Hawesko Holding AG
Hamburg

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Quarterly financial report to 30 September 2019

Hamburg, 7 November 2019

Highlights in € (millions)	Nine months 1.1.–30.9.			3rd quarter 1.7.–30.9.		
	2019*	2018	+/–	2019*	2018	+/–
Consolidated sales	**374.4**	**346.1**	**+8.2%**	**118.5**	**108.3**	**+9.5%**
- of which is Retail			+26.9%			+26.0%
- of which is E-commerce			+3.6%			+3.8%
- of which is B2B			–3.9%			–0.6%
– *organic, excluding Wein & Co.*			*+1.0%*			*+2.3%*
Result from operations (EBIT)*	**8.7**	**11.4**	**–24.3%**	**0.5**	**0.8**	**–37.5%**
Consolidated earnings excluding non-controlling interests	**3.7**	**7.9**	**–56.6%**	**–0.1**	**1.2**	**—**

* Due to the application of *IFRS 16 – Leases,* the figures for 2019 for EBIT and consolidated net income are not comparable to the figures for the previous years. The initial application of IFRS 16 resulted in the reported EBIT for the first nine months of 2019 being higher by € 1.2 million than the figure calculated in accordance with the standards applied in the previous year.

Dear shareholders,
Dear friends of the Hawesko Group,

With an increase of 8.2% in consolidated sale after the first nine months (1 January to 30 September) of the current fiscal year, the Hawesko Group is continuing its course of growth.

Good organic and profitable growth in the e-commerce and retail segments

The sustained positive performance of the end-consumer segments during the first nine months was reflected in the retail segment in a sales increase of 26.9% including *Wein & Co.* On a comparable basis – i.e. only *Jacques'* – this figure was 3.9%. In the e-commerce segment, sales rose by 3.6%. The growth drivers were the gratifying growth in new customers at *HAWESKO* and *Vinos*, as well positive like-for-like growth and the expansion of retail space at *Jacques'*. Last year's acquisition of *Wein & Co.* also played a major role in the growth of the Group. The integration of our Austrian subsidiary in the Group is proceeding as planned. Delays in the start-up of the new logistics facility in the B2B segment during the third quarter (see below) led to a decline in sales in this segment. Overall, consolidated sales during the nine-month period also increased slightly by 1.0% compared to the level of the previous year on an organic basis (excluding *Wein & Co.*).

In the third quarter (1 July to 30 September), sales rose by 9.5% compared to the previous year. As in the previous quarters, sales in the end-consumer segments rose (retail +26.0%, e-commerce +3.8%), while B2B sales declined by 0.6%.

The earning power of our end-consumer segments is developing positively. In the third quarter, EBIT in the retail segment rose by 23.8% on a comparable basis (only *Jacques'*) to € 3.1 million, while e-commerce increased its EBIT five-fold to just under € 0.6 million compared to the same quarter in the previous year (€ 0.1 million). During the nine-month period, EBIT in the retail segment rose by 19.8% prior to the restructuring measures at *Wein & Co.* Including *Wein & Co.*, the segment EBIT rose slightly by 3.0%. Thanks to the measures implemented, clear success is now visible with regard to the earnings potential of the Austrian subsidiary. EBIT in the e-commerce segment increased by 7.6% in the first nine months of the current fiscal year.

Important component of the platform strategy successfully implemented; higher start-up costs incurred

The relocation of our wholesale logistics from northern Germany to Worms has now been successfully completed. Delays in the complex process changes caused temporary backlogs in deliveries. In the third quarter these were reflected in temporary drops in sales and explain why sales declined by 0.6% in the B2B segment during this period. As the full operational capacity of the new warehouse was achieved later than expected, the non-recurring start-up and run-up costs were also higher than expected. Despite the good earnings performance in the other segments this, plus the planned restructuring of *Wein & Co.*, adversely affected consolidated EBIT in the quarter under review, which declined from € 0.8 million in the previous year's third quarter to € 0.5 million.

We had originally expected positive sales and EBIT growth in the B2B segment compared to the third quarter of the previous year. We already communicated the deviations from the guidance in the business performance of the third quarter in an ad hoc notice prior to publishing this report.

Q4 starts with normalised processes; positive non-recurring effects expected from the logistics project; full-year forecast unchanged

In the meantime we've brought the operational performance of the new logistics facility up to the required level and are continuing the restructuring at *Wein & Co.* as planned. Against this background, we were able to start the final quarter of the year with normalised processes and expect good performance in the fourth quarter. Now that the logistics changes are completed, positive non-recurring effects are expected for the fourth quarter, which should compensate for the negative effects from the third quarter on a full-year basis. Thus, we have maintained our full-year forecast.

Completion of the warehouse relocation creates conditions for future growth

With the warehouse relocation we have achieved an important milestone in our strategy as the basis for our future growth. For example, it was the prerequisite for our new activities in the area of high-quality spirits. At the end of July 2019, we concentrated our spirits operations in the new subsidiary *Volume Spirits*, which as of 2020 will take over the exclusive distribution of products from Molinari SpA in Germany, among others, and with which we are entering a new, related area of sales with enormous potential for growth. With its popular sambuca products, Molinari is an enrichment to our portfolio.

