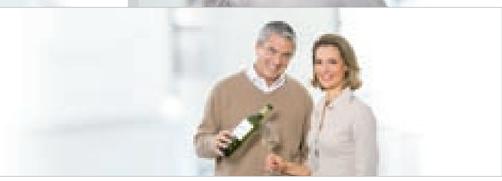
HAWESKO
HOLDING AG

ANNUAL REPORT **2007**



NUMBER 1 IN THE TRADE WITH PREMIUM WINES

Success with premium wines
– *substantial, profitable, lasting*

Castilie-León, Spain

HAWESKO HOLDING AG

WINE-SHOP RETAIL

- Trading names:
  Jacques' Wein-Depot
  (Germany/Austria)
- Target group:
  younger, more adventurous private customers
- Market segment:
  controlled quality wines – exclusive to *Jacques'* – average price: over € 6 per bottle
- Customer base:
  approx. 700,000
- Number of outlets:
  Germany: 265, Austria: 4

MAIL-ORDER WINE

- Trading names:
  - *Hanseatisches Wein- und Sekt-Kontor*
  - *Carl Tesdorpf – Weinhandel zu Lübeck*
  - *Sélection de Bordeaux*
- Target group:
  epicurean, affluent private customers as well as business customers (Christmas gift business)
- Market segment:
  upmarket and premium wines, average price: € 7 per bottle
- Addresses base:
  approx. 1,000,000

WHOLESALE & DISTRIBUTION

- Trading names:
  - *Wein Wolf* Group
  - *CWD Champagner- und Wein-Distributionsgesellschaft*
  - *Château Classic – Le Monde des Grands Bordeaux*
- Target group:
  top-class restaurants and re-sellers
- Market segment:
  upmarket and premium wines, average price: € 7 per bottle (at wholesale prices)
- Customer base:
  approx. 12,000

	2007	2006	
NET SALES (€ million)	**333.7**	302.6	+10.3%
GROSS PROFIT (€ million)	**130.9**	122.2	+7.1%
CONSOLIDATED EBIT (€ million)	**18.3**	18.6	–1.8%
EARNINGS PER SHARE (€)	**0.76**	1.23	–38.2%
EARNINGS PER SHARE (€) after elimination of one-off tax effect	**1.07**	1.23	–13.0%
ROCE	**16.4%**	17.5%	–1.1%-points
DIVIDEND YIELD (31/12)	**4.4%**	4.2%	+0.2%-points
EMPLOYEES	**609**	551	+10.5%

Dear fellow shareholders,

In increasing its sales by 10% in 2007 the Hawesko Group achieved a rate of growth that we last enjoyed five years ago – and this despite the slack consumer climate in Germany. We made the conscious decision to focus on growth in the past year. And we can be by and large very satisfied with the financial year under review; we are moreover very pleased that the Hawesko Group now enjoys a broader basis that will equip us even better for the future.

Confidence within the wine market largely mirrored general consumer confidence in 2007. The year started in a very downbeat mode following the increase in VAT from 16% to 19% on 1 January 2007. However, things soon picked up and consumer confidence reached its peak in the summer. Towards the end of the year, concerns fuelled by the US subprime mortgage crisis and generally rising prices depressed consumer confidence, with the result that pre-Christmas business had to contend with a slump in confidence back down to the level at the start of the year. At the Hawesko Group, we too experienced this cyclical development over the course of the year, albeit not as acutely as others.

The further expansion of our new-customer basis in the mail-order segment is a particularly welcome development. We were able to test and successfully extend new concepts in this segment; the result was a 9% rise in sales in 2007, reversing the downward trend of the past three years. The specialist wine-shop retail segment with its *Jacques' Wein-Depot* outlets built on its successful track record in increasing sales by 4%, including the end-of-year business, which had already risen to a record level in the previous year. On the other hand we halted the piloting of a new specialist market concept as our sales targets had not been achieved over the designated test period. Sales were boosted by 16% in the wholesale segment, with all subsidiaries contributing towards the increase. Most notably, our French specialist for Bordeaux wines *Château Classic* increased its annual sales by over 50% for the second year in succession!

However, sales are not the only measure of our business success. Fully aware that the decision to expand our business operations should not undermine earnings, we set ourselves the target for the past financial year of maintaining the operating result at the previous year's level. We achieved that goal in posting EBIT of € 18.3 million. Profitable growth is, after all, an intrinsic aspect of our long-term strategy. Thanks to the stronger and broader basis established last year, we will be adopting a slightly less aggressive sales approach in 2008, aiming instead for a significantly higher operating result. The stage is set!

Aigle, Canton Waadt, Switzerland

As every year, we want to share Hawesko's success with you. We will be proposing a dividend of € 1.00 per no par value share to the Shareholders' Meeting. This maintains continuity while giving us ample leeway to increase the dividend in the future.

The financial market appears to understand our strategy and our share price closed 2007 marginally up, whereas small caps on average saw their share price take a turn for the worse. It is particularly at times like these that a stable business model coupled with robust, sustained growth and an experienced management team are more important than ever. When we went public back in 1998, some found our decision rather amusing – a traditional wine trader to be listed on the stock market! How could it possibly be expected to keep pace with the Neuer Markt's favourite stocks or ever achieve spectacular performance? Now, ten years on, I am more convinced than ever that our track record speaks for itself. Despite all the ups and downs that the stock market may experience, our shareholders have on balance fared outstandingly with their Hawesko shares! But this also defines our task for the future.

I am therefore looking forward to 2008 for several reasons: last year we did our homework in establishing a sound basis that now leads us to expect a significantly better result for 2008 than in the previous year. And because our tax bill will be virtually halved, there is every prospect that our bottom-line consolidated earnings will double. We have completed our tenth year as a public company, and we still have a few irons in the fire for further reinforcing our market position both in Germany and internationally.

I should point out that none of this would have been possible without the group's outstanding workforce, good customers and top-notch suppliers. My thanks are therefore due to all those who contributed towards this success during the past year and, indeed, in earlier years. I would also like to thank you, our shareholders, for your enduring loyalty to Hawesko and its shares.

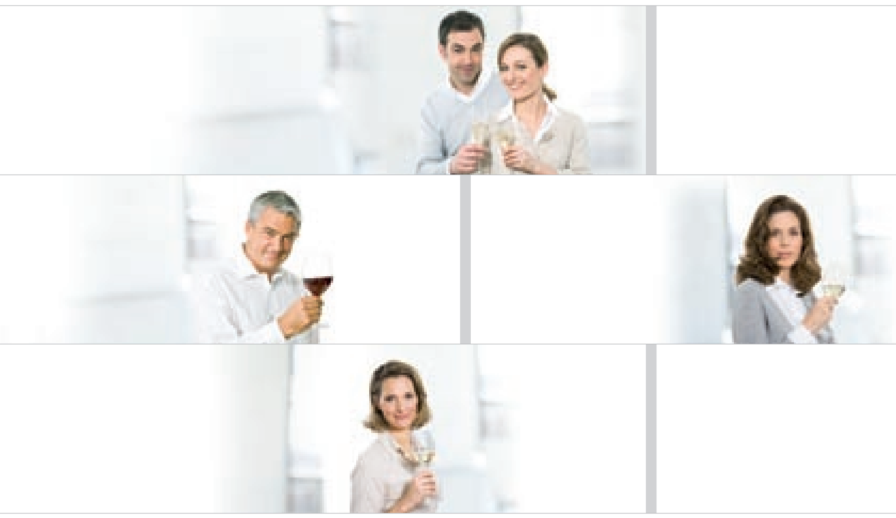
Yours sincerely,

Alexander Margaritoff


TAITTINGER
LOS VASCOS
MONTES
CHATEAU
BONNET
Penfolds

Exclusive wines for the epicure

Top wines of internationally renowned producers are important for the entire wine trade, for these wines possess charisma, embody culture and represent values of a centuries-old tradition. More and more discerning connoisseurs appreciate these products coupled with first-class service.



FINANCIAL INFORMATION

Tuscany, Italy

COMBINED MANAGEMENT REPORT

of Hawesko Holding AG for the 2007 financial year

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

The Hawesko Group trades wines of superior quality and offers them expertly to consumers (in the "specialist wine-shop retail" and "mail-order" segments) or retailers (in the "wholesale/distribution" segment). Approximately 89% of consolidated sales are generated in the Federal Republic of Germany. Each of the group's business segments is a leader in its respective market. Long-standing relations with top wine producers and numerous exclusive distribution rights in Germany for wines of worldwide repute constitute the mainstays of the company's business. The principal locations are Hamburg and Tornesch (management headquarters and administrative offices for the mail-order segment, logistics base for wholesale/distribution and mail-order operations), Düsseldorf (administrative offices for the specialist wine-shop retail segment under the umbrella of *Jacques' Wein-Depot*) and Bonn (administrative offices for the wholesale/distribution segment). The *Jacques' Wein-Depot* sales outlets are spread throughout the country. There moreover exist international branches for wholesale trade (Czech Republic, Austria, France) and of *Jacques' Wein-Depot* (Austria).

GENERAL SITUATION

GERMAN ECONOMY REMAINS ROBUST, PRIVATE CONSUMPTION DEPRESSED BY VAT INCREASE

The German economy again succeeded in achieving steady growth in 2007. According to provisional calculations by the Federal Statistical Office, price-adjusted gross domestic product (GDP) rose by 2.5% in 2007 compared with 2006. Economic output consequently built on the sound progress of the previous year (+2.9%). The impetus for growth in 2007 came largely from abroad; in Germany itself spending focused mainly on investments in equipment. Private consumer spending showed, in the end, a flat development at –0.3% following the VAT rate increase from 16% to 19% on 1 January 2007. Private consumption had risen by 1.0% in 2006, though experts believe this rise was largely due to purchases brought forward to pre-empt the forthcoming VAT increase.

The consumer climate index measured by Gesellschaft für Konsumforschung (GfK) likewise initially yielded in the first quarter of 2007 as a result of the VAT increase. The index then recovered, matching the highest level achieved in 2006 mid-way through the year, then slipped back to the level it had been at the start of the year due to fears of inflation, the stronger euro and the credit crunch in the USA.

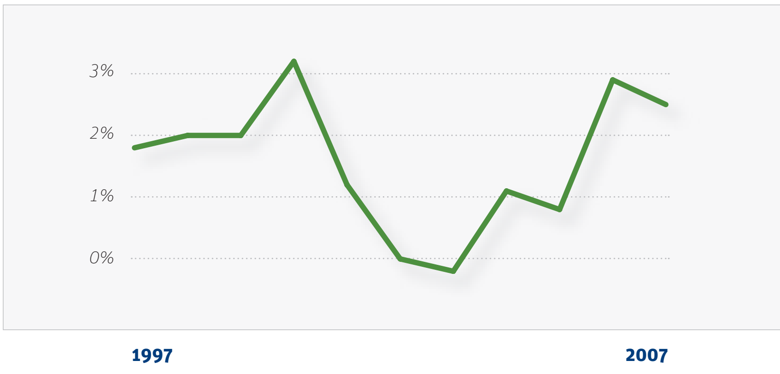
GERMAN WINE MARKET

According to GfK's research, the German wine market grew by 1.2% overall in terms of value in 2007, taking into account the VAT increase from 16% to 19% on 1 January 2007. GfK concluded that the higher VAT rate had initially depressed the market, which had initially showed a year-on-year downturn of 2.3% in the first quarter. In the second and third quarters, the wine market in Germany benefited from the positive consumer climate, posting growth rates of 3.3% and 2.5%; growth slipped back to 0.2% in the fourth quarter. This stagnation was prompted above all by the fact that the prior-year quarter was already difficult to beat because of purchases brought forward, and that consumer confidence was moreover ebbing (GfK figures in each case including VAT).

