for services rendered in person	Total
Detlev Meyer (Chairman)	36	8	25	–	**69**
	(33)	(8)	(21)	(–)	(62)
Thomas R Fischer (Deputy Chairman)	27	6	19	–	**52**
	(25)	(6)	(16)	(–)	(47)
Dr. Jörg Haas	18	4	12	–	**34**
	(17)	(4)	(8)	(–)	(29)
Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker	18	4	13	–	**35**
	(17)	(4)	(8)	(–)	(29)
Wilhelm Weil	18	4	9	–	**31**
	(17)	(4)	(6)	(–)	(27)
Kim-Eva Wempe	18	4	8	–	**30**
	(17)	(4)	(6)	(–)	(27)
TOTAL	**135**	**30**	**86**	–	**251**
	(126)	(30)	(65)	(–)	(221)

In addition, goods to the value of € 239 thousand (previous year: € 412 thousand) were purchased from Weingut Robert Weil, of which Wilhelm Weil is director. Also, sales of € 249 thousand (previous year: € 0 thousand) were realised with Gerhard D. Wempe KG, of which Kim-Eva Wempe is managing partner.

In addition, as described in Note 33, by deed of 12 November 2019 and with effect from 31 December 2019 an office and warehouse building as well as the corresponding land was sold to ATL GmbH for € 10.0 million and rented back for a period of three years. The transaction was completed in an arm's length transaction based on an expert valuation.

The members of the Board of Management were paid the following total remuneration for their activities in the 2019 financial year (previous year in brackets):

€ '000	Non-performance-related	Performance-related with long-term incentivising effect	Termination benefits	Total
Thorsten Hermelink	510	335	–	**845**
	(462)	(300)	(–)	(762)
Raimund Hackenberger	312	200	–	**512**
	(311)	(200)	(–)	(511)
Alexander Borwitzky	321	207	–	**528**
	(321)	(207)	(–)	(528)
Nikolas von Haugwitz (until 31 March 2019)	122	30	661	**813**
	(260)	(160)	(–)	(420)
TOTAL	**1,265**	**772**	**661**	**2,698**
	(1,354)	(867)	(–)	(2,221)

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

All benefits are fundamentally due in the short term unless otherwise indicated. The former Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay; a provision totalling € 271 thousand (previous year: € 254 thousand) was recognised at 31 December 2019 for this commitment. Mr Hoolmans has been drawing a monthly retirement pension of € 1 thousand from this since August 2015. The sum of € 3,065 thousand was due to the former Chief Executive Officer who died in 2016 and to his estate on the basis of his employment contract for the period from 1 January 2016 to 31 May 2017. The amount was paid out in 2017 and 2018.

There existed no loans to members of the Board of Management or Supervisory Board in the 2019 financial year, as in the previous year.

The balance sheet includes provisions for obligations or current liabilities in respect of the Board of Management and Supervisory Board totalling € 740 thousand (previous year: € 1,188 thousand).

At 31 December 2019, 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). On 10 February 2020 Dr. Jörg Haas acquired 10,000 shares of Hawesko Holding AG. At 31 December 2019 the Board of Management holds 1,000 shares of Hawesko Holding AG, half of which are attributable to Thorsten Hermelink and half to Alexander Borwitzky (previous year: 0 shares). On 2 March 2020 Alexander Borwitzky acquired 500 shares of Hawesko Holding AG.
Apart from the matters mentioned there were no other significant business relations with the Board of Management and Supervisory Board.

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	2019	2018
Audit services	538	461
Tax consultancy	–	20
Other services	6	–
TOTAL	**544**	**481**

The fees for audit services include the audit of the annual financial statements of the group companies as well as the audit of the consolidated financial statements.

48. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The spread of the coronavirus in Europe since February 2020 and the resulting restrictions to the public, economic and private spheres in all European countries will in all probability have a negative impact on the future net worth, financial position and financial performance.

On 16 March 2020 the German federal government and the heads of government of the federal states decreed the closure or restricting of many catering establishments and certain retail outlets in Germany. The situation in Austria and Switzerland is similar. This will adversely affect the sales and earnings of the B2B and Retail segments. On the other hand in e-commerce, subject to the availability of goods and logistics, the situation is having a positive effect on the future net worth, financial position and financial performance.

As it is currently impossible to foresee the direction of further possible restrictions and limitations or their duration, no quantitative estimate of the financial consequences of these measures can currently be made. However the positive liquidity situation within the Hawesko Group means no risk to it as a going concern is expected.

Hamburg, 2 April 2020

The Board of Management

Thorsten Hermelink Alexander Borwitzky
Raimund Hackenberger

DECLARATION OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the management report of the group, which is combined with the management report of Hawesko Holding AG, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Hamburg, 2 April 2020

The Board of Management

Thorsten Hermelink Alexander Borwitzky Raimund Hackenberger

INDEPENDENT AUDITOR'S REPORT

To HAWESKO Holding Aktiengesellschaft, Hamburg

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

Audit Opinions

We have audited the consolidated financial statements of HAWESKO Holding Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition we have audited the group management report of HAWESKO Holding Aktiengesellschaft, which is combined with the management report of the Group parent, for the financial year from 1 January to 31 December 2019. In accordance with the requirements of German law, we have not audited the content of the Corporate Governance Declaration pursuant to Section 289f of the German Commercial Code and Section 315d of the German Commercial Code.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code (HGB), and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2019 and of its financial performance for the financial year from 1 January to 31 December 2019, and the accompanying group management report as a whole provides an appropriate view of the Group's position.

- In all material respects, this group management report is consistent with the consolidated financial statements, complies with the German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion of the group management report does not cover the content of the Corporate Governance Declaration referred to above.

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

Basis for the Audit Opinions

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

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

Key Audit Matters in the Auditing of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019.
These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

1. RECOVERABILITY OF GOODWILL

2. EVALUATION OF THE PUT OPTIONS OF THE MINORITY INTEREST IN WIRWINZER GMBH

3. EFFECTS OF THE FIRST-TIME ADOPTION OF IFRS 16 ON ACCOUNTING FOR LEASES

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

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

Hereinafter we present the key audit matters:

1. RECOVERABILITY OF GOODWILL

1. In the consolidated financial statements of HAWESKO Holding Aktiengesellschaft, goodwill in the amount of € 26.9 million is reported under the balance sheet item "Intangible assets", and thus represents around 7% of the balance sheet total.