Despite the temporary challenges posed by the relocation of the B2B warehouse, the latest business performance shows that we are on the right path. In line with our plans, we made excellent progress with our medium-term projects – optimisation of the logistics structure, development of a group-wide digital commerce platform as well as data warehouse. We are proactively shaping the consolidation phase in the wine sector with a long-term view. As a leading e-commerce purveyor of wines, we are effectively asserting ourselves in the intensifying competition with interesting offers and investments in digital marketing resources.

With our investment programme in the future of more than € 20 million over the next few years, we have taken important strategic steps towards further growth. Our strong cash flow will enable us to finance this with our own funds. At the same time, we can continue our policy of paying regular dividends and still have leeway for attractive acquisitional expansion. We want to further expand our market position as Europe's largest, most innovative and most profitable wine trading group in the premium segment. With our comprehensive expertise in wine, our decades of experience in trading with this sophisticated cultural asset and our online competence, we are very well-equipped to do so.

With regard to the most important figures for the current fiscal year, we maintain our previous expectations: sale growth in the range of 7–9% and an EBIT margin between 5.0–5.7% (2018: 5.3%). You'll find all the other details in the 'Outlook' section.

Your Management Board

Thorsten Hermelink Alexander Borwitzky Raimund Hackenberger

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INTERIM MANAGEMENT REPORT

GENERAL SITUATION

The German federal government, along with the International Monetary Fund and others, has revised its expectations in its latest autumn forecast. According to this, the German economy is in a prolonged period of weakness. After the general economic decline by 0.1% in the second quarter of 2019, there is no indication of an economic turnaround. Export-oriented German industry continues to suffer from the decline in international trade and the stagnant global industrial economy. The domestic economy is not unaffected by this, but has proven to be quite robust, while private and public-sector consumption as well as the construction industry continue to provide reliable stimulus. Thus, the German federal government has left its forecast for real growth of GDP in 2019 unchanged at 0.5% due to the development of domestic demand being better than expected in the spring forecast, but the sharp reductions in investment in equipment and exports as well as the very subdued business climate indicators point to future difficulties, which are reflected in a reduced forecast for 2020 (1.0% after 1.5%).

A bright spot is the latest development of the GfK consumption climate index, which in September persisted at the previous month's above-average level of 9.7 points and even increased slightly to 9.9 points in October. Despite waning optimism with regard to the economy, consumers are showing a high propensity to buy with little tendency to save, given the persistently low interest rates. The current employment and income trends also permit the conclusion that private consumption will remain a cornerstone of domestic development.

BUSINESS PERFORMANCE

Financial performance

Third quarter

In the period from July to September 2019, consolidated sales rose from € 108.3 million to € 118.5 million - an increase of 9.5%. Excluding sales at *Wein & Co.*, consolidated sales rose by 2.3% compared to the same quarter in the previous year. The consolidated operating result (EBIT) in the third quarter of 2019 was € 0.5 million, including a charge of € 1.8 million due to the run-up of the new B2B warehouse taking longer than expected. In the previous year EBIT amounted to just under € 0.8 million. The EBIT margin was 0.4% (previous year: 0.7%).

Sales in the retail brand unit (*Jacques' Wein-Depot* and *Wein & Co.*) amounted to € 44.4 million, an increase of 26.0% over the same quarter in the previous year (€ 35.2 million). Excluding the sales of *Wein & Co.*, which was acquired as of 1 October 2018, segment sales rose by 4.1%. Sales in August were particularly strong at *Jacques'* . At the end of the quarter there were 320 *Jacques'* outlets, all in Germany (previous year: 312), as well as 20 *Wein & Co.* outlets in Austria. On a like-for-like basis, sales at *Jacques' Wein-Depots* rose by 3.4% compared to the third quarter of 2018 (previous year: 1.8%). The average receipts remained stable, while customer frequency and the number of active customers both rose once again.
Due to the acquisition of *Wein & Co.* and the new accounting standards relating to rental and leasing agreements to be applied as of 1 January 2019, the segment EBIT is not comparable with that of the previous year. Excluding *Wein & Co.*, EBIT rose to € 3.1 million in the quarter under review compared to the previous year's quarter (€ 2.5 million). *Wein & Co.* is still in the scheduled restructuring phase and thus put pressure on the segment result by € 0.6 million in the quarter under review. Including *Wein & Co.,* this figure was €2.5 million, with an EBIT margin of 5.6%.

The e-commerce brand unit posted a sales increase of 3.8% over the weak quarter of the previous year, so that sales rose significantly (from € 35.2 million to € 36.4 million). Business performance at the *HAWESKO* subsidiary was boosted by successful offers and increase of new customers, which led to sales growth of 11%. *Vinos* increased its sales by 2% and focussed on new-customer acquisition in the third quarter again. In the third quarter of 2019, the share of sales made via the Internet continued to rise compared to the same quarter in the previous year, accounting for 59% of segment sales (previous year: 57%). The EBIT in the e-commerce segment amounted to just under € 0.6 million in the quarter under review, and increased five-fold over the previous year (a strong € 0.1 million). The EBIT margin was 1.5%, compared to 0.3% in the same quarter of the previous year.