Taking a longer-term view, the German wine market remained broadly stable in 2007 compared with 2006. Growth of 3% was achieved in 2006; in each of the three previous years, the value of the German wine market as a whole had slipped: –4% (2003), –3% (2004) and –2% (2005). The trade again benefited from a generally favourable consumer climate in 2007. The long-term trends ultimately remained intact: as ascertained by the German Wine Institute, consumption of wine in Germany again rose in 2007 at the expense of beer and spirits; now that the "cheap is cool" fad seems to have ebbed, wine drinkers are turning their attention increasingly to top-class wines.

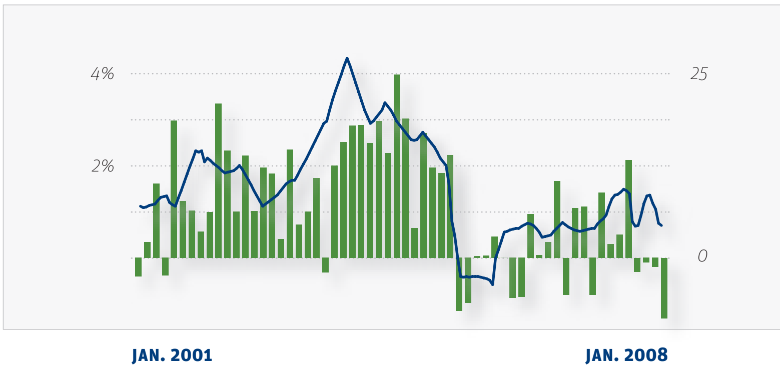
According to GfK's findings, the situation in the upmarket segment of the German wine market has stabilised at the previous year's level. On the other hand the market as a whole is dominated by the continuing encroachment of discount supermarkets. Over the five-year period from 2001 to 2005, the latter have succeeded in increasing their share of the market's volume from around one-third to approximately half. In 2007, however, their market share remained unchanged from 2006.

GDP-GROWTH (%)



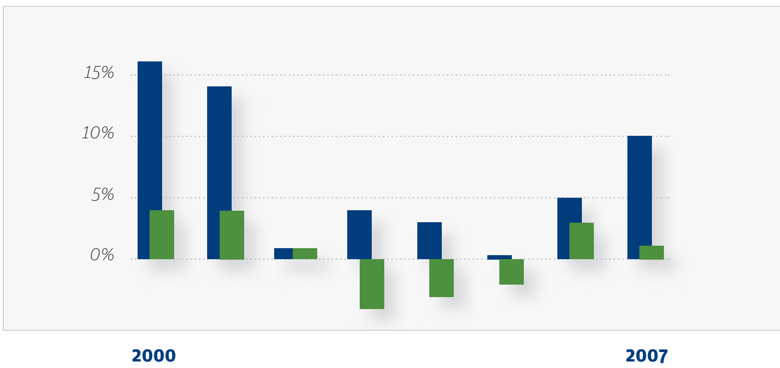
(Source: Destatis)

PRIVATE CONSUMPTION EXPENDITURE/CONSUMER CLIMATE



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

SALES DEVELOPMENT HAWESKO GROUP (%)



- Hawesko Group
- Total wine market

(Source: Wine-market data of the GfK household panel)

Catalonia, Spain

Buying market characterised by a general oversupply, prices for top wines on the increase

Supply again exceeded demand on the global wine market in 2007. The growth in total vineyard area that has been observed in Australia, South Africa, South America and the USA over many years is exacerbating the market situation in European Union member states, which are suffering from their own chronic over-production. Although a reform of EU wine market policy was given the go-ahead in 2007, it is not expected to provide any short-term remedies. The situation at the supply end should, however, be eased by the fact that the latest harvests e.g. in Australia, Italy and the USA were lower than expected. This will be all the more relevant because the lower harvest coincides with rising demand in the United States, South Asia and the Far East.

There is nevertheless still an oversupply, which primarily affects the lower-price market segment and basic-quality wines. The pressure this exerts on prices does also affect the medium quality categories further up the price range. By contrast, this trend has not had any effect on top wines in the top segment. The world's top locations cannot in any case be extended and their products are accordingly always in short supply. Tradition, the people behind the wines, their philosophy, their vintner's art, the weather and the quality of the harvest are the factors that determine the price a vintage commands. At the start of 2008 there were signs of an upward trend in purchase prices for such wines.

Non-uniform trade structure for upmarket products

Below the level of € 4.00 per bottle, the German wine market is dominated by discount grocery retailers such as Aldi. The high-quality market segment – i.e. above a price per bottle of € 4.00 – is covered by a large number of smaller suppliers. This portion of the market, in which the Hawesko Group also operates, is largely fragmentary in nature.

Market share of the Hawesko Group continues to grow

The consolidation of the German wine market between 2002 and 2005 was caused by a difficult domestic economy and the inroads made by discount supermarkets. The more favourable economic conditions of 2006 and 2007 were then exploited by the Hawesko Group to boost growth and access new customer groups. This situation enabled Hawesko to grow faster than the market and further increase its market share.

STRATEGY

CORNERSTONES OF THE GROUP'S STRATEGY

- *Focusing on the top segment:* Offering a discerning clientele outstanding products, coupled with a very high standard of service.
- *Building on the long-term trend towards superior quality:* The appeal of exclusive wines rubs off on the entire wine trade, because they embody culture, possess charisma and represent values. This is what makes them desirable to the wine connoisseur and transforms them into the benchmark of rising expectations. As a consequence, the market must be tackled via the segment of high-quality wines first. Hawesko therefore has focused on that segment for years.
- *Nurturing ties with the best wine producers in the world:* The Hawesko Group's ranges comprise over 4,000 exclusive products. The range can only be managed appropriately by remaining in constant dialogue with the producers in order to address market trends and topical developments. This establishes the basis of trust that enables us to hold onto the best producers and thus guarantees us access to the best wines.
- *Value for money – not cut-price policies:* The Hawesko Group offers its customers high-quality products and corresponding service at fair prices, and provides an expert, differentiated marketing approach for its suppliers. It consciously sets itself apart from bulk sales of cheap goods. Its successful striving for quality and for setting the standard in the trade has also been acknowledged in the form of numerous awards, such as the 2004 German Mail Order Congress Prize for the best mail-order catalogue, and the 2005 Meininger Award for the best-managed wine company in Germany.
- *Concentrating on the considerable potential of the German market:* Based on the findings of earlier market research, the Board of Management of Hawesko estimates that there are around 8 million wine drinkers in Germany who match the customer profile of the Hawesko Group. The group currently reaches around 15% of this group, with the result that the number of potential customers of the group is very high.
- *Profitable growth:* To maintain profitability throughout the process of the company's growth, the Hawesko Group is systematically prospecting for new customers and continuously developing and realising new sales and marketing concepts.

THREE INDEPENDENT BUSINESS SEGMENTS

The subsidiaries of the Hawesko Group are largely grouped into three business segments: specialist wine-shop retail, wholesale/distribution, and mail order; there in addition exists a "miscellaneous" segment. The Segment Report in section 39 of the Notes to the consolidated financial statements provides further information. Being active in three segments of the wine trade gives the group a degree of risk diversification and makes its business model correspondingly robust.

The Hawesko Group is organised non-centrally. One benefit of this organisational structure is that it reflects the fact that the wine trade operates essentially as a people business. Nurturing and building on personal contacts with both producers and customers is what matters.

Specialist wine-shop retail

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

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

Wholesale/distribution

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

- *Target group:* Catering trade, specialist wholesalers and retailers, department stores as well as upmarket segments of the food retailing trade.
- *Market segment:* Upmarket and premium wines; average value (wholesale) € 7.00 per bottle, with a bandwidth from € 2.00 to € 1,000.00.
- *Distribution:* Trade agencies and direct mail-order sales.
- *Growth:* By acquiring new customers on the basis of the particular appeal of a range that includes many renowned exclusive wines, and by stepping up international activities (particularly in Austria and Eastern European countries, and with Bordeaux wines in Asia).

Mail order

The mail order segment comprises the subsidiaries *Carl Tesdorpf – Weinhandel zu Lübeck, Hanseatisches Wein- und Sekt-Kontor* and *Sélection de Bordeaux*.

- *Target group:* The segment focuses on wealthy, somewhat older private customers (in particular in the 50+ age bracket) who have discerning tastes in wine, regard themselves as sophisticated connoisseurs and would also like to deepen their knowledge of wine. The range is in addition aimed at business customers who are looking for gifts for customers, particularly at Christmas.
- *Market segment:* Upmarket and premium wines; average value € 7.00 per bottle, with a bandwidth from € 4.00 to € 1,000.00.
- *Distribution:* A main catalogue (spring/summer and autumn/winter issues) is sent out to the customer base twice a year, backed up by around 20 shorter promotional mail shots per year, each introducing specific offers.
- *Selective expansion:* The mail-order business has already achieved a high market share (in excess of 50%) in its relevant market. Business is being expanded in selected areas in addition to ongoing optimisation measures. The emphasis is currently being placed on the "VinoSelect" wine club, the sales channel of the Internet and the tapping of new customer groups for Christmas business. The instrument of active telephone marketing is also used for publicising tailor-made offers to customers who agree to this method of contact.

STRATEGIC TARGETS FOR GROWTH AND RATE OF RETURN, FINANCING TARGETS

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

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

Financing strategy

As part of its financing strategy, the Hawesko Group endeavours to ensure that there are adequate financial resources available to finance both its ongoing business operations and its organic growth. It aims to finance both that growth and, in principle, the distribution of profit from the cash flow.

To optimise its liquidity, the group makes use of a cash pool system that combines the cash and cash equivalents of the domestic subsidiaries. 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 will thus remain a priority target of the Board of Management (cf. "Management and control", page 34).

The costs of capital to be earned (cf. under "Financial position", page 25) are the focus of corporate steering activities in all segments of the group. This is to ensure that only investments that generate value or exceed their minimum return are made. The minimum rates of return targeted for the individual segments are gauged by the indicator of return on capital employed (ROCE). In the Hawesko Group, ROCE is calculated as follows: 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 deferred tax assets. The ROCE indicators for the business segments and group are as follows:

ROCE

	2005	2006	2007	Anticipated minimum return
Specialist wine-shop retail	29%	29%	30%	> 27%
Wholesale/distribution	14%	15%	23%	> 17%
Mail order	21%	15%	7%	> 22%
Group	18%	18%	16%	> 16%

The following were communicated as targets for 2007 or long-term rate of return targets and achieved or not achieved as indicated:

	Objective	2007	Attained
Sales	Increase of 3%–5% on previous year (€ 302.6 million), higher growth than the market itself (2007: +1.2%)	€ 333.7 million (+10.3%)	✔
EBIT	Achieving operating result on a par with previous year (€ 18.6 million), despite start-up costs for continuing the specialist market pilot and increased efforts to acquire new customers in the mail-order segment	€ 18.3 million (–1.8%)	✔
EBIT margin	Long-term margin of 7% of sales	5.5%	–
Capital turnover	Permanently exceeding a factor of 1.3	1.9	✔
ROCE	Achieving the minimum target return (16%)	16%	✔
Free cash flow	Over € 10.0 million	€ 13.6 million	✔

The shortfall compared with the long-term EBIT target margin of 7% in the year under review was attributable to the termination of the pilot scheme of specialised stores in the wine-shop retail segment as well as increased efforts to acquire new customers in the mail-order segment.