   Goodwill is tested for impairment by the company once a year at the balance sheet date or ad hoc to identify a possible need for amortisation. The impairment test is performed at the level of the groups of cash-generating units to which the respective goodwill is allocated. In the impairment test, the carrying amount of the respective cash-generating units including goodwill is compared with the appropriate recoverable amount. The recoverable amount is fundamentally determined on the basis of the fair value less the costs of disposal. The fair value less costs of disposal is determined as the present value of the expected, discretionary future cash flows subject to estimation uncertainty that arise from the budget calculations prepared by the executive directors, using discounted cash flow models. Expectations regarding the future market development and assumptions on the development of macroeconomic factors are also taken into account here. Discounting is performed using the discretionarily determined weighted average cost of capital.

Based on the values determined, there was no need for write-downs for the financial year.

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

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

3 The company's disclosures on the goodwill reported under the balance sheet item "Intangible assets" are contained in Note 17 to the consolidated financial statements.

2. EVALUATION OF THE PUT OPTIONS OF THE MINORITY INTEREST IN WIRWINZER GMBH

1 HAWESKO Holding Aktiengesellschaft has granted the minority interest in *WirWinzer GmbH*, Munich, the irrevocable right to tender their shares in these companies to HAWESKO Holding Aktiengesellschaft for purchase ("put options"). These put options reported under the balance sheet items "Other non-current liabilities" and "Other current financial liabilities" amount to € 2.9 million at the balance sheet date.

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

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

3 The company's disclosures on the put options are contained in Note 6 to the consolidated financial statements.

3. EFFECTS OF THE FIRST-TIME ADOPTION OF IFRS 16 ON ACCOUNTING FOR LEASES

1 The consolidated financial statements of the company report rights of use in the amount of € 112.0 million and lease liabilities of € 121.4 million at the balance sheet date. The lease liabilities thus represent 31% of the balance sheet total. For the financial year under review, there were major effects on the opening balance sheet values and the updated figures throughout the year as a result of first-time adoption of the new accounting standard on leases (IFRS 16). The switch to IFRS 16 followed the modified retrospective approach. The comparative figures for the prior-year periods were not adjusted. The company has set up Group-wide processes and controls to ensure leases are recorded fully and correctly. Upon first-time adoption, a central IT-based tool was used to reflect leases.

For certain areas, the new accounting standard IFRS 16 necessitates estimates and discretionary decisions by the executive directors, the appropriateness of which was to be evaluated in the context of our audit. This applies especially to assessment on the exercising of options with effects on the term of the lease.

In light of this, and because of the complexity of the new requirements of IFRS 16, accounting for leases acquired particular significance in the context of our audit.

2 In the course of our audit we for example evaluated the appropriateness and effectiveness of the processes and controls set up by the Group to recognise leases. The same applies to use of the central IT-based tool for reflecting leases and to the adjustments needed to the existing systems for processing transactions.

In addition, we assessed the effects of first-time adoption of IFRS 16 in our audit with the help of our internal specialists. We jointly evaluated implementation of the IFRS 16 requirements as well as evaluated the form of the processes set up to reflect the transactions in agreement with IFRS 16 and the IT-based tool to support implementation of the new requirements. For this, we inspected lease agreements on a test basis, reproduced how lease components were identified and evaluated whether these were fully and accurately captured in the newly used IT-based tool for reflecting leases. We also evaluated in particular the assessments on the exercising of options with an effect on the term of the lease by interviewing employees of the company and inspecting appropriate evidence.

We were able to satisfy ourselves that the systems and processes set up and adapted for IFRS 16 as well as the controls set up are appropriate. In addition, we were able to trace adequate documentation of and reasoning for the assessments and assumptions made by the executive directors to assure accurate accounting for leases upon first-time adoption of IFRS 16.

3 The company's disclosures on accounting for leases and the effects of first-time adoption of IFRS 16 are presented in Note 2 of the consolidated financial statements.

Other Information

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

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

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

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

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions.

Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group’s position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 17 June 2019. We were engaged by the Supervisory Board on 4 December 2019. We have been the group auditor of HAWESKO Holding Aktiengesellschaft, Hamburg, without interruption since the financial year 2009.

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Hamburg, 3 April 2020

Thorsten Dzulko	ppa. Christian Simon
Wirtschaftsprüfer	Wirtschaftsprüfer

LIST OF SHAREHOLDINGS

pursuant to Section 313 (2) of German Commercial Code at 31 December 2019

	Registered office	Equity € '000	Ownership interest %	Net earnings **2019** € '000
A. DIRECT PARTICIPATIONS				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	10,170**
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	16,005**
Wein & Co. Handelsges. mbH	Vösendorf (Austria)	–60	100	–295
CWD Champagner und Wein Distributionsgesellschaft mbH	Hamburg	305	100	–251
Wein Service Bonn GmbH	Bonn	8,443	100	6,208**
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	–420**
Wein & Vinos GmbH	Berlin	4,536	90	3,536
WirWinzer GmbH	Munich	–2,088	65.67	–672
WeinArt Handelsgesellschaft mbH	Geisenheim	3,357	51	1,448
Vins de Prestige Classics S.A.R.L en liquidation (formerly: Château Classic – Le Monde des Grands Bordeaux S.A.R.L. en liquidation)	Bordeaux (France)	–4,073	100*	–12
Sélection de Bordeaux S.A.R.L.	Strasbourg (France)	–4	100	–6
*Globalwine AG****	Zurich (Switzerland)	299	95	450

* *Of which 10% direct participating interest through Sélection de Bordeaux S.A.R.L.*
** *Before profit transfer*
*** *The equity was converted at an exchange rate of CHF/EUR 1.0854 (reporting date) and the net income for the year at a rate of CHF/EUR 1.0925 (average)*
**** *Net income for the financial year from 01/04/2018 to 31/03/2019*