In the B2B brand unit, sales at € 37.7 million were slightly below the previous year's figure (€ 37.9 million). Recovery from the weak previous year's quarter caused by weather conditions was hindered in Germany by temporary backlogs after the relocation of the wholesale warehouse. In the foreign B2B segment (Switzerland and Austria), on the other hand, sales rose significantly. The EBIT of the B2B brand units, including non-recurring expenditures of € 1.8 million, amounted to € –0.9 million. The EBIT of the B2B brands was € –0.1 million in the previous year.

Consolidated gross profit rose by € 6.3 million to € 51.7 million in the third quarter, corresponding to a margin of 43.6% (previous year: 41.9%). The increase in the trading margin resulted primarily from the increased share of sales of the B2C segments. The other operating income of € 4.7 million consisted for the most part of rental and leasing income at *Jacques'* as well as advertising allowances (same quarter of the previous year: € 5.4 million). Personnel expenses increased by € 2.2 million to €16.2 million in the third quarter and accounted for 13.6% of sales (previous year: 12.9%), but include the branch businesses of *Wein & Co.* in the reporting period.

Other operating expenses and other taxes compared to those in the same period of the previous year as follows:

in € (millions)	1.7.– 30.9.2019	1.7.– 30.9.2018
Advertising	9.5	9.0
Commissions to partners	9.4	8.8
Delivery costs	7.6	5.3
Rental and leasing	0.5	3.4
Other	7.3	8.2
	34.3	34.7

Advertising expenses at € 9.5 million were slightly above the level of the previous year (€ 9.0 million), an expense ratio of 8.1% of sales (previous year: 8.3%). Expenses for commissions rose to € 9.4 million (previous year: € 8.8 million), an expense ratio of 7.9% of sales (previous year: 8.1%). Expenses for delivery increased to € 7.6 million (previous year: € 5.3 million), due to non-recurring costs in conjunction with the relocation of the B2B warehouse as well as price increases of the logistics services providers, an expense ratio of 6.4% of sales (previous year: 4.9%). Expenditures for rental and leasing were heavily impacted by the IFRS 16 reporting and were reduced to € 0.5 million, compared to € 3.4 million in the previous year under the old reporting system prior to IFRS 16. At the same time, depreciation for wear and tear rose by € 3.7 million to € 5.7 million due to the application of IFRS 16. Overall, other operating expenses and other taxes amounted to € 34.3 million (previous year: € 34.7 million); an expense ratio of 26.9% of sales in the quarter under review, compared to 32.0% in the same quarter of the previous year.

The consolidated result of operations (EBIT) amounted to € 0.5 million in the third quarter of 2019 (previous year: € 0.8 million). The EBIT margin was 0.4%, compared to 0.7% in the same quarter of the previous year. The result of the 'Miscellaneous' segment (primarily headquarter costs) at € 1.7 million (same quarter in the previous year: € 1.7 million) were deducted from the contributions of the individual brand units described above to the operating result and posted in the "Miscellaneous/Consolidation" column in the table on page 13.

The financial result amounted to € –0.9 million in the quarter under review; this includes mainly the financing share of the rental expenses in accordance with the new accounting standard. The financial result in the previous year was

€ –0.1 million. The investment result reported in the same quarter of the previous year with regard to the investment in *Global Wines* in the Czech Republic amounted to € 0.6 million; the corresponding result for the current fiscal year is expected in the fourth quarter. The result before taxes on income amounted to € –0.5 million (previous year: € 1.4 million). The tax result is € +0.2 million (previous year: € –0.3 million). Consolidated net income allocable to the shareholders of Hawesko Holding AG amounted to € –0.1 million. In the previous year this figure was € 1.2 million. Earnings per share amounted to € –0.01, after € 0.14 in the preceding year. This was based on the figure of 8,983,403 shares in the reporting period (unchanged from the previous year).

The following table shows the effects of first application of IFRS 16 in the third quarter (1 July to 30 September) 2019:

Rounding differences possible	€ millions
EBIT	+0.4
Financial result	–0.7
Total	–0.3

First nine months

In the first nine months of fiscal year 2019 (1 January to 30 September), sales rose compared to the previous year (€ 346.1 million) by 8.2% to € 374.4 million. Consolidated gross profit increased from € 145.0 million to € 162.4 million, and rising from 41.9% to 43.4% of sales.

Personnel expenses amounted to € 49.4 million and 13.2% of sales (previous year: € 41.6 million and 12.0% of sales). During the nine-month period, other operating expenses and other taxes developed as follows:

In € millions Rounding differences possible	1.1.–30.9. 2019	1.1.–30.9. 2018
Advertising	30.2	27.9
Commissions to partners	28.2	26.7
Delivery costs	20.9	16.6
Rental and leasing	1.9	10.0
Other	22.3	21.7
Total	103.5	102.9

In the first nine months, the operating result (EBIT) amounted to € 8.7 million and corresponded to 2.3% of sales In the previous year, EBIT amounted to € 11.4 million, corresponding to 3.3% of sales.