OVERVIEW OF BUSINESS PROGRESS IN 2007

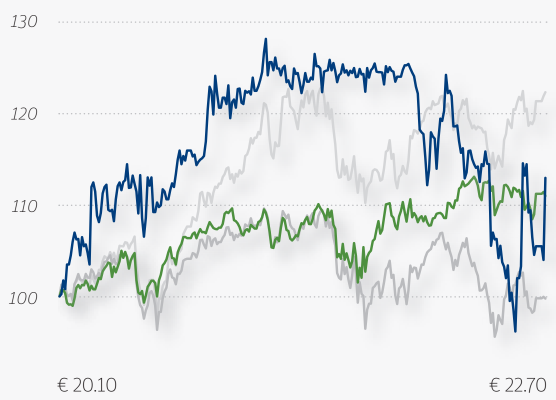
In the opinion of the Board of Management, the Hawesko Group made very good progress in the 2007 financial year, laying excellent foundations for its future. Despite signs of a slight downturn in the market indicators in the fourth quarter – prompted by uncertainty stemming from the worldwide real estate crisis – the economic situation in Germany remains favourable. The Hawesko Group was also able to benefit from these framework conditions. It again succeeded in increasing sales by 10.3% and therefore by a much higher rate than the growth of the wine market itself. The year under review featured a high level of spending on measures designed to improve future earnings (costs were incurred for example for the acquisition of new customers in the mail-order segment and for the integration of the *Wein Wolf* Group's warehouse into the logistics centre at Tornesch, near Hamburg). The operating result (EBIT) of € 18.3 million was consequently on a par with the previous year (€ 18.6 million), as planned. In the wholesale segment, business for the French subsidiary *Château Classic – Le Monde des Grands Bordeaux*, which specialises in Bordeaux wines, was expanded. The domestic arm of this segment moreover benefited from more lively demand for Italian wines. As a result of this welcome development, the segment was able to report earnings that were higher than expected.

Napa Valley, California, USA

The specialist wine-shop retail segment, too, performed better than expected. This development was attributable in particular to another good Christmas period and to high demand for German white wines following on from the segment's concerted drive to increase its range of such wines over the past few years. The success of these two segments compensated for the performance of the mail-order segment: Promotional activities designed to acquire new customers were stepped up palpably following investment in future business activities and the wine club concept "VinoSelect" of *Hanseatisches Wein- und Sekt-Kontor* was further extended.

The net earnings of the Hawesko Group were down on the previous year as planned, because on the one hand an extraordinary finance income item did not recur, and there was higher finance expense recognised from the IFRS value measurement of minority interest in unincorporated firms. On the other hand the tax reform approved in 2007 increased the tax expense by a one-off amount of € 2.7 million. The tax expense ratio was consequently 56% (previous year: 37%). Consolidated earnings after taxes and minority interest amounted to € 6.7 million or € 0.76 per share, compared with € 10.8 million or € 1.23 per share in the previous year. After elimination of the one-off additional tax expense, on a comparable basis, the consolidated earnings after taxes and minority interest were € 9.4 million (€ 1.07 per share).

PRICE DEVELOPMENT OF THE HAWESKO SHARE (%)



02/01/2007 **29/12/2007**

- Hawesko share
- Dow Jones 600 Food & Beverage Price Index
- Dow Jones 600 Price Index
- DAX Index

The consolidated balance sheet shows a lower rate of increase in working capital than in sales. Despite the slight downturn in EBIT, it was therefore possible to achieve a ROCE of 16%, which is the target.

The Hawesko Group generated a free cash flow of € 13.6 million in the year under review (previous year: € 5.6 million). This year-on-year increase resulted from the fact that the rise in trade receivables was lower than the rise in sales. The increase in inventories as a whole was moreover lower. This is above all attributable to the fact that payments for subscriptions to Bordeaux wines were lower in the year under review, whereas they had been particularly high in the previous year because of the highly regarded 2005 vintage.

SHARE PRICE DEVELOPMENT

A mixed picture emerges from looking back at the performance of the stock markets in Germany in 2007. Whereas the trading prices of large companies were able to boast a good performance, mid and small-caps experienced a sideways or downward trend. The German share index DAX started the year on 6,750 points and closed on around 8,000 points on the year's final day of trading.

The overall performance of the mid-caps in the MDAX index was only marginally positive: the MDAX consequently finished the year on just under 10,000 points, representing only a slight improvement on the 9,500 points on which it had started the year. The small-cap index SDAX started the year on 5,750 points but ended 2007 down at 5,250 points.

The trading price of Hawesko Holding AG's shares rose from a figure of € 20.10 on the first trading day of 2007 to a figure of € 25.49 in June, closing the year on € 22.70. Hawesko shares consequently gained 13% over the year.

A share buy-back with a total volume of up to € 3 million was launched on 2 October 2007. The bought-back shares are intended to be cancelled – probably in the first half of 2008 – thus reducing the number of shares outstanding and boosting the key figures per share.

INVESTOR RELATIONS

The investor relations activities of the Hawesko Group are designed to maintain ongoing dialogue with fund managers and other institutional investors, as well as with other capital market participants and representatives. The business situation of the group and the expectations of its management are addressed within this dialogue. The shareholders of Hawesko Holding AG include institutional investors in Germany, the United Kingdom, the USA, France, Italy and Scandinavia. Contacts with them were not merely maintained in the course of the year under review, but deepened. A total of 60 individual meetings with shareholders and their representatives were held in 2007. Hawesko in addition held four company presentations in Frankfurt am Main and introduced itself to investors during roadshows in Switzerland and London. The development of Hawesko Holding AG is regularly covered by a number of leading banks, including Berenberg Bank, Cazenove, Deutsche Bank, DZ BANK, GSC Research, Independent Research and M.M. Warburg.

KEY DATA PER SHARE (€)

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

FINANCIAL PERFORMANCE

Sales growth easily outstrips overall wine market – significant gains in market shares

The net sales of the Hawesko Group rose by 10.3% in 2007, from € 302.6 million to € 333.7 million. The sales volume amounted to around 52 million bottles or units in the year under review. The German market generated around 89% of sales. Wines from France accounted for around 42% of the total, Italian wines for approximately 27% and wines from Spain for some 10%.

DEVELOPMENT IN EARNINGS

€ million	2004	2005	2006	2007
EBITDA	**22.1**	**23.3**	**22.9**	**23.3**
Year-on-year change	–	+5.2%	–1.8%	+1.8%
EBITDA margin	7.7%	8.1%	7.6%	7.0%
EBIT	**16.8**	**18.9**	**18.6**	**18.3**
Year-on-year change	–	+12.4%	–1.8%	–1.8%
EBIT margin	5.9%	6.6%	6.1%	5.5%
EBT	**13.4**	**16.2**	**17.3**	**15.7**
Year-on-year change	–	+21.0%	+6.8%	–9.6%
EBT margin	4.7%	5.6%	5.7%	4.7%
CONSOLIDATED EARNINGS	**5.7**	**10.7**	**10.8**	**6.7**
Year-on-year change	–	+88.6%	+0.7%	–38.4%
Consolidated earnings margin	2.0%	3.7%	3.6%	2.0%

COST STRUCTURE

as % of sales	2004	2005	2006	2007
Personnel costs	–10.2%	–9.9%	–9.5%	–9.3%
Advertising costs	–8.3%	–8.2%	–7.9%	–8.1%
Delivery costs	–4.0%	–3.9%	–3.7%	–3.5%
Other operating income and expenses (balance)	–11.6%	–11.5%	–11.8%	–11.3%
Depreciation and amortisation	–1.8%	–1.5%	–1.4%	–1.5%
TOTAL	**–35.9%**	**–35.0%**	**–34.3%**	**–33.7%**

All sales channels enjoyed more marked growth than the wine market as a whole. In the specialist wine-shop retail business segment, sales continue to rise steadily. Following the downturn in sales proceeds in recent years, mail-order business enjoyed resurgent sales which were boosted considerably by the drive to acquire new customers and the successful implementation of the "VinoSelect" wine club concept at *Hanseatisches Wein- und Sekt-Kontor*. However, the wholesale segment posted easily the biggest growth, benefiting from high worldwide demand for Bordeaux wines and an attractive range that features a large number of renowned exclusive wines.

The slight shift in the sales shares of the individual segments compared with 2006 and the fact that the VAT increase at the start of 2007 was not always passed on to the customer in the end price caused the gross profit margin within the group to fall, from 40.4% in the previous year to 39.2% in the year under review. The steepest percentage increase in sales was yet again achieved by the wholesale/distribution segment, where the profit margin is comparatively small. The specialist wine-shop retail segment almost succeeded in matching the previous year's gross profit margin despite the increase in VAT. In the mail-order segment, the gross profit margin was influenced by the much higher proportion of first-time purchases by new customers, which traditionally generate lower profits, and also by the price changes following the VAT increase.

Consolidated EBIT at prior-year level, as planned

The operating result (EBIT) of the Hawesko Group amounted to € 18.3 million (previous year: € 18.6 million) in the year under review. Consolidated EBIT for 2007 represents an operating margin of 5.5% of sales (2006: 6.1%). EBIT for the year under review was reduced on the one hand by the costs of the now terminated piloting of the specialty-store concept, which amounted to € 1.3 million, and on the other hand by the rise in expenditure on the acquisition of new customers (approx. € 1.0 million). The sale of the Polish participation *Sommelier Dystrybucja Sp.z o.o.* with effect from 1 September 2007 moreover diminished EBIT by all of € 0.5 million and the integration of the *Wein Wolf* Group warehouse into the Tornesch location, near Hamburg, also ate into the figure. There were positive effects largely from increased sales in the specialist wine-shop retail and wholesale segments.

EBIT MARGINS

as % of sales	2005	2006	2007
Specialist wine-shop retailing	10.6%	11.5%	11.6%
Wholesale	5.0%	4.9%	6.2%
Mail order	7.1%	5.4%	2.4%

SALES BY SEGMENT (€ million)

EBIT BY SEGMENT (€ million)

Jacques' Wein-Depot easily recoups the costs of testing specialty-store concept

The net sales of the specialist wine-shop retail business segment (in essence *Jacques' Wein-Depot*) were boosted by 3.9% in the year under review to € 105.2 million. Like for like, the rise in sales was 2.6%.

Growth was driven both by a sharp increase in the number of purchase transactions and by the higher average till receipt. The former was increased year on year by almost 4% in 2007, whereas the latter was almost 3% up on the figure for the prior-year period.

The average till receipt was boosted by high demand for German white wines, the range of which was deliberately expanded; these wines command higher average selling prices than white wines from other areas. There was also greater demand for larger pack units. At the end of the year under review there were 269 *Jacques' Wein-Depot* outlets, including four in Austria (end of previous year: 260, including five in Austria). At 31 December 2007, rental agreements for a further outlet had in addition been taken out.

The piloting of specialist wine markets that started in September 2006 was terminated. In view of rising demand for higher-quality wines, it is logical to concentrate on the established sales channels. Five such markets had been opened during the year under review. Three of these locations were subsequently converted into *Jacques' Wein-Depot* outlets and the remaining two were closed.

The operating result (EBIT) for the wine-shop segment rose from € 11.6 million to € 12.2 million in the reporting period, or by 4.8%. This increase was prompted above all by the growth in sales at *Jacques' Wein-Depot*. As in previous years, the well-established *Jacques'* customer card and the successful acquisition of new customers for existing outlets in particular contributed towards business stability. EBIT for *Jacques' Wein-Depot* in the year under review includes a one-off release of provisions for unclaimed customer loyalty bonus points (€ 0.5 million). As in previous years, the bonus points of those customers who have not made a purchase for three years were also liquidated (€ 0.3 million). EBIT was diminished by the terminated activities for testing a new specialty-store concept costing € 1.3 million and by training activities for *Viniversitaet Die Weinschule GmbH* amounting to € 0.2 million (previous year: € 0.3 million). Market operations in Austria under the *Jacques' Wein-Depot* name reached the break-even point and posted EBIT of € 0.1 million. Losses of € 0.1 million had been incurred in the previous year.

Wholesale/distribution continues to achieve clearly above-average growth coupled with substantially improved EBIT margin

The net sales of the wholesale/distribution segment were 16.4% higher than in the previous year, at € 139.3 million – even though sales had already gone up by 16.1% in 2006. The wholesale/distribution segment's strong position in the market consequently yielded renewed strong growth thanks to widespread consumer confidence in 2007. The Bordeaux-based subsidiary *Château Classic – Le Monde des Grands Bordeaux*, which specialises in trading in top-class wines from that region, was responsible for almost half of the increase in sales.