	Registered office	Equity € '000	Ownership interest %	Net earnings **2019** € '000
B. INDIRECT PARTICIPATIONS				
PARTICIPATING INTERESTS OF *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH:*				
Carl Tesdorpf GmbH	Lübeck	–345	100	125
The Wine Company Hawesko GmbH	Hamburg	–2,469	100	–222
Wine Dock GmbH	Hamburg	3,072	100	-876**
PARTICIPATING INTERESTS OF *Jacques' Wein-Depot Wein-Einzelhandel GmbH:*				
Jacques' Wein-Depot Weinhandelsgesellschaft m.b.H.	Salzburg (Austria)	98	100	–2
PARTICIPATING INTERESTS OF *Wein Service Bonn GmbH:*				
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	678	100	717
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	78	100	5
Wein Wolf GmbH	Bonn	2,160	100	990**
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,172	100	–213
Alexander Baron von Essen Weinhandelsgesellschaft mbH	Bonn	754	100	141
Global Eastern Wine Holding GmbH	Bonn	1,538	100	343
Weinland Ariane Abayan GmbH	Hamburg	1,831	100	3,820**
Volume Spirits GmbH (formerly: Weinland Ariane Abayan Verwaltungsgesellschaft mbH)	Bonn (formerly Hamburg)	119	100	–132
Deutschwein Classics GmbH & Co. KG	Bonn	800	90	186**
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	37	90	1
PARTICIPATING INTERESTS OF *Globalwine AG:*				
*Vogel Vins SA****	Grandvaux (Switzerland)	4,472	70	117
PARTICIPATING INTERESTS OF *Beteiligung der CWD Champagner und Wein Distributionsgesell-schaft mbH:*				
Grand Cru Select Weinhandelsgesellschaft mbH	Hamburg (formerly: Rüdesheim)	608	75	108
PARTICIPATING INTERESTS OF *WeinArt Handelsgesellschaft mbH:*				
WeinArt Handels- und Beteiligungsgesellschaft mbH	Geisenheim	45	100	1****

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Hawesko Group aims to build systematically on the leading position that the group occupies in the intensely competitive German wine market. Financial year 2019 saw us increase our sales by 6.0% to € 556 million. While the German wine market as a whole contracted by 0.6% in value terms, the Hawesko Group achieved domestic growth of 0.7% and increased its market shares again. We were able to offset the negative operating effects of a logistics centre's relocation by disposing of the property no longer needed in the long term following the relocation, and were thus able to increase group EBIT to € 29.1 million. The Supervisory Board believes that the group continues to be in robust health and remains confident about the medium and long-term outlook for business development.

INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2019 financial year the Supervisory Board exercised resolve and great care in performing 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 group and current business developments as well as to its medium-term strategy, including its investment, financial and earnings plans in addition to 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 2019 financial year to assure itself of the strategic planning, efficiency of the company's management as well as the lawfulness and regularity of the company's management, and was prepared and supported through meetings of the Audit and Investment Committee and of the Personnel and Nominating Committee. The topics of the reports and the discussions of the Supervisory Board included the current trading position of the group, the principles of corporate governance and their implementation in the company, personnel matters, compliance and risk management within the group, and also the strategic business plans.

The following individual topics were considered and discussed in depth:

- Improving the profitability of *Wein & Co.*

- The strategy, management and integration function of the holding company for the group, as well as the sensible pooling of certain functions

- The logistics strategy and the implementation of optimisations in group logistics in light of the teething troubles in centralising group logistics

- The e-commerce strategy, in particular the creation of a joint software platform for the group's online shops (digital commerce platform)

- The reinforcement of a group-wide compliance and risk management system, in particular with regard to the further development of management structures
- Discussing the company's corporate social responsibility
- The three-year plan for the financial years 2020 to 2022
- The proposal that the Annual General Meeting of the company appoint PricewaterhouseCoopers GmbH as auditors of the consolidated and annual financial statements for the 2019 financial year.

Pursuant to Section 8 of the articles of incorporation, an individual investment project involving a sum of more than € 2.5 million and the acquisition of other companies or the disposal of investments in companies with a value of more than € 0.5 million require the prior consent of the Supervisory Board. This must be given by a majority of two-thirds of the votes. In financial year 2019, the Board of Management requested consent to the disposal of a property to ATL GmbH, to which the Supervisory Board Chairman is a related party. After a detailed review, with the involvement of the auditor, consent to this action was given unanimously; the Chairman 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 the planning and accounting documents, considered them in depth and been able to assess their plausibility and appropriateness.

All the members of the Supervisory Board 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 2019 financial year, including the bookkeeping, were examined by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Annual General Meeting of 17 June 2019. 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 2019 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 25 March 2020, 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 auditor's audit reports were discussed at length and examined in detail by the whole Supervisory Board at its meeting on 3 April 2020. The Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2019 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 2019 financial year for the distribution of a dividend of € 1.30 per no par value share.

The subject matter of the audit dated April 3 2020 was also the dependency report on related parties prepared by the Board of Management pursuant to Section 312 of the German Stock Corporation Act, taking into account the report presented by the independent auditor on the findings of its audit of this report. On the basis of the dependency report the Supervisory Board has assured itself, in the presence of the independent auditor, that Hawesko Holding AG was not disadvantaged in the past financial year by actions of its majority shareholder or by transactions with it. The Supervisory Board has therefore noted and approved the opinion issued by the independent auditors and issued the declaration that, based on the conclusive findings of its examination, it raises no objections to the declaration by the Board of Management on related parties, that Hawesko Holding received appropriate consideration for each transaction based on the circumstances known to it at the time each transaction was conducted or each action was taken or omitted, and that it was therefore not disadvantaged by the action taken or omitted.

SUPERVISORY BOARD COMMITTEES

The Audit and Investment Committee came together on five occasions in 2019, and the Personnel and Nominating Committee twice.