In the review of the individual segments, it must be noted that the EBIT of the retail segment at € 9.0 million exceeded that of the previous year (€ 8.7 million). The EBIT of the e-commerce segment increased slightly from € 3.4 million to € 3.6 million. In the B2B segment, the EBIT at € 2.3 million was below that of the previous year (€ 3.6 million) due to the relocation of the warehouse in the third quarter and the weak first half of the year.

The financial and investment result amounted to € –2.7 million in the first nine months (previous year: € 0.6 million including an investment result of € 0.6 million – see above). The result before taxes on income amounted to € 6.0 million (previous year: € 12.0 million). Consolidated net income for the first nine months after deductions for non-controlling interests amounted to € 3.6 million, compared to € 8.2 million in the same period of the previous year. The profit per share amounted to € 0.41, compared to € 0.88 for the same period in the previous year. The number of shares in the reporting period was 8,983,403 as in the previous year.

The following table shows the effects of first application of IFRS 16 in the nine-month period (1 January to 30 September) 2019:

Rounding differences possible	€ millions
EBIT	+1.2
Financial result	–2.2
Total	–1.1

Net worth

Structure of the consolidated balance sheet
in € millions, rounding differences possible

Assets	30.9.2019		31.12.2018		30.9.2018	
Long-term assets	178.2	*48%*	90.8	*31%*	75.7	*31%*
Short-term assets	189.4	*52%*	198.2	*69%*	169.7	*69%*
Total	367.5	*100%*	289.0	*100%*	245.5	*100%*
Liabilities and shareholders' equity						
Shareholders' equity	103.4	*29%*	112.5	*39%*	100.0	*41%*
Long-term provisions and liabilities	116.3	*32%*	30.5	*11%*	14.3	*6%*
Short-term liabilities	147.9	*39%*	146.0	*51%*	131.2	*54%*
Total	367.5	*100%*	289.0	*100%*	245.5	*100%*

Changes since the reference date 31 December 2018

The balance sheet total at 30 September 2019 was € 367.5 million, considerably higher than the total at 31 December 2018 (€ 289.0 million). In particular with regard to the reporting of the long-term assets, the figure rose due to the accounting for the rental locations required by IFRS 16. On the liabilities side, the corresponding equivalent values were reported primarily under the category 'Long-term provisions and liabilities' as required by IFRS 16. For reasons of seasonality, short-term assets were reduced by € 8.8 million compared to the reference date at the end of the year. The primary reason for this was a reduction in trade receivables (trade receivables typically reach their highest level at 31 December).

Total equity capital declined from € 112.5 million at 31 December 2018 to € 103.4 million at 30 September 2019 after payment of the dividend. Short-term liabilities increased by € 1.9 million to € 147.9 million due to the initial application of IFRS 16; excluding this effect, they would have been below the figure for the balance sheet reference date as is typical for the season.

Changes from the previous year's reference date 30 September 2018

The first-time application of IFRS 16 resulted in similarly large changes compared to the reference date in the previous year (30 September 2018). The balance sheet total increased from € 245.5 million to € 367.5 million. From this standpoint as well, the largest increases occurred in the long-term assets and liabilities.

The working capital requirement at 30 September 2019 declined in comparison to the reference date in the previous year.

HAWESKO
HOLDING AG

Financial performance

Liquidity analysis

The cash flow from current operations for the Hawesko Group in the nine-month period amounted to € –20.3 million, compared to € –13.5 million in the previous year. Due to the seasonal nature of the business, cash flow from ongoing business activity is usually negative in the first nine months of the fiscal year. The funds employed for investment activities amounted to € 5.8 million in the first in the reporting period (same period in the previous year: € 2.8 million).

Consolidated cash flow in € millions, rounding differences are possible	1.1.– 30.9.2019	1.1.– 30.9.2018
Cash flow from current operations	–20.3	–13.5
Cash flow from investment activity	–5.8	–2.8
Cash flow from financing activities	15.4	15.6

Free cash flow amounted to € –26.6 million in the first nine months of 2019, compared to € –16.6 million in the same period of the previous year. It was calculated from the net outflow of payments from current operations (€ –20.3 million), less funds employed for investment activities of € 5.8 million and interest received and paid out (€ –0.5 million). The decline compared to the previous year was due primarily to the build-up in inventories for the fourth quarter.

Investment analysis

Investments relate to those in intangible assets (€ 2.8 million; same period in the previous year: € 0.7 million), primarily for customer relationship management software and e-commerce shop software for the corporate digital commerce platform, and those in tangible assets of € 3.1 million (previous year: € 2.2 million). The latter were related to new point-of-sale terminals as well as to the expansion and modernisation in the retail segment as well as the investments for expansion and replacement equipment in the e-commerce and B2B segments.

REPORT ON OPPORTUNITIES AND RISK

There were no significant changes in the risks and opportunities of Hawesko Holding AG compared to the situation described in the 2018 annual report.