Aquitaine, France

The remainder of the increase was spread among the other sales companies in the segment, though it is to be noted that the subsidiary *Deutschwein Classics*, established in 2006 and specialising in German wines, posted high growth from a low starting level. Sales of Baron Philippe de Rothschild wines continued to make positive progress. Sales of Italian wines likewise gained quite some momentum. *Wein Wolf* has also been successful in Austria and the Czech Republic with its activities based around the discerning business concept of "a wealth of individuality".

The operating result (EBIT) for wholesale and distribution rose by 47.3%: from € 5.9 million in the previous year to € 8.7 million in the year under review. This in essence reflects the profitable sales growth of this business segment. The EBIT margin improved noticeably, from 4.9% in the previous year to 6.2% in 2007. Finally, the sale of the Polish participation *Sommelier Dystrybucja Sp.z o.o.* with effect from 1 September 2007 reduced EBIT for 2007 by € 0.5 million.

Investment in new customers dominating mail-order sales and EBIT

Net sales for the mail-order business segment climbed to € 89.0 million in 2007. This rise of 9.3% was achieved above all thanks to a drive to acquire new customers for the standard range of *Hanseatisches Wein- und Sekt-Kontor* and the expansion of the "VinoSelect" wine club concept. Sales for the company's gifts business remained virtually unchanged despite a slight drop in the average transaction value. *Carl Tesdorpf – Weinhandel zu Lübeck* was likewise able to report substantially higher sales, mainly thanks to a higher print run for the advertising materials with which customers are targeted.

The customer structure in the mail-order segment was further improved through the acquisition of numerous customers who offer considerable potential for sales: almost 100,000 new customers were attracted (previous year: 53,000; in each case excluding the normal annual attrition). The sharp rise in the number of new customers affected several sales indicators compared with the previous year. The average number of bottles per order (–1%), the average order value (–9%) and the ordering frequency all fell as expected.

The operating result (EBIT) for the mail-order segment declined to € 2.1 million (previous year: € 4.4 million). The downturn in the operating result is attributable above all to the costs of more intensive new customer acquisition, which has now placed the business on a broader customer base.

In assessing EBIT, it should in addition be noted that own contributions to both purchased and internally produced intangible assets (in the first instance directly allocable personnel costs) amounting to € 0.8 million were capitalised in the previous year, in preparation for the introduction of an SAP-based merchandising system. The IT changeover was completed at the start of 2007, as a result of which no further costs in need of capitalisation were incurred. EBIT for the mail-order segment was reduced by € 0.6 million in depreciation for the capitalised software (previous year: € 0.3 million).

Takeover of wholesale logistics erodes logistics EBIT

The subsidiary *IWL Internationale Wein Logistik* in Tornesch, near Hamburg, complements the mail-order and wholesale activities through its logistics services. To a minor extent it also performs logistics services on behalf of customers outside the group. These external sales fell by 36% in the year under review. Further costs totalling € 1.0 million predominantly for additional personnel were incurred. On the one hand its performance in 2007 was not as high as in the previous year, especially in the first six months as a consequence of the IT-system changeover. On the other hand relocation costs arose following the transfer of wholesale logistics operations to Tornesch. Both circumstances led to a year-on-year fall in EBIT.

At group level, the costs for the holding company and consolidating items amounted to € 3.5 million in the year under review, compared with € 3.3 million in the previous year.

Consolidated net income

The consolidated earnings before taxes for the 2007 financial year totalled € 15.7 million, down € 1.7 million on the prior-year figure. The financial result, at € –2.6 million, was € 1.3 million lower than in the previous year (€ –1.3 million) because one-off proceeds from the sale of interest rate derivatives that were no longer required were realised in 2006 and the finance expense from the IFRS value measurement of minority interest in unincorporated firms was notionally higher in the 2007 reporting year.

Within tax expense, the amount stated for the balance sheet item “Deferred tax assets” needed to be adjusted by € 2.7 million following the Federal Council’s ratification of a tax reform act in July 2007. The resulting higher effective tax rate of 55.6%, compared with 36.7% in the previous year (cf. section 13 in the Notes to the consolidated financial statements) and the lower earnings before taxes produced earnings after taxes of € 7.0 million (previous year: € 11.0 million). After elimination of the one-off additional tax expense, on a comparable basis, the earnings after taxes in the year under review amounted to € 9.7 million.

Stellenbosch, Cape Winelands, South Africa

Consolidated earnings after taxes and minority interest totalled € 6.7 million in the year under review (after elimination of non-recurring additional tax effect: € 9.4 million). The prior-year figure was € 10.8 million.

Earnings per share amounted to € 0.76 (after elimination of the non-recurring additional tax effect: € 1.07; 2006: € 1.23). There are no further outstanding convertible bonds or conversion rights; at present there is consequently no scope for dilution of the earnings per share.

Net income of the parent company and proposal on the appropriation of earnings

The income statement of Hawesko Holding AG, as parent company of the group, is dominated by its holding activities and – unlike the consolidated income statement – is prepared in accordance with the German Commercial Code. The result from shareholdings fell as a result of the lower overall earnings of the subsidiaries, from € 15.4 million in the previous year to € 13.9 million in the year under review. After deduction of expenses and taxes, there remained net income of € 10.7 million (previous year: € 1.7 million). In the previous year a write-down was performed on the carrying amount for *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* but was not repeated in the year under review. Taking account of the profit carryforward of € 0.1 million from the previous year and following allocation of € 1.8 million to the other revenue reserves, there remains an unappropriated profit of € 9.1 million.

FINANCIAL POSITION

Principles and aims of financial management

The principles and aims of financial management were explained above on page 15 under “Strategy”.

Financing analysis

The capital requirements of the Hawesko Group comprise the capital expenditure on property, plant and equipment and intangible assets, the financing of operating activities and the payment of the dividend. For these purposes, the Hawesko Group finances itself largely through working capital credit, finance leases and the cash flow from operations that it generates. At 31 December 2007, the cash resources of the group comprised cash amounting to € 8.4 million (previous year: € 5.5 million). There exist credit facilities with a volume totalling € 35.0 million, of which € 10.0 million is available seasonally to finance Christmas business. At 31 December 2007, these credit facilities were drawn on to a level of around 23%. Overall, the Hawesko Group reported short-term and long-term borrowings amounting to € 19.2 million at that reporting date. Of this total, € 10.1 million is due within the next twelve months. The short-term borrowings consist predominantly of bank loans from German banks on the basis of credit agreements. The long-term borrowings show above all liabilities from finance leases amounting to € 8.1 million.

According to group calculations, the costs of the equity and borrowed capital made available to the group are currently 7.6%. They comprise the weighted costs of the equity capital of 7.8% on the one hand, and of the borrowed capital of 5.6% on the other. In calculating the cost of equity, the group works on the basis of a long-term risk-free interest rate of 4.75% and a risk premium of 5.0% at beta = 0.6.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2007:

(Rounding differences possible)	Short-term € million	Short-term %	Long-term € million	Long-term %	Total € million
Due to banks	9.1	90.1	1.0	9.9	**10.1**
Finance leases	1.1	12.0	8.1	88.0	**9.2**
TOTAL	**10.1**	**52.6**	**9.1**	**47.4**	**19.2**

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2006:

(Rounding differences possible)	Short-term € million	Short-term %	Long-term € million	Long-term %	Total € million
Due to banks	9.2	82.1	2.0	17.9	**11.2**
Finance leases	1.0	9.8	9.2	90.2	**10.2**
TOTAL	**10.2**	**47.7**	**11.2**	**52.3**	**21.4**

The short-term loans are rolling borrowings denominated in euros, in each case with a maturity of between one and three months. The interest rate risk is hedged against by means of derivative interest-rate hedging tools at group level, without the hedging criteria of IFRS being satisfied. The terms of the long-term borrowings and details of the recognition of the financial derivatives as well as of the finance leases are shown in the Notes to the consolidated financial statements, from page 50.

In the year under review of 2007, the net debt owed fell by € 5.2 million to € 11.4 million. The € 1.2 million fall in amounts due to banks and the € 2.9 million rise in cash lay behind this development.

The following table shows the development in the net debt owed:

€ million (Rounding differences possible)	2007	2006
Due to banks	10.1	11.3
+ Finance leases	9.2	10.2
+ Provisions for pensions	0.6	0.7
= **GROSS DEBT OWED**	**19.8**	**22.1**
– Cash	–8.4	–5.5
= **NET DEBT OWED**	**11.4**	**16.6**

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

Liquidity analysis

CONSOLIDATED CASH FLOW

€ million	2007	2006
Cash flow from current operations	+17.9	+12.7
Cash flow from investing activities	–2.6	–5.6
Cash flow from financing activities	–12.4	–8.8

The consolidated cash flow from current operations improved by € 5.2 million to € 17.9 million. This year-on-year increase resulted on the one hand from the fact that the rise in trade receivables was lower than the rise in sales. On the other hand the overall rise in inventories was less pronounced as a result of lower advance payments for subscriptions to Bordeaux wines and because advance payments in the previous year had been particularly high for the highly regarded 2005 vintage.

The cash flow from investing activities includes cash outflows for property, plant and equipment and intangible assets amounting to € 3.4 million.

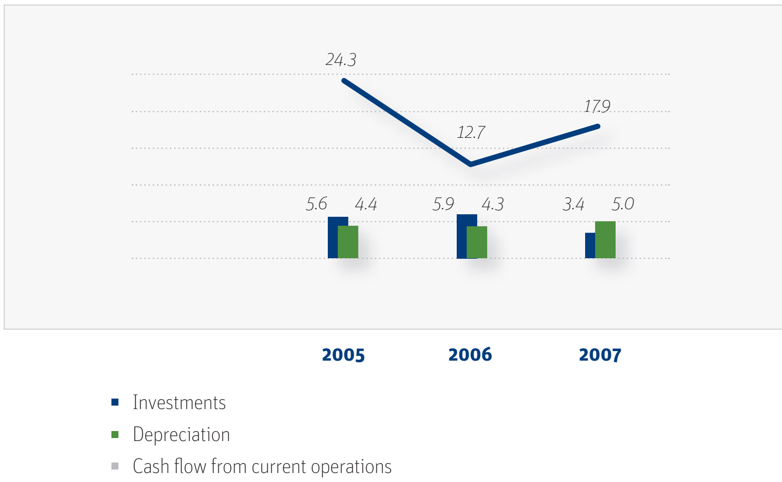
The free cash flow (total of cash flows from current operations and investing activities less interest paid), which serves as an important indicator within the Hawesko Group, rose by € 8.0 million to € 13.6 million.

Investment analysis

The Hawesko Group invested € 3.4 million in intangible assets, in property, plant and equipment and in financial assets in the year under review (previous year: € 5.9 million). In relation to sales, the investment ratio was thus approximately 1.0% (previous year: 2.0%).

Capital expenditure on property, plant and equipment totalled € 2.9 million (previous year: € 3.0 million), the bulk of which (€ 1.1 million) was used for the modernisation of *Jacques' Wein-Depot* outlets in the specialist wine-shop retail segment. The capital expenditure on intangible assets of € 0.5 million (previous year: € 2.9 million) was for the relaunch of the *Hanseatisches Wein- und Sekt-Kontor* website and for licences for the stock administration, merchandising and financial accounting software introduced in the mail-order segment and in logistics in the previous year.