WORK OF THE AUDIT AND INVESTMENT COMMITTEE

The Audit and Investment Committee met before the publication of each quarterly financial report and discussed these pursuant to Article 7.1.2. of the German Corporate Governance Code. On 27 March 2019 the committee discussed the accounts of the subsidiaries in the presence of the auditors. The audit priority was to analyse the fraud detection tools in use within the group. Matters of compliance and risk management were also discussed, in particular the Internal Control System (ICS) and group IT system integrity, as well as implementation of the pooling of back-office functions in the e-commerce segment. On 8 May 2019 the committee addressed corporate social responsibility (CSR) topics, the pooling of logistics in the group as well as the optimising of corporate structures and the sales structure in the B2B segment. On 30 July 2019 it revisited the change to the logistics structure within the group, the strategic development in the B2B segment as well as the implementation of improvements in the e-commerce segment, the strategic development of *Wein & Co.* and the technical modernisation of the group reporting system. On 4 November 2019 the strategic development of *Jacques'* as well as the next steps in implementing the conversion of the logistics functions were discussed. On 4 December 2019 the audit priorities for the audit of the 2019 financial statements were defined, and the three-year plan and progress with strategic projects were addressed. In addition the market development and the group strategy were discussed.

All members of the committee took part in all meetings of the Audit and Investment Committee.

WORK OF THE PERSONNEL AND NOMINATING COMMITTEE

At its meetings on 30 September 2019 and 12 December 2019, the Personnel and Nominating Committee considered personnel matters in the presence of and in dialogue with managers of the company.

All members of the Personnel and Nominating Committee took part in all meetings of that committee.

CORPORATE GOVERNANCE

On 5 April 2019 the Board of Management and Supervisory Board submitted the annual Declaration of Compliance in respect of the German Corporate Governance Code. The Declaration of Compliance agreed today pursuant to Section 161 of the German Stock Corporation Act is published separately in the Annual Report as part of the Corporate Governance Declaration along with disclosures on the principles of corporate governance and the description of the modus operandi of the Board of Management and Supervisory Board (see page 170ff.); the document is available at www.hawesko-holding.com. The Supervisory Board examined the efficiency of its activities to assure effective control of the Board of Management, drawing on the specialist knowledge and experience of the members of the Supervisory Board, by way of self-evaluation. Supervisory Board members fundamentally have the opportunity to take advanced training in the context of their Supervisory Board activities. This option was not taken up in the year under review.

CHANGES IN THE COMPOSITION OF THE EXECUTIVE BODIES

Board of Management
In March 2019 the Supervisory Board and Board of Management reached the conclusion that the previous division of tasks on the Board of Management no longer reflected the strategic targets of the Hawesko Group or market requirements. The members of the Board of Management are now relieved of the dual function of managing director of a subsidiary in order to increase flexibility in the operational decision-making structures. The Board of Management concentrates more on cross-group tasks. As a result of this repositioning, the Hawesko Group can now be run by three Board of Management members. In the course of this restructuring, the former Board of Management member Nikolas von Haugwitz left the company by mutual agreement with effect from 1 April 2019. The Supervisory Board extends its express thanks to Mr. von Haugwitz for his work.

Supervisory Board
There were no changes among the members of the Supervisory Board in the 2019 calendar year.

Conflicts of interest

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

The Board of Management and Supervisory Board of the Hawesko Group, as well as all employees, partners and shareholders, are confronted with entirely new, unfamiliar and rapidly changing situations from the spread of the coronavirus. It is not possible to make robust longer-term forecasts on the course and effects of the coronavirus epidemic for the Hawesko Group. On the basis of the information available to them, the Board of Management and Supervisory Board have resolved to propose an appropriate dividend at the previous year's level of € 1.30 per share to the Annual General Meeting of the company.
We stand by that decision.

We want the Hawesko Group to continue to be perceived by the market as a dividend-paying stock. Hawesko Holding AG is in rude health and well equipped to face the challenges that lie ahead. On the basis of the information currently available to us, we will adhere to our dividend proposal.
It would nevertheless be irresponsible to close our eyes to the fact that we all face a situation that is quite unparalleled in recent economic history. If events should dictate by the time the Annual General Meeting is convened, it therefore cannot be ruled out that the Board of Management and Supervisory Board will feel obliged to reconsider this dividend proposal.
Should that eventuality occur, the Board of Management will inform you without delay.

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 B2B segment for their commitment and hard work.

Hamburg, 3 April 2020

The Supervisory Board

Detlev Meyer
Chairman

CORPORATE GOVERNANCE DECLARATION

and corporate governance report of Hawesko Holding AG, Hamburg, by the Supervisory Board and Board of Management

A. FUNADAMENTALS OF CORPORATE GOVERNANCE AT HAWESKO HOLDING AG

The concept of corporate governance refers to a responsible, transparent corporate management approach that strives for sustainable value creation, and spans the entire management and supervisory system of an enterprise, including its organisation, principles of business policy and guidelines as well as the internal and external control and supervisory mechanisms. 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. The Board of Management and Supervisory Board report in this declaration on the principles of corporate management and corporate governance in accordance with principle 22 and Article F.4 of the German Corporate Governance Code in the version as amended on 16 December 2019 (Code 2020) (published in the Federal Gazette on 20 March 2020) as well as in accordance with Sections 289f, 315d of the German Commercial Code (HGB).

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

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

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, addressed corporate governance matters on multiple occasions in the 2019 financial year and on 3 April 2020 issued the following joint Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG):

"The Board of Management and Supervisory Board of Hawesko Holding Aktiengesellschaft declare that, following due examination, the recommendations of the Code as amended on 7 February 2017 (Code 2017, published in the official section of the Federal Gazette on 24 April 2017) were complied with from 5 April 2019 (date of submission of the previous Declaration of Compliance), excepting the departures stated under Nos. 1–3:

1. *No stipulation of a statutory limit to the length of service on the Supervisory Board and no stipulation of an age limit for service on the Supervisory Board*
   Article 5.4.1 of Code 2017 recommends stipulating a statutory limit to the length of service and an age limit for service on the Supervisory Board Until now, the Supervisory Board of Hawesko Holding AG has not specified either a statutory limit to the length of service nor an age limit for service on the Supervisory Board.

In the opinion of the Supervisory, the decision on whether to remain a member is often best left to the individual Supervisory Board member. A statutory limit to the length of service and an age limit for service on the Supervisory Board would result in inappropriate restrictions.