REPORT ON EXPECTED DEVELOPMENTS

Outlook

There were no significant changes in the forecast for fiscal year 2019 of the Hawesko management board compared to the situation described in the 2018 annual report. The general economic and business conditions in Germany are still classified as good with respect to the Hawesko Group's key consumer demand for wine. The Hawesko management board notes that the business figures for the nine-month period of 2019 do not meet its expectations due to the unexpectedly long run-up of the new wholesale warehouse, but reckons that these negative non-recurring effects will be compensated by positive ones in the fourth quarter.

The management board will continue to pursue sustainable, long-term and profitable growth. For fiscal year 2019, we expect consolidated sales growth of approximately 7-9%. The consolidated EBIT margin is expected to be in the range between 5.0-5.7% in 2019 (2018: 5.3%). Taking IFRS 16 into account, the management board expects a net expenditure in the magnitude of approximately three million euros for the financial result for 2019. Profit due to non-controlling interests is expected to be between € 0.1-0.2 million. Based on the consolidated earnings after deductions for taxes and non-controlling interests, the net return on sales is estimated to be in the range of 3.0-3.6%. The management board expects free cash flow in 2019 to be in the range of € 12–16 million after € 20.2 million in 2018 (figures for both years exclude acquisitions), while the ROCE in 2019 is expected to be around 17% as in the previous year.

Consolidated profit and loss statements

(in € millions, unaudited, rounding differences possible)	1.7.–30.09. 2019	1.7.–30.09. 2018	1.1.–30.09. 2019	1.1.–30.09. 2018
Sales revenues from customer contracts	**118.5**	**108.3**	**374.4**	**346.1**
Increase in finished goods inventories	0.1	0.4	0.2	0.4
Other production for own assets capitalised	0.1	0.2	0.4	0.3
Other operating income	4.7	5.4	15.0	16.5
Cost of purchased goods	–66.9	–62.9	–212.0	–201.1
Personnel expenses	–16.2	–13.9	–49.4	–41.6
Depreciation and amortisation	–5.7	–2.0	–16.4	–6.2
Other operating expenses and other taxes	–34.3	–34.7	–103.5	–102.9
Result from operations (EBIT)	**0.5**	**0.8**	**8.7**	**11.4**
Financial result				
Interest earnings/expenditures	–0.9	–0.1	–2.6	–0.3
Other financial result	0.0	0.1	–0.1	0.3
Income from companies reported at equity	—	0.6	—	0.6
Result before taxes on income	–0.5	1.4	6.0	12.0
Taxes on income and deferred tax expenses	0.2	–0.3	–2.4	–3.8
Consolidated net income/loss	**-0.2**	**1.1**	**3.6**	**8.2**
of which is allocable to				
– shareholders of Hawesko Holding AG	–0.1	1.2	3.7	7.9
– non-controlling interests	–0.1	–0.1	–0.1	0.3
Earnings per share(in €, undiluted = diluted)	–0.01	0.14	0.41	0.88
Average number of shares in circulation (Numbers in thousands, undiluted = diluted)	8,983	8,983	8,983	8,983

Consolidated statement of comprehensive income

(in € millions, unaudited, rounding differences possible)	1.7.–30.9.2019	1.7.–30.9.2018	1.1.–30.9.2019	1.1.–30.9.2018
Consolidated net income	**–0.2**	**1.1**	**3.6**	**8.2**
Amounts that may not be rebooked in the profit and loss statement in the future	-	-	-	-
Actuarial gains and losses resulting from remeasurements of defined-benefit pension plans including deferred tax liabilities	-	-	-	-
Amounts that may be rebooked in the profit and loss statement in the future	**0.1**	**–0.0**	**0.1**	**0.0**
Effective portion of profits and losses from cash flow hedges including deferred tax liabilities	0.0	–0.1	0.0	–0.0
Currency translation differences	0.1	0.1	0.1	0.1
Other comprehensive income	**0.0**	**–0.0**	**0.1**	**0.0**
Total comprehensive income	**–0.2**	**1.1**	**3.7**	**8.2**
of which is				
allocable to shareholders of Hawesko Holding AG	–0.1	1.2	3.7	7.8
allocable to non-controlling interests	–0.1	–0.1	–0.0	0.4