INVESTMENTS/DEPRECIATION/CASH FLOW (€ million)



STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2007		2006	
€ million (Rounding differences possible)		as % of balance sheet total		as % of balance sheet total
NON-CURRENT ASSETS				
Intangible assets	9.9	6%	10.6	6%
Property, plant and equipment	22.0	12%	23.5	14%
Financial assets	0.3	0%	0.3	0%
Deferred taxes	9.9	6%	15.3	9%
Other	6.8	4%	7.6	4%
	48.9	**28%**	**57.3**	**33%**
CURRENT ASSETS				
Inventories	68.4	38%	61.2	36%
Trade receivables	47.8	27%	44.8	26%
Cash and other current assets	11.5	7%	8.6	5%
	127.7	**72%**	**114.6**	**67%**
BALANCE SHEET TOTAL	**176.6**	**100%**	**171.9**	**100%**

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES	2007		2006	
€ million (Rounding differences possible)		as % of balance sheet total		as % of balance sheet total
SHAREHOLDERS' EQUITY				
Subscribed capital (adjusted pursuant to IFRS)	8.9	5%	8.9	5%
Capital reserve	6.1	3%	5.9	3%
Revenue reserve	34.9	20%	35.3	21%
Balancing item	0.0	0%	0.0	0%
Unappropriated group profit	21.0	11%	22.1	13%
Minority interest	0.6	1%	0.3	0%
	71.4	**40%**	**72.5**	**42%**
MINORITY INTEREST IN THE CAPITAL OF INCORPORATED SUBSIDIARIES	**3.7**	**2%**	**3.0**	**2%**
NON-CURRENT LIABILITIES				
Provisions	0.9	1%	1.0	1%
Non-current portion of borrowings	9.1	5%	11.2	6%
Other non-current liabilities and deferred tax liabilities	5.7	3%	8.6	5%
	15.6	**9%**	**20.8**	**12%**
CURRENT LIABILITIES				
Provisions	0.1	0%	0.0	0%
Current portion of borrowings	10.1	6%	10.3	6%
Advances received	10.0	6%	3.7	2%
Trade payables	45.0	25%	43.5	25%
Other liabilities	20.7	12%	18.1	11%
	85.9	**49%**	**75.6**	**44%**
BALANCE SHEET TOTAL	**176.6**	**100%**	**171.9**	**100%**

FINANCIAL POSITION

Debt level further reduced

The consolidated balance sheet total grew from € 171.9 million in the previous year to € 176.6 million in the year under review. This represents an increase of 2.8%.

The non-current assets were well down on the previous year (€ 57.3 million) at € 48.9 million. This item substantially comprises goodwill from the consolidation of the *Wein Wolf* Group (€ 4.5 million) and *Château Classic – Le Monde des Grands Bordeaux* (€ 0.2 million) as well as *Carl Tesdorpf – Weinhandel zu Lübeck* (€ 0.3 million). Following the very good Bordeaux vintage in 2005, the long-term advance payments for inventories showed a slight decrease of € 0.7 million to € 5.7 million. The deferred tax assets item fell by a total of € 5.4 million. Of this amount, € 2.7 million is attributable to the reduction in the tax rate following the tax reform.

Current assets climbed from € 114.6 million to € 127.7 million, principally because of the rise in advances received. These were particularly high because of the much sought-after 2005 Bordeaux vintage. Trade receivables also rose as a result of sales growth, though the rate of increase was disproportionately low.

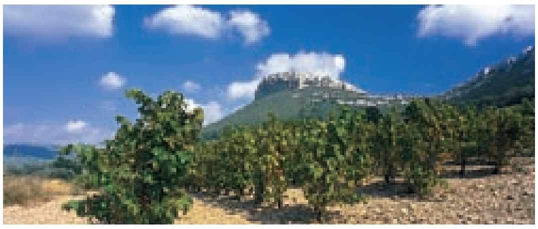
Consolidated equity fell year on year by € 1.1 million to € 71.4 million. This change was attributable above all to the amortisation of deferred tax assets in connection with the reduction in the tax rate following the tax reform. In view of the higher balance sheet total, the equity ratio (prior to the distribution of profit) therefore fell from 42.2% to 40.4% of the balance sheet total. The € 0.4 million fall in the revenue reserves to € 34.9 million was prompted by the share buy-back during the year under review.

The minority interest in the capital of unincorporated subsidiaries increased by € 0.7 million from the previous year. This item comprises the possible settlement obligations as well as the interests in the net earnings of the group companies consolidated in full or on a pro rata basis. The calculation of the value is based on the earnings of the past three years, with different weightings, the current year having the biggest influence. The rise in this item is consequently attributable to a considerable degree to the healthy earnings of the *Wein Wolf* Group.

Burgundy, France

Non-current liabilities fell by € 5.2 million to € 15.6 million. This was principally due to the reclassification of advances received as current liabilities. The item was particularly high in the previous year in view of the much sought-after 2005 Bordeaux vintage. Borrowings, on the other hand, were down € 2.1 million in the year under review, to € 9.1 million. As there were no new long-term borrowings, this item fell as a result of the scheduled repayments.

Current liabilities rose by € 10.3 million as a result of the advances received for the much sought-after 2005 vintage, which had been reported under non-current liabilities in the previous year.



Provence, France

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

The indirect participation in *Sommelier Dystrybucja Sp.z o.o.* was sold in the period under review (see Financial performance). No companies were acquired in the period under review.

The capital turnover was 1.9 in the year under review, compared with 1.8 in the previous year.

There exist no substantial assets used that are leased but not recognised on the balance sheet. In the specialist wine-shop retail segment, the shops operated by *Jacques' Wein-Depot* are fundamentally rented and are therefore not reported under fixed assets. There was a total of 269 *Jacques' Wein-Depot* outlets at year-end.

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

The specialist wine-shop retail and mail-order segments serve over one million private customers in Germany and Austria. These customers made purchases averaging € 176 net during the past year. The customer base of the wholesale segment comprises around 12,000 customers, predominantly in Germany; they are made up of grocery retailers, specialist wine retailers and the catering branch.

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

Hawesko is at a considerable advantage thanks to its special logistics arrangements, in other words the warehousing, handling and dispatching to customers of its wines in a manner that befits such a sensitive, high-quality product. For its mail-order logistics, the group has a fully climate-controlled delivery centre where the processes are tailored precisely to the specific nature of mail-order trade with consumers. Since the summer of the year under review, *IWL Internationale Wein Logistik GmbH* has in addition handled logistics for the *Wein Wolf* Group. Integration of the warehouse yields synergy benefits in the form of higher warehouse capacity utilisation and more flexible personnel deployment thanks to scope for combining movements of goods for the mail-order and wholesale segments. In the specialist wine-shop retail area, on the other hand, third-party service providers are used for the most part, as the processes in this instance are closer to the established norm in logistics.

EMPLOYEES

The positive development and sustained business success of the Hawesko Group depend critically on the expertise, experience and motivation of its employees.

The group employed an average of 609 people in the 2007 financial year, predominantly in Germany; this compares with 551 in the previous year. The increase in the employee total stems from the transfer of wholesale logistics operations to the subsidiary *IWL Internationale Wein Logistik* and from business expansion in general.

The employee structure for the year under review, on the basis of function, was as follows: 48% of employees were engaged in the marketing/distribution/customer service areas, 16% in administration and IT, 29% in logistics, and 7% in purchasing and procurement.

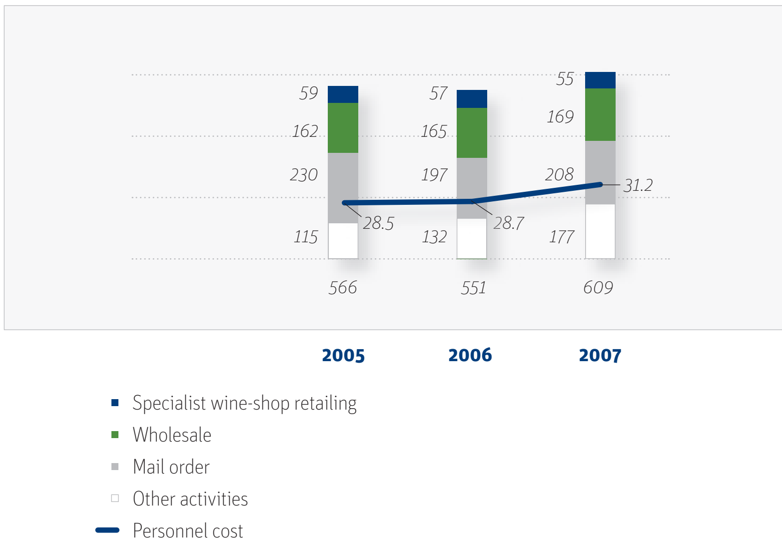
Personnel expenses comprise wages and salaries, as well as statutory, collectively negotiated and voluntary social contributions. Personnel costs rose by 8.8% in the year under review to € 31.2 million. The personnel cost ratio eased off slightly to 9.3% (previous year: 9.5%).

Depending on the company that employs them, the employees of the Hawesko Group are entitled to a variety of retirement benefit arrangements. These include options to convert part of their pay into pension contributions, collectively negotiated retirement benefits and voluntary employer commitments.

Hawesko Holding AG is a member of the Pensionskasse des Handels pension fund. Our membership paves the way for providing all domestic employees of the Hawesko Group with effective retirement benefit arrangements, including cover for invalidity and surviving dependants. The combination of employer subsidies and a component taken directly from the individual employee's salary makes it possible to build up a stable provision for old age through contributions that are exempt from tax and social insurance. At 31 December 2007, 287 employees of the group belonged to this pension fund. Collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

Well trained employees are indispensable in achieving the high standards that our markets and customers expect. The Hawesko Group therefore both provides training in line with requirements, and specific further training. Traineeships are predominantly in commercial vocations. Since the 2006 financial year, these have included the newly created vocation of "dialogue marketing commercial clerk", where the emphasis of training is placed on equipping people to plan, organise and steer customer contacts. The objective here is to develop and preserve long-term customer contacts. Employees who have completed this specialist training are deployed in the call centre and sales areas of mail-order operations. The further training measures available within the Hawesko Group are based on courses designed to develop the personal performance profiles of individual employees. Employees are in addition offered internal training courses, focusing predominantly on merchandising and on the handling of user software. Expenditure on training and advancement measures in the year under review amounted to € 0.2 million.

TOTAL EMPLOYEES/PERSONNEL COST (€ million)



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 conjunction with renowned wine producers – including the registration and protection of brands – does not amount to more than € 100 thousand per year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

In February 2008, at the time this report was written, the Board of Management of Hawesko Holding AG considers the Hawesko Group to be in robust economic health. It is also ideally equipped for future growth. The good cash flow, the extensive acquisition of new customers and above-average sales growth were the decisive factors from which the group was able to profit in the year under review.

The past year thus yet again confirmed the viability of the Hawesko business model. The group's successful concept on the one hand offers attractive sales channels to suppliers and on the other hand gives consumers access to an extensive selection of the most attractive wines in the world. This approach has hoisted the group into a position from which it not only benefits to a proportionately greater degree from the efforts of previous years in the current financial year, but has also succeeded in increasing its market share. The Board of Management remains convinced that the group is heading in the right direction. This view appears to be supported by the successful course of the 2007 financial year, above all in the specialist wine-shop retail and wholesale/distribution segments. Even if profitability (EBIT margin) has been temporarily depressed by the exceptional growth in sales, this growth will in all probability be of lasting benefit to the group in the medium term.

The quality of Hawesko Holding AG as a company – and therefore also as an investment – includes its ambitious working capital management, which is practiced with the objective of sustainably generating free cash flow and keeping borrowings down to an appropriate level. Despite the accelerated growth, tied-up capital was kept low in the 2007 financial year and net debt further reduced.

LEGAL STRUCTURE OF THE GROUP AND INFORMATION REQUIRED UNDER TAKEOVER LAW

REPORT I.A.W. SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE IN CONJUNCTION WITH SECTION 120 PARA. 3 NO. 2 OF THE GERMAN STOCK CORPORATION LAW:

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,249,488 is divided into 8,832,992 no par value bearer shares, all of which are equipped with identical rights and obligations. The company is not aware of any restrictions affecting voting rights or the transfer of shares. Equally, no other classes of share exist. Under the articles of incorporation the Board of Management is, with the approval of the Supervisory Board, authorised until 31 May 2008 to increase the capital stock by up to a total of € 6,600,000, by issuing new no par value bearer shares. There are plans to authorise new approved capital at the next Shareholders' Meeting. A shareholders' resolution furthermore authorises it to acquire treasury shares amounting in total to up to 10% of the capital stock by 30 November 2008; the renewed granting of such an authorisation is to be proposed to the next Shareholders' Meeting. The granting of authorisation to acquire treasury shares corresponds to a widely-accepted practice of listed companies in Germany. The granting of such authorisation is to make it possible for the company to offer treasury shares to domestic and international investors quickly and flexibly, to expand the group of shareholders and to stabilise the value of the share. Furthermore, the company shall have treasury shares at its disposal to be able to offer them as payment-in-kind for the acquisition of companies or shareholdings. On 2 October 2007, the Board of Management resolved to buy back shares to the value of up to € 3 million on the basis of this authorisation. A total of 136,222 shares had been bought back by the end of February 2008. Detailed particulars on the issue and acquisition of shares are provided in section 22 of the Notes to the consolidated financial statements.