2. *Performance-related component of the remuneration of the Supervisory Board members*
   Article 5.4.6 of Code 2017 recommends that performance-related remuneration of the Supervisory Board members be based on sustainable corporate development. The remuneration of the Supervisory Board members of Hawesko Holding AG includes a performance-related component that is based on the unappropriated profit for the year in question. The Board of Management and Supervisory Board are of the opinion that this year-specific remuneration component appropriately reflects the consultative and supervisory function of the Supervisory Board. In addition, time-based determination of the variable remuneration more closely reflects in-year changes in the composition of the Supervisory Board as a result of the exit or arrival of new Supervisory Board members.

3. *Public availability of the consolidated financial statements*
   Article 7.1.2 of Code 2017 recommends that the consolidated financial statements and group management report be made available to the public within 90 days of the end of the financial year. The consolidated financial statements and group management report of Hawesko Holding AG will be published within 120 days of the end of the financial year, instead of within 90 days. This assures appropriate interest.

The Board of Management and Supervisory Board of Hawesko Holding Aktiengesellschaft declare that, following due examination, the recommendations of the Code as amended on 16 February 2019 (published in the official section of the Federal Gazette on 20 March 2020) are currently, and will in future be, complied with, excepting the departures stated under Nos. 1–5:

1. *No age limit for the Board of Management*
   Article B.5 of Code 2020 recommends that an age limit be specified for Board of Management members. Until now, the Supervisory Board of Hawesko Holding has not specified an age limit for Board of Management members. For reasons of diversity and in the interests of long-term succession planning, a heterogeneous age structure within the Board of Management is sought but age is not considered to be of pivotal importance compared to the other criteria. The Supervisory Board of Hawesko Holding AG takes the view that reaching an age limit has no bearing on the competence of a Board of Management member. Correspondingly, no age limit could be stated in the Corporate Governance Declaration. To that extent a departure from Article B.5 of Code 2020 is declared.

2. *No stipulation of an age limit for service on the Supervisory Board*
   Article C.2 of Code 2020 recommends stipulating an age limit for service on the Supervisory Board. Until now, the Supervisory Board of Hawesko Holding has not specified an age limit for serving on the Supervisory Board. In the opinion of the Supervisory, the decision on whether to remain a member is best left to the individual Supervisory Board member. An age limit for service on the Supervisory Board would result in inappropriate restrictions.

3. *Performance-related component of the remuneration of the Supervisory Board members*
   Article G.18 of Code 2020 recommends that performance-related remuneration of the Supervisory Board members be based on long-term corporate development. The remuneration of the Supervisory Board members of Hawesko Holding Aktiengesellschaft includes a performance-related component that is based on the unappropriated profit for the year in question. The Board of Management and Supervisory Board are of the opinion that this year-specific remuneration component appropriately reflects the consultative and supervisory function of the Supervisory Board. In addition, time-based determination of the variable remuneration more closely reflects in-year changes in the composition of the Supervisory Board as a result of the exit or arrival of new Supervisory Board members.

4. *Public availability of the consolidated financial statements*
   Article F.2 of Code 2020 recommends that the consolidated financial statements and group management report be made available to the public within 90 days of the end of the financial year. The consolidated financial statements and group management report of Hawesko Holding Aktiengesellschaft will be published within 120 days of the end of the financial year, instead of within 90 days. This assures appropriate interest.

5. *Remuneration system of the Board of Management*
   To the extent that the new version of the German Corporate Governance Code dated 16 December 2019 results in further departures with regard to the existing employment contracts of the members of the company's Board of Management, we point out that in compliance with the reasoning of Code 2020 "amendments to the Code need not be reflected in current Board of Management contracts.
   The company will take account of the recommendations of Code 2020 when extending existing Board of Management employment contracts and concluding new Board of Management employment contracts when new members join the Board of Management, and to that extent declare the corresponding departures in the future.

Hamburg, 3 April 2020

The Supervisory Board
The Board of Management

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

EBIT margin: earnings before interest and taxes. The EBIT margin is EBIT divided by net sales. It is an indicator of the company's operating profitability.
ROCE: return on capital employed. This is the ratio of EBIT to the average amount of capital employed and provides an indication of the return on the capital employed in the period under review.
Free Cash flow: free cash flow denotes the total funds freely available to the company after all expenditure within a period. It serves as a guide to what funds are available for financing growth and paying dividends.

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

I. Organisation and management

The structure of the Hawesko Group is characterised by a balance of non-central units and corporate management and organisational decisions: as many decisions as possible concerning business operations are taken and implemented by the individual subsidiaries.

This organisational structure is useful because the wine trade depends to a great extent on exploiting personal contacts with both producers and customers. The parent company Hawesko Holding AG normally holds 100% or a majority of the shares in the subsidiaries, which are active predominantly in the wine trade. The significant operationally active incorporated firms within the consolidated companies – above all *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* – are integrated into the group by means of profit transfer agreements with the holding company. The parent company Hawesko Holding AG and the majority of the subsidiaries are domiciled in the Federal Republic of Germany. The subsidiaries not based in Germany are all domiciled in other European Union countries or in Switzerland. The Hawesko Group is essentially divided into three business segments (cf. "Company profile" section in the combined management report).

The Board of Management uses sales growth, EBIT margin, ROCE and free cash flow as the basis for its management approach.

The target minimum rates of return are presented in the "Management system" section of the combined management report. The targets and the development of the individual segments on the basis of these benchmarks form part of the regular strategy and reporting discussions with the managing directors of the individual group companies.

By incorporating EBIT margins and the return on capital employed into the objectives and target attainment checks, responsibility is clearly apportioned to the managing directors below Board of Management level.

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

II. Shareholders and Annual General Meeting

The shareholders of Hawesko Holding AG exercise their right to have a say in the running and supervision of the company through the Annual General 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 Annual General 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 Annual General Meeting. The Annual General Meeting is held during the first eight months of each financial year. Chairing of the Annual General Meeting is the responsibility of the Supervisory Board Chairman or another member of the Supervisory Board nominated by the Chairman. The Annual General Meeting fulfils all the tasks assigned to it by law. A resolution shall normally be carried by a simple majority or, in certain cases (e.g. for resolutions on capital measures and amendments to the articles of incorporation) by a majority of at least three-quarters of the capital stock represented.