HAWESKO HOLDING AG

Consolidated balance sheet

in € millions	30.09.2019	31.12.2018	30.09.2018
ASSETS			
Long-term assets			
Intangible assets	56.6	57.1	40.6
Tangible assets and rights of use	113.1	21.2	19.5
Investments accounted for using the equity method	3.2	3.2	3.4
Other financial assets	0.1	0.1	0.1
Advance payments on stocks	1.0	4.7	8.5
Receivables and other assets	1.0	1.0	0.8
Deferred tax liabilities	3.3	3.3	2.8
	178.2	**90.8**	**75.7**
Short-term assets			
Inventories	131.5	111.9	117.3
Contractual assets	0.2	0.3	-
Trade receivables	30.0	48.4	31.0
Receivables and other assets	4.9	4.8	3.7
Receivables from taxes on income	8.2	7.6	7.4
Cash in banking accounts and cash on hand	14.6	25.1	10.2
	189.4	**198.2**	**169.7**
	367.5	**289.0**	**245.5**
LIABILITIES			
Equity capital			
Subscribed capital of Hawesko Holding AG	13.7	13.7	13.7
Capital reserve	10.1	10.1	10.1
Retained earnings	76.0	85.5	67.4
Other reserves	-0.2	-0.2	-0.2
Shareholders' equity in Hawesko Holding AG	**99.6**	**109.1**	**91.0**
Non-controlling interests	3.8	3.5	9.1
	103.4	**112.5**	**100.0**
Long-term provisions and liabilities			
Provisions for pensions	1.1	1.1	1.1
Other long-term provisions	1.8	1.7	0.6
Borrowings	17.8	14.1	0.2
Leasing debt	82.0	—	—
Advances received	—	—	5.5
Contractual liabilities	2.5	2.0	—
Other liabilities	4.4	4.5	4.2
Other financial liabilities	2.9	2.8	—
Deferred tax liabilities	3.8	4.5	2.7
	116.3	**30.5**	**14.3**
Short-term liabilities			
Non-controlling interests in the capital of unincorporated subsidiaries	0.2	0.3	0.3
Borrowings	55.3	24.7	49.3
Leasing debt	11.7	—	—
Advances received	—	—	7.0
Trade accounts payable	49.5	65.6	41.4
Contractual liabilities	9.9	18.5	—
Income taxes payable	2.0	3.5	0.2
Other liabilities	19.3	33.3	18.7
Other financial liabilities	0.0	0.1	14.4
	147.9	**146.0**	**131.2**
Rounding differences are possible	**367.5**	**289.0**	**245.5**

Consolidated Cash Flow Statement

(in € millions, unaudited, rounding differences possible)	1.1.– 30.9.2019	1.1.– 30.9.2018
Result before taxes on income	6.0	12.0
Depreciation and amortisation of intangible and tangible assets (including leasing assets)	16.5	6.2
Other non-cash expenses and income	–0.4	–0.3
Interest result	2.7	0.0
Result from the disposal of intangible and tangible assets	–0.2	–0.1
Income from companies reported at equity	–	–
Dividend payments received from investments	–	0.6
Change in inventories	–15.9	–8.8
Change in borrowings and other assets	18.6	21.6
Change in provisions	0.1	–0.1
Change in liabilities (excluding borrowings)	–44.9	–37.7
Interest received	0.0	0.1
Taxes on income paid out	–2.8	–7.1
Net outflow of payments from current operations	**–20.3**	**–13.5**
Outpayments for tangible and intangible assets	–5.9	–2.9
Inpayments from the disposal of intangible and tangible assets	0.1	0.1
Inpayments from the disposal of financial assets	–	–
Net funds employed for investing activities	**–5.8**	**–2.8**
Outpayments for dividends	–11.7	–11.7
Outpayments to non-controlling interests	–1.2	–1.3
Repayment of leasing liabilities	–8.5	–0.2
Change in short-term borrowings	29.2	29.0
Undertaking of medium- and long-term borrowings	11.2	—
Repayment of medium- and long-term borrowings	–3.1	—
Interest paid out	–0.5	–0.3
Inflow of net funds from financing activities	**15.4**	**15.6**
Effects of changes in foreign exchange rates on funds (period of up to three months)	0.2	0.1
Net decrease of funds	**–10.5**	**–0.5**
Funds at start of period	25.1	10.7
Funds at end of period	**14.6**	**10.2**

Hawesko Holding AG, Consolidated statement of changes in equity

-	Subscribed capital	Capital reserve	Retained earnings	Other reserves: Balancing items from currency translation	Other reserves: Revaluation components of pension obligations	Other reserves: Reserve for cash flow hedge	Ownership of interest of Hawesko Holding AG shareholders	Non-controlling interests	Total
Status at 1 January 2018	13.7	10.1	71.2	0.1	–0.2	0.0	94.8	9.9	104.8
Change in the consolidation group	—	—	–0.0	—	—	—	–0.0	—	—
Dividends	—	—	–11.7	—	—	—	–11.7	–1.3	–13.0
Consolidated net income	—	—	7.9	—	—	—	7.9	0.3	8.2
Other result	—	—	—	–0.0	—	–0.0	–0.0	0.1	0.0
Deferred tax on other result	—	—	—	—	—	0.0	0.0	—	0.0
Status at 30 September 2018	13.7	10.1	66.1	0.1	–0.2	–0.0	91.0	9.1	100.0
Status at 1 January 2019	13.7	10.1	85.5	0.1	–0.2	–0.1	109.1	3.5	112.5
Change in the consolidation group	—	—	–1.5	—	—	—	–1.5	1.6	0.0
Dividends	—	—	–11.7	—	—	—	–11.7	–1.2	–12.9
Consolidated net income	—	—	3.7	—	—	—	3.7	–0.1	3.6
Other result	—	—	—	0.0	—	0.0	0.0	0.1	0.1
Deferred tax on other result	—	—	—	—	—	–0.0	–0.0	—	–0.0
Status at 30 September 2019	13.7	10.1	76.0	0.1	–0.2	–0.1	99.6	3.8	103.4