An amendment to the articles of incorporation requires a shareholders' resolution carried by at least three-quarters of the capital stock represented.

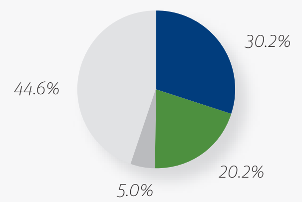
The principal agreements of Hawesko Holding AG, which contain a clause in the event of the takeover of Hawesko Holding AG, relate on the one hand to agreements with various suppliers on exclusive distribution rights, and on the other hand to bilateral credit facilities with German banks. In the event 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. A takeover is assumed to have taken place if a third party obtains control of Hawesko Holding AG; this may also be a group acting jointly.

The Board of Management Chairman, Alexander Margaritoff, is the biggest shareholder of Hawesko Holding AG, with 30.2% of the shares. He is followed by Detlev Meyer – who acquired his shareholding in Hawesko in 2005 and was a member of the Supervisory Board until 31 December 2007 – with 20.2% (31. December 2006: 17.9%) held via Tocos Beteiligung GmbH and Michael Schiemann, who holds a 5.0% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 45% of the shares are owned by German and international funds and private investors. There are no employee shares as defined in Sections 289 Para. 4 No. 5, 315 Para. 4 No. 5 of German Commercial Code.

The Hawesko Group has a holding-company structure, with the parent company Hawesko Holding AG holding 100% or a majority of the shares in the operative subsidiaries, whose activities are predominantly in the wine trade. In the case of the subsidiaries where the shareholding is not 100%, the director responsible generally holds a minority interest. The parent company Hawesko Holding AG and a majority of the subsidiaries (15) 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 all have their registered office within the European Union. No substantial factors influencing business need be mentioned.

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Strategy", page 13).

SHAREHOLDER STRUCTURE (%)



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

MANAGEMENT AND CONTROL

Independent responsibility for the running of the company and representing it in transactions with third parties rests with the Board of Management of Hawesko Holding AG. It has comprised four members since 1 January 2008 (three members until 31 December 2007) and reaches its decisions by majority vote. Each member is in charge of individual areas of responsibility, irrespective of their collective responsibility for the management of the group.

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

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

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

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

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

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

Pursuant to Section 161 of German Stock Corporation Law, the Board of Management and Supervisory Board of publicly quoted stock corporations are to declare each year that the recommendations of the Government Commission on the German Corporate Governance Code, published in the official section of the electronic Federal Official Gazette by the Federal Ministry of Justice, have been complied with, or declare which recommendations have not been or will not be complied with. This declaration is printed in the Annual Report (page 87) and is published on the Internet at http://www.hawesko.com › Investor Relations › Corporate Governance, both in its current version and in older versions.

Styria, Austria

REMUNERATION REPORT

The remuneration of Board of Management members comprises a fixed and a variable component, as well as retirement benefit components. The criteria by which the appropriateness of remuneration is gauged comprise the tasks of the individual Board of Management member, his personal performance and the economic situation, success and future prospects of the company compared with its context.

The variable component comprises a performance-related payment that is fundamentally based on the net income; there is no component with a long-term incentivising effect. The remuneration payments to the Board of Management are indicated in section 43 of the Notes to the consolidated financial statements and simultaneously constitute a part of this remuneration report.

The contracts of Board of Management members generally envisage a two-year post-contractual competition ban. For the duration of the post-contractual competition ban, the Board of Management member in question receives compensation amounting to 50% of his last average contractually agreed annual pay.

In the event of termination of employment following a "change of control", one Board of Management member is entitled to compensation amounting to 150% of his last average contractually agreed annual pay for the remaining term of his contract (a maximum of three years' pay).

The Supervisory Board's remuneration 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 payments to the Supervisory Board are indicated in section 43 of the Notes to the consolidated financial statements and simultaneously constitute a part of this remuneration report.

The shares held by members of the Board of Management and Supervisory Board are indicated in section 43 of the Notes to the consolidated financial statements. Pursuant to Section 15a of German Securities Trading Law, the members of the Board of Management and Supervisory Board are obliged to disclose significant acquisitions or disposals of shares in Hawesko Holding AG. In the year under review, Messrs Hoolmans and Margaritoff each purchased 1,500 shares in Hawesko Holding AG at an average price of € 17.54 in the context of an employee share offering.

ENVIRONMENTAL REPORT

As a trading company the Hawesko Group does not possess production facilities of its own, with the exception of the subsidiary *Gebr. Josef und Matthäus Ziegler GmbH*; the corresponding environmental standards are therefore of only indirect significance for the group. Within the context of its purchasing activities, the Hawesko Group encourages its suppliers to apply environmentally friendly practices in the cultivation and vinification of their wines. Many suppliers receive these suggestions positively and are having their processes certified accordingly. In the year under review, an increasing number of suppliers made their positive contributions towards protecting the environment open to public scrutiny. The Hawesko Group moreover recycles materials such as cartons and corks.

REPORT ON POST-BALANCE SHEET DATE EVENTS

NO OCCURRENCES OF PARTICULAR NOTE AFTER END OF FINANCIAL YEAR

No occurrences which are of particular significance to the assessment of the net worth, financial position or financial performance of Hawesko Holding AG and of the Hawesko Group occurred after the end of the year under review.

Provence, France

RISK REPORT

RISK MANAGEMENT AND RISK REPORT

In the context of its sales operations, the Hawesko Group is exposed to the risks that go hand in hand with entrepreneurial activity. It has established a modern, comprehensive risk management system that is continually being refined. This system is implemented as a means of informing the decision-makers in good time of potential problems. The risk management system consists of monthly controlling/reporting procedures and the compilation of a risk inventory twice a year. Both instruments are coordinated and comprise a key aspect of group steering activities.

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

Risks from the economy in general

The Hawesko Group generates approx. 89% of its sales in the Federal Republic of Germany. Germany's macroeconomic fortunes exercise considerable influence on the propensity of the population to consume and therefore on the business development of the Hawesko Group. The Hawesko Group companies are able to dissociate themselves to a limited degree from the general macroeconomic trend by aiming their marketing activities as accurately as possible at those who are interested in its product range. These people generally have an above-average income and therefore respond less sensitively than the average consumer to cyclical fluctuations. The general development of private consumption nevertheless remains one of the most influential parameters for the activities of the Hawesko Group.

In the fourth quarter of 2007 and at the start of 2008, the effects of the credit crunch in the USA and rising oil prices damped economic confidence in Germany. If this prompts a general downturn in confidence, a fall in the general propensity to consume can be expected and the wine market will therefore likewise become more difficult. In similar phases in the past, however, the Hawesko Group has regularly demonstrated its relative immunity to such phenomena. In this case, growth could nevertheless fall below 3% in 2008 (cf. Report on expected developments below).

Risks from the trade

The risks from the trade include in particular:

- *Wine as a natural product – procurement risks*

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

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

Assured quality puts the Hawesko Group at a decisive advantage, specifically in light of recent media reports on sales of wine at German discount supermarkets. Assuring the quality of the wines we buy starts with a visit to the vineyard where they are produced, and continues with tests conducted in the laboratories of the Hawesko Group. Quality problems are rare. The vintners know Hawesko and the high standards it expects; moreover, they themselves attach considerable importance to the quality of their wines. In the year under review, only an insignificant proportion of deliveries was rejected for quality reasons.

- *The competition – sales risks*

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

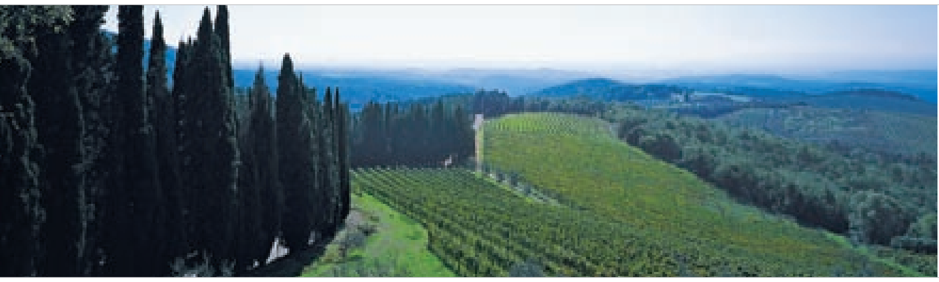
The Hawesko Group is not dependent on specific customers. In no individual instance do the sales generated by a single customer exceed the level of 5% of consolidated sales.

- *Seasonal business*

The Hawesko Group publishes its business results each quarter. These results reflect fluctuations that are attributable to the seasonal nature of its business. In particular the sales and results for the individual quarters fluctuate e.g. as a result of the number of advertising mail shots, which is determined on the basis of when the various public holidays fall each year. The Hawesko Group in addition regularly generates a large portion of its sales and earnings in the final quarter of the year. Gift business in the run-up to Christmas generally accounts for around 5% of consolidated sales. The result particularly for the third quarter of each year reflects the costs of assembling selections and pre-packaging goods, as well as increased handling costs in view of the greater volume of incoming goods.

- *Debate on banning alcoholic beverages advertising within the EU*

For some years the European Union has been debating whether the advertising of alcoholic beverages should be restricted. The Board of Management believes that the prospect of such regulations becoming law is slight. The Board of Management believes that it is even less likely that any such regulations, were they to come into force, would also include wine, as there is proof that wine is beneficial to the health when enjoyed in moderation. The introduction of such a regulation would have a significant influence on the business of the Hawesko Group.



Tuscany, Italy

- *Deposit on drinks containers*

A deposit on disposable drinks containers was introduced in Germany in January 2003. As a result of the review of the Packaging Ordinance in 2004, as matters stand it is no longer expected that deposits will be introduced for wine bottles.

- *Lowering of the tax-exempt limit for gifts*

If the tax-exempt limit for gifts to business associates were to be lowered, the Board of Management believes that the impact on the Hawesko Group's gifts business would be only slight, as it accounts for approx. 5% of consolidated sales.

Financial risks

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

The member companies of the Hawesko Group are importers of wines traded internationally, and as such are affected by exchange rate movements outside the eurozone.

The refinancing of the Hawesko Group's capital requirements in essence takes the form of loans which are predominantly taken out at current interest rates, with interest rate derivatives (caps and swaps) used for hedging. These interest rate derivatives are used only to a modest degree, with the result that the company believes they do not involve any particular risk. As the market value of these hedging instruments is to be taken into account pursuant to IAS 39, this may lead to fluctuations in the financial result.

Efforts are made within the context of central liquidity management activities to keep sufficient funds available to the Hawesko Group for ongoing business and for capital expenditure. The risks from receivables are limited by credit checks and credit management systems.

Legal and fiscal risks

The company is unaware of any legal or arbitration proceedings, whether pending or anticipated, which have a significant influence on the economic situation of the Hawesko Group. Legal proceedings initiated in the *Wein Wolf* Group in 2005 are currently still in progress. The subject matter of the proceedings is the withdrawal for nonperformance from a contract to introduce new merchandising and financial accounting software. A provision has been formed as a precautionary measure.