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

III. Supervisory Board

The Supervisory Board advises and oversees the Board of Management. To conduct important and fundamentally significant types of business, the Board of Management requires the prior consent of the Supervisory Board by a two-thirds majority, in particular for carrying out individual investments of a value of more than € 2.5 million and for the acquisition of other companies or the disposal of investments in companies of a value of more than € 0.5 million. A reporting system informs the Supervisory Board members monthly of key financial data compared with the target and prior-year figures, and explains them.

At least four ordinary meetings of the Supervisory Board as well as meetings of its committees take place each year.

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

1. The Supervisory Board committees

The Supervisory Board has formed two committees that perform the functions assigned to them on behalf of the whole Supervisory Board.

The committees are convened by their respective chairs and meet as often as is deemed necessary. There is currently a Personnel and Nominating Committee, and also an Audit and Investment Committee, each comprising three members.

a) Personnel and Nominating Committee

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

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

b) Audit and Investment Committee

The Audit and Investment Committee has the task of overseeing accounting, the financial reporting process and the effectiveness of the auditing of financial statements.

It also prepares the resolution proposal of the Supervisory Board to the Annual General Meeting on the election of the auditors. If there is the intention to rotate auditors, the Audit and Investment Committee is responsible for the selection process. Following election by the Annual General Meeting it issues the mandate for the audit of the consolidated and annual financial statements, agrees the fee and specifies the audit priorities. It continuously monitors the independence of the auditors and discusses with them the threats to their independence as well as the precautions taken to reduce those threats. In that connection the Audit and Investment Committee is also responsible for monitoring and approving the services provided by the auditors over and above the audit of the financial statements (non-audit services).
The Audit and Investment Committee already discussed the audit services provided even before implementation of Article D.12 of Code 2020 as a committee and then jointly with the auditors, and took this opportunity to evaluate the quality of the services provided. The Audit and Investment Committee now plans to implement a more formal evaluation method jointly with the auditors. The Audit and Investment Committee is already in talks with the auditors to that end. The Audit and Investment Committee in addition makes the recommendation to the Supervisory Board that the annual financial statements only be approved if it has first assessed the quality of the audit services as positive.
The Chairman of the Audit and Investment Committee is Prof. Dr. iur. Dr. rer. pol. Dres. h.c. Franz Jürgen Säcker. The other members are Thomas R. Fischer and Dr. Jörg Haas. The function of financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act is performed by Thomas R. Fischer. All committee members are familiar with the finance and accounting area; in accordance with the recommendation in Article D.4 of Code 2020, Prof. Dr. iur. Dr. rer. pol. Dres. h.c. Franz Jürgen Säcker as Chairman of the Audit and Investment Committee possesses particular knowledge and experience in the application of accounting policies and internal control procedures, and is familiar with the auditing of financial statements.

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

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

3. Requirements profile for the Supervisory Board

With regard to the various requirements and recommendations on the composition of the Supervisory Board, in April 2018 the Supervisory Board approved a requirements profile for its composition that contains key statutory requirements and regulations of the Code on the composition of the Supervisory Board, as well as its objectives for its composition, the competency profile for the whole board within the meaning of Article 5.4.1 (2) of Code 2017 and Article C.1 of Code 2020, and also the diversity concept for the Supervisory Board according to Section 289f (2) No. 6 of the German Commercial Code. At its meeting in April 2020 the Supervisory Board again classified the competency profile as appropriate and confirmed it.

a) Objective

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

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

- Sufficient expertise, i.e. the ability to carry out the duties that normally arise on the Supervisory Board.

- Dedication, integrity and personality.

- General understanding of the business of Hawesko Holding AG, including the market context and customer requirements.

- Entrepreneurial or operational experience, ideally in the form of experience from working in corporate management, as a senior executive or in supervisory bodies.

- Compliance with the limits on mandates according to Section 100 of the German Stock Corporation Act and according to Article C.5 of Code 2020.

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

Finally, extraordinary meetings of the Supervisory Board or of the committees may be necessary to deal with special topics.

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

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

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

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

(iii) Independence and conflicts of interest
Taking account of the company-specific situation of Hawesko Holding AG and the ownership structure, the Supervisory Board is to have at least four independent members within the meaning of Article 5.4.2 of Code 2017 or Articles C.6 to C.9 of Code 2020. In addition, no persons who serve on corporate bodies or provide consultancy for key competitors of the company are to serve on the Supervisory Board. Where conflicts of interest arise in individual cases – particularly as a result of a consultative or board function at suppliers, customers, lenders or other third parties – the Supervisory Board member in question is obliged to disclose this to the Supervisory Board Chairman. The Supervisory Board provides information on conflicts of interest arising and how they have been handled in its yearly report to the Annual General Meeting. Members are to surrender their mandate in the event of material conflicts of interest of a Supervisory Board member that are more than merely temporary.

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

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

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

e) Length of service
The Chairman of the Supervisory Board, Mr. Detlev Meyer, has belonged to the Supervisory Board of the company since 28 September 2010. Mr. Thomas R. Fischer, the Deputy Chairman of the Supervisory Board, has served on the Supervisory Board since 15 June 2009. The terms of office of the remaining Supervisory Board members are as follows: Prof. Dr. iur. Dr. rer. pol. Dres. h.c. Säcker since 26 March 2015 , Dr. Jörg Haas since 1 December 2017, Mr. Wilhelm Weil since 19 June 2017 and Ms. Kim-Eva Wempe since 20 June 2011.

f) Self-assessment
The Supervisory Board, the Personnel and Nominating Committee as well as the Audit and Investment Committee each assessed the efficiency of their activities and members at their meeting on 3 April 2020, with a view to assuring effective control of the Board of Management of Hawesko Holding Aktiengesellschaft. Among other aspects the profiles and experience contributed by the individual members were discussed and critically evaluated in light of the prevailing needs of the company.