Segment results for the third quarter

(in € millions, unaudited, rounding differences possible)

1.7.–30.9.2019	Retail	B2B	E-commerce	Miscellaneous/ Consolidation	Group
External sales	**44.4**	**37.7**	**36.5**	**0.0**	**118.5**
– Excluding *Wein & Co.*	36.6	37.7	36.5	0.0	110.8
Operating result (EBIT)					
– Including *Wein & Co.*	2.5	–0.9	0.6	–1.7	0.5
– Excluding *Wein & Co.*	3.1	–0.9	0.6	–1.7	1.1

1.7.–30.9.2018	Retail	B2B	E-commerce	Miscellaneous/ Consolidation	Group
External sales	**35.2**	**37.9**	**35.2**	**0.0**	**108.3**
Operating result (EBIT)	**2.5**	**–0.1**	**0.1**	**–1.7**	**0.8**

Segment results for the first nine months

(in € millions, unaudited, rounding differences possible)

1.1.–30.9.2019	Retail	B2B	E-commerce	Miscellaneous/ Consolidation	Group
External sales	**136.4**	**119.0**	**118.9**	**0.0**	**374.4**
– Excluding Wein & Co.	111.7	119.0	118.9	0.0	349.6
Operating result (EBIT)					
– Including *Wein & Co.*	9.0	2.3	3.6	–6.2	8.7
– Excluding *Wein & Co.*	10.4	2.3	3.6	–6.2	10.1

1.1.–30.9.2018	Retail	B2B	E-commerce	Miscellaneous/ Consolidation	Group
External sales	**107.5**	**123.9**	**114.7**	**0.0**	**346.1**
Operating result (EBIT)	**8.7**	**3.8**	**3.4**	**–4.3**	**11.4**

Notes to the nine-month financial report to 30 September 2019

Basis for the preparation of the financial statement: The present abridged, consolidated interim report to 30 September 2019 was prepared in accordance with the requirements of International Accounting Standard (IAS) 34 ‘Interim Financial Reporting’.

The interim financial report does not contain all the information and data that are usually included in the notes/appendices to a consolidated financial statement for a full fiscal year. Accordingly, the present interim financial report is to be read in conjunction with the consolidated financial statements for the fiscal year to 31 December 2018 and all other public statements of Hawesko Holding AG during the interim period.

The accounting principles applied correspond to those applied in the previous fiscal year and the corresponding interim financial reporting period, except with regard to the initial application of new and modified standards, as explained below.

Cyclical events which occur during the year, insofar as they are important, are delimited based on corporate planning.

The interim financial statements and interim management report have neither been audited in accordance with section 317 of the German Commercial Code (HGB) nor reviewed by an auditor. The consolidated group remains unchanged from that listed in the 2018 consolidated accounts.

New and modified standards adopted by the Group: Several new or modified standards took effect during the current reporting period. Due to the initial application of the new standard *IFRS 16 – Leases*, retroactive changes to the accounting methods of the Group occurred.

The effects of the initial application of the new leasing standard and the new accounting methods are described below in the note to the financial statement. No effects on the Group's accounting methods resulted from other changes to standards.

Changes to accounting and valuation principles The effects of the initial application of IFRS 16 are explained below and the new accounting methods applied as of 1 January 2019 are disclosed.

The initial application of IFRS 16 ensued in compliance with the transitional provisions of IFRS 16 in accordance with the modified retrospective approach. Accordingly, the comparable figures for the same period in the previous year were not adjusted. The new accounting standards were applied at the time of conversion to all contracts previously identified as leasing agreements subject to the application of IAS 17 and IFRIC 4. In the evaluation of options for extension and termination, current research at the time of initial application was taken into account.

Effects of the initial application of IFRS 16: With the initial application of IFRS 16, the Group recognised lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities are valued at the cash value of the remaining lease payments, discounted at the lessee's incremental borrowing rate as at 1 January 2019. The weighted average incremental borrowing rate of the lessee applied to the lease liabilities at 1 January 2019 was 3.1%.

Each leasing instalment is divided into a principal repayment and the interest expense. The interest expense is recognised with an effect on profit over the term of the lease. The right of use is depreciated linearly over the shorter of the two periods from the term of the lease and the economic life of the leased item.

In principle, the right of use of the leased asset at the initial date of application corresponds to the relevant lease liability, adjusted for deferred lease payments. Initial direct costs are not included in the assessment of the right of use of the leased item at the time of initial application. In the exercise of discretionary decisions, the current state of knowledge will be taken into account at the time of initial application.

For leases previously classified as finance leases, the existing carrying value of the leased asset as per IAS 17 immediately prior to the initial application of IFRS 16 as well as the carrying value of the lease liability as per IAS 17 will be used as the initial carrying value of the right of use and the lease liability in accordance with IFRS 16. The valuation principles of IFRS 16 are applied only thereafter. However, this did not lead to any major valuation adjustments in the Group. The corresponding valuation adjustment of the lease liabilities will be booked as an adjustment to the associated rights of use directly after the initial recognition.