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

IT risks

The IT infrastructure within the Hawesko Group reflects the structure according to the sales segments of specialist wine-shop retail, wholesale/distribution and mail order. IT systems are modernised and extended as necessary, on the basis of existing plans. On a group-wide scale, IT risks are largely excluded by means of redundant hardware and back-up systems. Risks e.g. as a result of attacks by hackers or viruses are kept to a minimum by multi-level firewalls.

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

Electronic data processing is used within the wholesale segment for administration, merchandising and accounting purposes; one wholesale subsidiary uses the mail-order system (see below). The IT risks to business are rated as marginal. A new, modern electronic data processing concept has reached the planning phase.

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

Management risks

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

Other risks

Business is influenced to a substantial degree by the ability of the Hawesko Group and its subsidiaries to maintain agreements as the exclusive distributors of renowned wine producers. If such an agreement were not to be extended, sales would suffer in the short term.

No other substantial risks are currently identifiable.

OTHER RISK MANAGEMENT SYSTEM/ OPPORTUNITIES MANAGEMENT SYSTEM

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

OVERALL STATEMENT ON THE RISK SITUATION OF THE HAWESKO GROUP

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

REPORT ON EXPECTED DEVELOPMENTS

DIRECTION OF THE HAWESKO GROUP IN THE NEXT TWO FINANCIAL YEARS

No fundamental changes to the business policy of the Hawesko Group are expected in the next two financial years. The principal sales market is likely to remain the Federal Republic of Germany; the markets in Austria, the Czech Republic and France will also be of significance, but to a lesser degree. The Board of Management is fundamentally open to the idea of acquiring businesses in other nearby countries. Various potential targets have been examined more closely but none of these projects has taken on sufficiently firm contours to be reported on. No fundamental change to business processes or the type of business is envisaged.

GENERAL ECONOMIC SITUATION

Future overall economic developments: employment levels expected to remain healthy

Economic development in 2007 was all in all good. The effects of the credit crunch in the USA nevertheless clouded economic expectations, above all in the fourth quarter. The prospects for Germany in 2008 remain generally good, despite the slight downgrading of forecasts at the start of the year. The employment total rose at the end of 2007 and now exceeds 40 million for the first time since German unification; the Ifo Institute believes that employment levels will remain healthy because Agenda 2010 has loosened the correlation between economic growth and the employment total. Despite the difficulties being experienced in the financial sector as a result of the subprime mortgage crisis, employment is one of the decisive factors governing private consumption in Germany. With real incomes on the increase, private consumption will grow again after the dip of 2007; the Board of Management has drawn up its basic scenario using an assumed growth rate of 0.5%. All in all, gross domestic product is expected to rise by 1.6% in 2008 (forecast by Ifo Institute from February 2008).

Future situation in the trade: slight growth expected

In the opinion of the Board of Management of Hawesko Holding AG, the relevant long-term trends will also continue over the next two years: growing professionalism in the world of wine, increasingly discerning consumers and a concentration of consumption in Europe are likely to continue to dominate the wine trade in 2008 and 2009. Outside Europe, rising wine consumption and a levelling-off of the harvests of high-quality grapes in Australia and the USA will become noticeable worldwide. The Hawesko Group remains in an outstandingly good position to respond profitably to these trends and adjust its range accordingly. The company's budget envisages only slight market growth of around 1% p.a. In such a phase of market consolidation, there are two opportunities for the Hawesko Group: it can both increase its market shares, and step up its own pace of growth.

ANTICIPATED FINANCIAL PERFORMANCE

With growth of 10% having exceeded its original expectations in 2007, the Board of Management anticipates a single-figure percentage rise in sales in each of the next two financial years. All areas of the group will probably contribute towards this growth. The figure already takes account of the growth in sales expected for *Jacques' Wein-Depot* both at existing outlets and through the opening of ten new outlets per year. The growth expectations in the wholesale segment are underpinned by two main factors: On the one hand there are the wines for which we have exclusive distribution rights – for instance certain Italian wines – and on the other hand the 2005 and 2006 Bordeaux vintages are in high demand. Following the significant expansion of the customer base in 2007, it is reasonable to assume that mail-order business will contribute to sales growth once more over the next two years.

As matters stand the Board of Management expects the consolidated operating result for 2008 to be well up on the 2007 level because various non-recurring expenses will not arise, income for Bordeaux wines will be higher and a number of operational improvements will take effect. This forecast takes into account that the piloting of the specialty-store concept in the specialist wine-shop retail segment has been terminated (2007: € –1.3 million), that the Polish subsidiary in the wholesale segment has been closed down (€ –0.5 million), that there will be no further costs from the integration of wholesale logistics (€ –0.5 million), and that the additional expenses for acquiring new customers (approx. € 1 million) in the mail-order segment will be reduced.

The pre-tax earnings should likewise rise disproportionately in 2008, though the financial result may fluctuate depending on the value measurement for the minority interest in unincorporated firms. The effective tax ratio is likely to be 33% in 2008, compared with the exceptionally high level of € 2.7 million in 2007 due to the one-off amortisation of deferred tax assets. Consolidated earnings for the 2008 financial year are therefore expected to range between € 12.5 million and € 13.5 million. The free cash flow for 2008 will probably be between € 13 million and € 14 million. In 2009, an even higher operating result should likewise push the consolidated earnings above the level of 2008 and produce a free cash flow in excess of € 14 million.

Assuming the present situation continues and business continues to progress positively, a dividend on at least the level of previous years can be expected for 2008. This will of course depend on whether both the targeted earnings and an adequate cash flow are achieved.

ANTICIPATED FINANCIAL POSITION

The Hawesko Group's financial planning continues to make the basic assumption that capital expenditure on property, plant and equipment and intangible assets and on the working capital, as well as dividend payments, can be financed from ongoing cash flow.

As things stand, the net debt owed by the group will fall as a result of the repayment of long-term borrowings and liabilities from finance leases.

Capital expenditure on property, plant and equipment and intangible assets in the 2008 financial year is likely to be in the order of € 3 million. The emphasis of the planned investment measures will be on opening new outlets for *Jacques' Wein-Depot*.

Stellenbosch, Cape Winelands, South Africa

The current plans do not take either additional participating interests or acquisitions into account; in view of the relatively short-term nature of such opportunities, it is not advisable to build them into the basic scenario as fixed components. The Hawesko Group has an adequate financing framework for handling a potential acquisition in its accounts.

OPPORTUNITIES

Despite the robust GDP growth of the past two years and the easing of the labour market, consumption in Germany has not yet returned to the level that it had previously enjoyed for a period of several years. As of February 2008, experts are predicting a year-on-year rise of around 1.5% in private consumption; this would be higher than at any time in the past five years. If this growth materialises, it may have a positive effect on the wine market and additionally bolster sales by the Hawesko Group.

The latest study by Vinexpo and the International Wine and Spirits Record (IWSR) from 2007 predicts that the trend towards higher wine consumption that has been observed worldwide will continue until 2010, if anything gathering momentum in higher price brackets (from USD 5.00 per bottle). The German wine market is likely to mirror this development, with the result that demand for high-quality wines will be further stimulated. The above study expects a 4% rise in demand in Germany for wines in the € 4.00 to € 8.00 price bracket between 2005 and 2010. Demand in the € 8.00+ price bracket is even expected to reach 12%. If forecasts of broadly this magnitude actually materialise and private consumption does rise as forecast by the economics research institutes, the Hawesko Group will have scope to achieve sales growth on a par with the rate enjoyed in 2007. It would thus be in a position to achieve even higher growth in the operating result in the current financial year. As at February 2008, the Board of Management puts the likelihood of this scenario materialising at 25%.

If the Hawesko Group were to be able to secure exclusive distribution rights for further renowned producers, depending on the sales volumes in question this could result in a further rise in sales and, in the medium term, boost earnings.

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 organic sales growth for the Hawesko Group in the order of 3% to 5% to be realistic for each of the next two years. Increased economic efficiency in the years ahead will remain one of the key benchmarks for the Hawesko Group. This target can be achieved on the one hand by raising the percentage return on sales (EBIT margin). On the other hand it will involve a long-term return on capital employed (ROCE) of permanently above 16%. Working capital management activities will have to remain effective for it to be achieved. Finally, the medium-term objective is for all group companies without exception to generate a positive EBIT. In the opinion of the Board of Management, it will be possible to achieve a permanent, stable EBIT margin of 7% for the existing activities of the group within three to five years.

CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding AG for the 2007 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2007 (IFRS)

	Notes	1/1–31/12/2007	1/1–31/12/2006
		€'000	€'000
SALES REVENUES	7.	**333,718**	**302,638**
Increase/decrease in finished goods inventories		86	309
Other production for own assets capitalised		–	774
Other operating income	8.	16,444	13,979
Cost of purchased goods		–202,786	–180,391
Personnel expenses	9.	–31,202	–28,671
Depreciation and amortisation	10.	–5,003	–4,263
Other operating expenses	11.	–92,826	–85,643
Other taxes		–159	–130
RESULT FROM OPERATIONS		**18,272**	**18,602**
Financial result	12.	–2,605	–1,275
RESULT FROM ORDINARY ACTIVITIES		**15,667**	**17,327**
Taxes on income and deferred tax expenses	13.	–8,715	–6,361
RESULT AFTER TAXES		**6,952**	**10,966**
Profit due to minority interests		–294	–160
CONSOLIDATED EARNINGS		**6,658**	**10,806**
Earnings per share (basic) in €	14.	0.76	1.23

CONSOLIDATED BALANCE SHEET

at 31 December 2007 (IFRS)

ASSETS	Notes	31/12/2007	31/12/2006
		€'000	€'000
NON-CURRENT ASSETS			
Intangible assets	15.	9,877	10,630
Tangible assets	16.	21,956	23,516
Financial assets	17.	296	285
Advance payments for inventories	18.	5,715	6,432
Receivables and other fixed assets	19.	1,106	1,135
Deferred tax assets	21.	9,941	15,339
		48,891	**57,337**
CURRENT ASSETS			
Inventories	18.	68,415	61,180
Trade receivables	19.	47,833	44,847
Other fixed assets	19.	1,998	1,769
Accounts receivable from taxes on income		1,101	1,247
Cash in banking accounts and cash on hand	20.	8,388	5,506
		127,735	**114,549**
		176,626	**171,886**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2007	31/12/2006
		€'000	€'000
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	22.	13,249	13,249
Group adjustment acc. to IFRS		–4,366	–4,366
Subscribed capital		8,883	8,883
Capital reserve	23.	6,108	5,867
Revenue reserve	24.	34,892	35,286
Balancing item from currency translation		24	14
Unappropriated group profit	25.	20,950	22,091
Minority interest	26.	557	366
		71,414	**72,507**
MINORITY INTEREST IN THE CAPITAL OF UNINCORPORATED SUBSIDIARIES	27.	**3,687**	**2,948**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	28.	585	683
Other provisions	30.	325	304
Borrowings	31.	9,080	11,184
Advances received	32.	4,805	7,413
Other liabilities	32.	719	867
Deferred tax liabilities	29.	133	356
		15,647	**20,807**
SHORT-TERM PROVISIONS AND LIABILITIES			
Other provisions	30.	81	74
Borrowings	31.	10,140	10,253
Advances received	32.	10,019	3,749
Trade payables	32.	44,962	43,482
Accounts payable from tax on income		500	451
Other liabilities	32.	20,176	17,615
		85,878	**75,624**
		176,626	**171,886**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2007 (IFRS)