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

IV. Board of Management

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

Until 31 March 2019 the Board of Management comprised four members, and since 1 April 2019 has comprised three members. The Supervisory Board and Board of Management have established that a redistribution of portfolios for the Hawesko Group allows an allocation of duties that reflects current market requirements. Since 1 April 2019, Board of Management members have no longer simultaneously held the role of managing director of a subsidiary or sub-subsidiary. The managing directors of subsidiaries and sub-subsidiaries thus assume greater operational responsibility, which entails more detailed reporting obligations to the Board of Management. This makes it possible to reduce the size of the Hawesko Board of Management from s previous four to three members. The Board of Management reaches its decisions by majority vote. The Board of Management members are responsible for their defined portfolio and area of work according to the allocation of duties schedule, independently of their collective responsibility for the management of the group. At the same time, the Board of Management members work together collegially and continually inform each other of important measures and events in their areas of work. There are no sub-committees within the Board of Management.

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

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

2. Diversity concept for the Board of Management
Pursuant to Article 5 of the articles of incorporation, the Board of Management of Hawesko Holding AG comprises at least two persons.
There are currently three members of the Board of Management. The members of the Board of Management are appointed by the Supervisory Board. The latter attends to long-term succession planning together with the Board of Management and pays heed to diversity in the composition of the Board of Management. In the interests of tailoring diversity aspects more closely, in April 2018 the Supervisory Board approved a diversity concept for the Board of Management and in April 2020, in light of the provisions of Code 2020, again classified this diversity concept as appropriate and confirmed it.

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

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

(i) Proportion of women on the Board of Management
The Supervisory Board takes the equal participation of women and men as its basis for the composition of the Board of Management and actively promotes that goal, for example by specifically searching for female candidates to join the Board of Management. In view of the modest size of the Board of Management and the generally limited pool of suitable candidates, it is nevertheless not always possible to assure equal numbers of women and men. Against this backdrop, the Supervisory Board has set a proportion of 0–35% as the target level for women on the Board of Management of Hawesko Holding AG, to be achieved by 30 June 2022.

(ii) Educational and professional background
Diversity on the Board of Management is also reflected in the individual horizons of training and experience as well as in the variety of career backgrounds of its members (e.g. industry experience). A variety of backgrounds in education, profession and experience is therefore expressly desired. Every Board of Management member must however be in a position to carry out the duties of a Board of Management member in an internationally active, listed enterprise on the strength of their personal and specialist competencies, and to uphold the public image of the Hawesko Group. The members of the Board of Management should moreover possess an in-depth understanding of the business of Hawesko and generally possess several years of leadership experience.
In addition, with regard to the business model of Hawesko at least one member should possess particular expertise in each of the following areas, bearing in mind that this expertise need not necessarily have been acquired through university studies or another form of training; it may also have been acquired by other means or within the Hawesko Group:

- Strategy and strategic leadership.

- Logistics business including the relevant markets and customer requirements.

- Sales including e-commerce in particular.

- Operations and technology including IT and digitalisation.

- Legal, corporate governance and compliance.

- Personnel, in particular human resources management and development, as well as experience with codetermined structures.

- Finance, including financing, accounts, controlling, risk management and internal control procedures.

(iii) Age
Pursuant to Article B.5 of Code 2020, an age limit is to be specified for Board of Management members and stated in the Corporate Governance Declaration. There exists neither a minimum or a maximum age for Board of Management members. However Board of Management members should generally possess several years of leadership experience at the time of their appointment, and that presupposes a degree of professional experience. For reasons of diversity and in the interests of long-term succession planning, a heterogeneous age structure within the Board of Management is sought, though age is not considered to be of pivotal importance compared to the other criteria.

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

d) Succession planning
Pursuant to Article B.2 of Code 2020, the Supervisory Board is to see to long-term succession planning jointly with the Board of Management. For that reason it is envisaged that with regard to personnel matters, the Personnel and Nominating Committee must approve to the appointment or dismissal of senior executives within the group. In addition, either the Supervisory Board or one of its committees regularly invites prominent, key people from the Hawesko Group to attend its meetings as guests, and to discuss current business developments that affect their specific area. This approach enables the Supervisory Board to regularly form its own, direct impression of especially important management functions, incorporating both personal and professional perspectives.

D. FINANCIAL REPORTING AND AUDITING OF FINANCIAL STATEMENTS

The individual financial statements of Hawesko Holding AG are prepared in accordance with the accounting standards of the German Commercial Code (HGB). Since 2000, the consolidated financial statements have been prepared in accordance with the IFRS rules as adopted by the European Union, and the additional HGB requirements according to Section 315e (1) of HGB. Further explanatory notes of the IFRS are provided in this Annual Report in the notes to the consolidated financial statements. Following their compilation by the Board of Management, the Consolidated Financial Statements are examined by the independent auditor, and examined and approved by the Supervisory Board. The Consolidated Financial Statements are made available to the public within 120 days of the end of the financial year. The individual financial statements of Hawesko Holding AG are the sole basis for the appropriation of earnings.

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

1 The Chairman of the Audit and Investment Committee shall be informed without delay if potential reasons for exclusion or conflicts of interest that cannot be rectified without delay come to light during the audit.

2 The independent auditors 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 auditors 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), they shall note this in the audit report and inform the Chairman of the Supervisory Board of this.

E. TRANSPARENCY

Hawesko Holding AG attaches high priority to the policy of providing uniform, comprehensive and timely information. The trading position and the results of the company are reported on through the Annual Report, the Annual Press Conference, in the Quarterly Financial Reports at 31 March and 30 September, and in the Interim Financial Report. Further information is published in the form of press releases and ad hoc announcements in accordance with Article 17 of the Market Abuse Regulation. One constantly used, up-to-date communications medium is the website www.hawesko-holding.com, which makes all relevant information available in German and English. In addition to providing comprehensive information about the Hawesko Group and Hawesko shares, it includes the financial calendar, which gives an overview of all important events. The Investor Relations department is moreover the point of contact for enquiries from shareholders, investors and analysts. Shareholders and the public can also access the current Corporate Governance Declaration on the website of Hawesko Holding Aktiengesellschaft at https://www.hawesko-holding.com/konzern/corporate-governance/.