On 1 January 2019, lease liabilities in the amount of € 99.5 million were reported. Of these, € 534,000 is allocable to finance lease liabilities recognised at 31 December 2018 in accordance with IAS 17.

In the context of the conversion to IFRS 16, assets for the rights of use to the leased items in the amount of € 99 million and leasing liabilities in the same amount were recognise on 1 January 2019. Based on the operating lease commitments at 31 December 2018, the following reconciliation of the opening balance sheet value with the lease liabilities at 1 January 2019 resulted:

Reconciliation with lease liabilities in € millions	2019
Rental and lease commitments for already used real estate and movable property at 31 December 2018:	72.7
Applied relief for short-term leases and leases of low-value assets:	0.3
New estimate of extension and termination options	43.2
Other	1.0
Commitments from operating leases (undiscounted)	116.6
Effect from the discounting	17.6
Commitments from operating leases (discounted)	99.0
Carrying value of finance lease liabilities at 31 December 2018	0.5
Carrying value of the lease liabilities at 1 January 2019	99.5

The right of use of the relevant leased item is recognised under the same item in tangible assets under which the underlying asset would have been recognised in the event of an acquisition. The recognised rights of use relate to the following types of assets:

Development of rights of use in € millions	1.1.2019	30.9.2019
Land and buildings	97.8	91.3
Technical equipment and machinery	0.6	0.5
Other fixtures and fittings	0.6	0.5
Total	99.0	92.3

Rounding differences are possible

Relief applied: Hawesko Holding AG has exercised the option of removing intangible assets from the scope of application of IFRS 16 and to handle individual leases that end in 2019 in accordance with the provisions for exemption for short-term leases. Payments based on lease agreements that begin after 31 December 2018 and have a term of no more than twelve months as well as lease agreements for which the asset underlying the lease agreement is of low value, were recognised as expenses in accordance with the option at the time of payment. In contracts that contain non-lease components as well as lease components, separation is omitted only in minor asset classes.

In this regard, no impairment testing of the rights of use at the time of initial application was done. In the valuation of the rights of use at the time of first application, the initial direct costs were not taken into account.

Leasing activities of the Group and their accounting treatment: The Group rents various office and warehouse buildings as well as retail shops, systems, equipment and vehicles. Rental contracts are generally concluded for fixed periods of 3-10 years, but can include options for extension. The rental terms and conditions are negotiated on an individual basis and include a multitude of different conditions. The leases do not contain any terms of credit.

In the consolidated profit and loss statement, the changed recognition of expenses arising from leases leads to an increase in the operating EBIT of an estimated € 1.2 million compared to the nine-month period of 2018 due to the replacement of the expenses arising from operating leases previously recognised in ‘Other Operating Expenses’ by both depreciation of rights of use as well as by other financial expenses arising from the compounding of the lease liability in the financial result. Due to the change in recognition of lease payments in the consolidated cash flow statement, an improvement in the cash flow from operations results for the reporting period in 2019. Cash flow from financing activities was reduced accordingly.

Other information: (1) *Events after the conclusion of the reporting period:* Events of particular significance for the evaluation of the assets, finances and earnings of Hawesko Holding AG and the Group - as defined in IAS 10 - did not occur after the conclusion of the period under review. (2) *Resolution for the appropriation of earnings for 2018:* The annual general meeting of shareholders on 17 June 2019 decided to appropriate the unappropriated earnings reported in the annual accounts of Hawesko Holding AG of € 12,464,249.14 as follows: (a) payout of an ordinary dividend of € 1.30 per entitled share. With a total number of 8,983,403 shares entitled to dividends, this amounts to a total of € 11,678,423.90. b) The remaining amount of € 785,825.24 will be carried forward to new account. (3) *No unforeseen development costs* were incurred during the period under review. (4) *The order situation* remains satisfactory. (5) A change occurred in the *composition* of the management board: Nikolas von Haugwitz left the company on the best of terms and by mutual agreement with effect from 1 April 2019. (5) No changes have occurred in the composition of the supervisory board to the date of the writing of this report. (6) *Business with closely associated persons:* As disclosed in the Notes to the financial statements for 2018 under point 46, the management board and the supervisory board are considered to be closely associated persons in the sense of IAS 24.5. Material changes since the closing date of the annual accounts have not taken place. Important business transactions were not conducted with closely associated persons in the reporting period. The number of shares and/or the number of votes held by members of the supervisory board is 6,522,376, all of them held by the supervisory board chairman Detlev Meyer. The members of the management board hold a total of 1,000 shares, of which 500 are attributable to Thorsten Hermelink and 500 to Alexander Borwitzky. (7) *Treasury shares:* Hawesko Holding AG holds no treasury shares as of the date of writing of this report.

Other information:	1.1.–30.9. 2019	1.1.–30.9. 2018
Employees (average during the period)	1,173	972
- excluding *Wein & Co.*	953	

Hamburg, 6 November 2019

<s> Hermelink <s> Borwitzky <s> Hackenberger

Calendar:

Trading statement for 2019 Early February 2020

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