F. REMUNERATION REPORT

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in a separate section of the combined management report for the group and the parent company for 2019, as well as in the notes to the consolidated financial statements and notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

Hamburg, 3 April 2020

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
(born 1969) is a Business Administration graduate of the University of Lüneburg. He subsequently held senior positions at several international-scale trading companies.
He has been Chief Executive Officer (CEO) of Hawesko Holding AG since December 2015.

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

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

MEMBERS OF THE SUPERVISORY BOARD

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

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

Thomas R. Fischer[2]
– Chief Executive Officer of Marcard, Stein & Co. AG, Hamburg
Managing Director of Marcard Family Office Treuhand GmbH, Hamburg

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

Dr. Jörg Haas[2]
Chief Executive Officer of HW Partners AG, Bonn;
Managing Partner of BonnVisio Group and of Invite Group, each with registered office in Bonn

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

Professor Dr. iur. Dr. rer. pol. Dres. h.c. Franz Jürgen Säcker[2]
Hamburg

Wilhelm Weil[1]
Director of Weinguts Robert Weil, Kiedrich

Kim-Eva Wempe[1]
Personally liable managing partner of Gerhard D. Wempe KG, Hamburg

[1] Member of the Personnel and Nominating Committee. Detlev Meyer is Chairman of the committee.
[2] Member of the Audit and Investment Committee. Prof. Dr. Dr. Dres. h.c. Franz Jürgen Säcker is Chairman of the committee. The function of independent financial expert within the meaning of Section 100 (5) of the German Stock Corporation Act is performed by Thomas R. Fischer.

KEY FINANCIAL DATA OF THE HAWESKO GROUP

€ million	2010	2011	2012	2013
Net sales	377.7	409.1	446.4	465.2
Gross profit	150.1	161.7	181.8	190.5
– as % of net sales	39.7%	39.5%	40.7%	40.9%
Operating result before depreciation and amortisation (EBITDA)	31.3	31.5	32.8	29.4
– as % of net sales	8.3%	7.7%	7.3%	6.3%
Depreciation and amortisation	5.6	5.3	7.2	6.8
Operating result (EBIT)	25.7	26.2	25.6	22.6
– as % of net sales	6.8%	6.4%	5.7%	4.8%
Consolidated net income (after taxes and excluding non-controlling interests)	20.0	17.9	22.5	16.2
Cash flow from current operations	21.8	16.9	17.5	31.1
Cash flow from investing activities	2.5	–4.1	–25.4	–7.5
Free cash flow (before acquisitions)	23.8	12.3	11.1	22.7
Dividend distribution for the current year (parent company)	–15.7	–14.4	–14.8	–14.8
Non-current assets	52.6	47.6	65.9	64.7
Current assets	149.2	168.8	170.0	169.5
Equity after dividend distribution	77.8	81.1	74.9	77.3
– as % of balance sheet total after dividend distribution	38.6%	37.5%	31.8%	33.0%
Total assets	201.8	216.4	235.8	234.3
Capital employed	101.8	105.7	140.3	140.8
Return on total assets	13.7%	12.5%	11.3%	9.6%
Return on capital employed	25.3%	24.8%	18.3%	16.0%
Earnings per share (€)	2.24	1.99	2.51	1.80
Regular dividend per share (€)	1.50	1.60	1.65	1.65
Bonus dividend per share (€)	0.25	–	–	–
Total dividend per share (€)	1.75	1.60	1.65	1.65
Total shares (average number outstanding in the year, '000)	8,915	8,983	8,983	8,983
Year-end share price (€)	29.42	35.23	40.06	38.25
Market capitalisation at end of year (€)	264.3	316.5	359.9	343.6
Total employees (average for year)	696	739	835	925

2014	2015	2016	2017	2018	2019
472.8	476.8	480.9	507.0	524.3	556.0
198.0	198.4	204.4	212.9	223.3	240.7
41.9%	41.6%	42.5%	42.0%	42.6%	43.3%
26.9	27.4	37.0	38.6	36.2	50.6
5.7%	5.7%	7.7%	7.6%	6.9%	9.1%
6.8	7.3	7.4	8.2	8.5	–21.5
20.1	20.1	29.6	30.4	27.7	29.2
4.2%	4.2%	6.2%	6.0%	5.3%	5.2%
14.8	12.2	18.5	18.5	22.0	15.8
19.3	26.1	28.9	13.9	26.1	33.6
–5.1	–5.8	–15.4	–10.5	–14.9	2.5
13.1	19.7	21.3	6.2	20.2	31.7
–11.7	–11.7	–11.7	–11.7	–11.7	–11.7
60.3	60.3	73.4	75.6	90.8	197.7
156.9	159.5	157.9	184.1	198.2	197.3
79.4	79.6	82.7	93.1	100.8	99.2
36.6%	36.2%	35.8%	35.8%	34.9%	25.1%
217.2	219.8	231.3	259.7	289.0	394.9
137.5	137.3	139.5	154.9	165.8	236.5
8.9%	9.2%	13.1%	11.6%	10.1%	7.4%
14.6%	14.7%	21.2%	19.6%	16.7%	12.3%
1.65	1.36	2.06	2.06	2.45	1.76
1.30	1.30	1.30	1.30	1.30	1.30
–	–	–	–	–	–
1.30	1.30	1.30	1.30	1.30	1.30
8,983	8,983	8,983	8,983	8,983	8,983
41.52	41.48	43.30	51.00	41.00	35.30
372.9	372.6	389.0	458.2	368.3	317.1
925	933	940	954	1,027	1,243

FINANCIAL CALENDAR

4 FEBRUARY 2020	Press release on provisional trading figures for financial year 2019
23 APRIL 2020	Publication of Annual Report; Annual Press Conference and Analyst Conference
12 MAY 2020	Quarterly Financial Report at 31 March 2020
15 JUNE 2020	Annual General Meeting (postponed until later in the year due to the coronavirus pandemic)
6 AUGUST 2020	Interim Financial Report
5 NOVEMBER 2020	Quarterly Financial Report at 30 September 2020
EARLY FEBRUARY 2021	Provisional trading figures for financial year 2020

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