		Notes	1/1–31/12/2007	1/1–31/12/2006
			€'000	€'000
	Result from ordinary activities	38.	15,667	17,327
+	Depreciation of intangible and tangible assets (net of write-ups)		5,003	4,263
+/–	Other cash expenses and income as cash items		656	–
+	Interest result	38.	2,605	1,275
+/–	Result from the disposal of intangible and tangible assets		46	–5
+/–	Change in inventories		–7,041	–6,871
+/–	Change in receivables and in other assets		–3,570	–5,893
+/–	Change in provisions		–70	90
+/–	Change in liabilities (excluding borrowings)		6,914	6,873
–	Taxes on income paid out	38.	–2,337	–4,350
=	**NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS**		**17,873**	**12,709**
–	Acquisition of subsidiaries		–	–50
+	Inpayments from the sale of subsidiaries		177	–
–	Outpayments for tangible assets and intangible assets		–3,385	–5,868
–	Outpayments for the acquisition of other financial assets		–13	–
+	Inpayments from the disposal of intangible and tangible assets		606	317
+	Inpayments from the disposal of financial assets		2	2
=	**NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES**		**–2,613**	**–5,599**
–	Outpayments for dividend		–7,485	–8,806
–	Outpayments to minority interests*		–468	–546
+	Inpayments from the sale of treasury shares		331	–
–	Outpayments for the acquisition of treasury shares		–954	–
–	Payment of finance lease liabilities		–1,002	–943
+/–	Change in borrowings		–1,167	3,025
–	Interest paid out and received	38.	–1,633	–1,499
=	**OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES**		**–12,378**	**–8,769**
=	**NET DECREASE/INCREASE OF FUNDS**		**2,882**	**–1,659**
+	Funds at start of period		5,506	7,165
=	**FUNDS AT THE END OF PERIOD**	38.	**8,388**	**5,506**

* *including outpayments to minority interests in unincorporated subsidiaries*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2005 to 31 December 2007 (IFRS)

€'000	Subscribed capital	Capital reserve	Revenue reserves	Adjustment resulting from currency translation	Unappropriated Group profit	Minority interest	Shareholders' equity
31/12/2005	**8,883**	**5,867**	**32,958**	**8**	**22,419**	**300**	**70,435**
Appropriation to revenue reserves	–	–	2,328	–	–2,328	–	–
Treasury shares	–	–	–	–	–	–	–
Dividends	–	–	–	–	–8,806	–95	–8,901
Currency translation differences	–	–	–	6	–	1	7
Consolidated earnings	–	–	–	–	10,806	160	10,966
31/12/2006	**8,883**	**5,867**	**35,286**	**14**	**22,091**	**366**	**72,507**
Appropriation to revenue reserves	–	–	314	–	–314	–	–
Treasury shares	–	241	–708	–	–	–	–467
Dividends	–	–	–	–	–7,485	–109	–7,594
Currency translation differences	–	–	–	10	–	6	16
Consolidated earnings	–	–	–	–	6,658	294	6,952
31/12/2007	**8,883**	**6,108**	**34,892**	**24**	**20,950**	**557**	**71,414**

DEVELOPMENT OF CONSOLIDATED ASSETS

at 31 December 2007 (IFRS)

INTANGIBLE ASSETS €'000	Software	Goodwill	Advance payments	Total
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2007	**10,131**	**8,409**	**–**	**18,540**
Additions	485	–	–	485
Disposals	–32	–	–	–32
Write-ups	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2007	**10,584**	**8,409**	**–**	**18,993**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2007	**4,633**	**3,277**	**–**	**7,910**
Additions	1,194	28	–	1,222
Disposals	–16	–	–	–16
Write-ups	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2007	**5,811**	**3,305**	**–**	**9,116**
CARRYING AMOUNT AT 31/12/2007	**4,773**	**5,104**	**–**	**9,877**

PROPERTY, PLANT AND EQUIPMENT €'000	Land and buildings	Other fixtures and fittings, tools and equipment	Construction in progress	Total
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2007	**31,372**	**19,314**	**13**	**50,699**
Additions	134	2,766	–	2,900
Disposals	–730	–1,384	–1	–2,115
Write-ups	–	–	–	–
Transfers	4	6	–11	–1
POSITION AT 31/12/2007	**30,780**	**20,702**	**1**	**51,483**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2007	**14,155**	**13,028**	**–**	**27,183**
Additions	1,521	2,260	–	3,781
Disposals	–409	–1,028	–	–1,437
Write-ups	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2007	**15,267**	**14,260**	**–**	**29,527**
CARRYING AMOUNT AT 31/12/2007	**15,513**	**6,442**	**1**	**21,956**

FINANCIAL ASSETS €'000	Shares in affiliated companies	Participating interests	Securities	Other loans	Total
ACQUISITION OR MANUFACTURING COST					
POSITION AT 1/1/2007	**207**	**18**	**10**	**50**	**285**
Additions	–	–	–	13	13
Disposals	–	–	–	–2	–2
Write-ups	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2007	**207**	**18**	**10**	**61**	**296**
ACCUMULATED DEPRECIATION					
POSITION AT 1/1/2007	–	–	–	–	–
POSITION AT 31/12/2007	–	–	–	–	–
CARRYING AMOUNT AT 31/12/2007	**207**	**18**	**10**	**61**	**296**

DEVELOPMENT OF CONSOLIDATED ASSETS

at 31 December 2006 (IFRS)

INTANGIBLE ASSETS €'000	Software	Goodwill	Advance payments	Total
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2006	**4,536**	**8,589**	**2,753**	**15,878**
Additions	2,858	–	–	2,858
Disposals	–16	–180	–	–196
Write-ups	–	–	–	–
Transfers	2,753	–	–2,753	–
POSITION AT 31/12/2006	**10,131**	**8,409**	**–**	**18,540**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2006	**3,904**	**3,428**	**–**	**7,332**
Additions	745	29	–	774
Disposals	–16	–180	–	–196
Write-ups	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2006	**4,633**	**3,277**	**–**	**7,910**
CARRYING AMOUNT AT 31/12/2006	**5,498**	**5,132**	**–**	**10,630**

PROPERTY, PLANT AND EQUIPMENT €'000	Land and buildings	Other fixtures and fittings, tools and equipment	Construction in progress	Total
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2006	**31,027**	**18,599**	**59**	**49,685**
Additions	462	2,536	12	3,010
Disposals	–104	–1,833	–59	–1,996
Write-ups	–	–	–	–
Transfers	–13	12	1	–
POSITION AT 31/12/2006	**31,372**	**19,314**	**13**	**50,699**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2006	**12,809**	**12,570**	**–**	**25,379**
Additions	1,444	2,045	–	3,489
Disposals	–97	–1,588	–	–1,685
Write-ups	–	–	–	–
Transfers	–1	1	–	–
POSITION AT 31/12/2006	**14,155**	**13,028**	**–**	**27,183**
CARRYING AMOUNT AT 31/12/2006	**17,217**	**6,286**	**13**	**23,516**

FINANCIAL ASSETS €'000	Shares in affiliated companies	Participating interests	Securities	Other loans	Total
ACQUISITION OR MANUFACTURING COST					
POSITION AT 1/1/2006	**157**	**18**	**10**	**53**	**238**
Additions	50	–	–	–	50
Disposals	–	–	–	–3	–3
Write-ups	–	–	–	–	–
Transfers	–	–	–	–	–
POSITION AT 31/12/2006	**207**	**18**	**10**	**50**	**285**
ACCUMULATED DEPRECIATION					
POSITION AT 1/1/2006	–	–	–	–	–
POSITION AT 31/12/2006	–	–	–	–	–
CARRYING AMOUNT AT 31/12/2006	**207**	**18**	**10**	**50**	**285**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding AG for the 2007 financial year

PRINCIPLES AND METHODS APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL PRINCIPLES

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

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

The annual financial statements of the consolidated companies are based on standard recognition and measurement principles. For greater clarity, certain items in the income statement and balance sheet are combined; they are explained in the Notes. The standard reporting date for all group companies is 31 December 2007.

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

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

The consolidated financial statements prepared by the Board of Management are to be submitted to the Supervisory Board on 22 February 2008 for signing off at the Supervisory Board meeting devoted to the annual accounts on 7 April 2008.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2007 of Hawesko are published in the Federal Gazette. Copies of the annual financial statements and the combined management report for the group and the parent company can in addition be requested directly from Hawesko Holding AG.

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

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

- IFRS 7 *"Financial Instruments: Disclosures"*
  This standard, through which the disclosure requirements for financial instruments were revised, has replaced and extended the corresponding regulations in the International Accounting Standard (IAS 32).
- IAS 1 *"Presentation of Financial Statements – Capital Disclosures"*
  Additional disclosures on the capital of companies became mandatory in the context of the development of IFRS 7. As these relate exclusively to disclosures in the Notes, there is no effect on the net worth, financial position and financial performance.
- IFRIC 7 *"Applying Restatement Approach under* IAS 29 *Financial Reporting in Hyperinflationary Economies"*
  This interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) regulates supplementary questions in connection with financial reporting in hyperinflationary economies. Its application for the first time has no effect on the net worth, financial position and financial performance.
- IFRIC 8 *"Scope of* IFRS 2*"*
  This interpretation deals with questions relating to the application of IFRS 2, which contains provisions on share-based payments. Its application for the first time has no effect on the net worth, financial position and financial performance.
- IFRIC 9 *"Reassessment of Embedded Derivatives"*
  Questions of application regarding the separate disclosure of embedded derivatives are dealt with in this interpretation. Its application for the first time has no effect on the net worth, financial position and financial performance.
- IFRIC 10 *"Interim Financial Reporting and Impairment"*
  This interpretation deals with questions arising in connection with the provisions of IAS 34 "Interim Financial Reporting" and those of IAS 36 "Impairment of Assets". Its application for the first time has no effect on the net worth, financial position and financial performance.

3. NEW IASB ACCOUNTING STANDARDS

The consolidated financial statements of Hawesko Holding AG have been prepared in accordance with all accounting standards and interpretations of the IASB, the application of which for the 2007 financial year was mandatory, as published and adopted for the European Union via the endorsement process. The option of applying new standards and interpretations before they become binding is not exercised.

The following new or revised standards and interpretations are to be applied only to financial years commencing after 1 January 2007:

- IFRS 8 *"Operating Segments"*
  The standard will replace the previous segment reporting standard IAS 14. IFRS 8 is applicable to financial years commencing on or after 1 January 2009.
- IAS 1 *"Presentation of Financial Statements"*
  The amendments to IAS 1 published in September 2007 relate to the disclosure of changes in equity. The changes are to be applied to financial years beginning after 1 January 2009. The amendment has not yet been acknowledged by the endorsement process of the EU Commission.
- IAS 23 *"Borrowing Costs"*
  IAS 23 was amended in March 2007; the amended version removed the option of immediately recognising credit costs as an expenditure where they relate to asset items that require a certain time before they can be used or sold immediately. The amended standard is to be applied to financial years beginning after 1 January 2009. The amendment has not yet been acknowledged by the endorsement process of the EU Commission.
- IFRIC 11 "IFRS 2 – *Group and Treasury Share Transactions"*
  The interpretation deals with how to report group-wide share-based payments in the context of IFRS 2. This interpretation applies to financial years commencing after 1 March 2007. The EU Commission has already recognised this interpretation.
- IFRIC 12 *"Service Concession Arrangements"*
  This interpretation publishes a provision that deals with the financial reporting of contributions by private companies to the infrastructure. This interpretation applies to financial years commencing after 1 January 2008. It has not yet been acknowledged by the endorsement process of the EU Commission.
- IFRIC 13 *"Customer Loyalty Programs"*
  The interpretation published in June 2007 deals with questions of how to account for customer loyalty programmes under which customers are granted bonus credits that can subsequently be used to obtain cheaper or free goods or services. This interpretation is to be applied to financial years commencing on or after 1 July 2008. The EU Commission has not yet recognised this interpretation.
- IFRIC 14 "IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"*
  IFRIC 14 provides guidelines for determining the upper limit of the surplus amount of a pension fund and is to be applied for financial years beginning on or after 1 January 2008. The EU Commission has not yet acknowledged this interpretation by the endorsement process.

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

It is planned to apply these standards and interpretations from the point in time when they become mandatory.

4. CONSOLIDATION PRINCIPLES

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

The consolidation of capital has until now always been 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 differences are carried as derivative goodwill on the basis of their economic content. IFRS 3 is to be applied to business combinations effective from 31 March 2004.

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

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

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

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

The positive shares in the equity and earnings of the companies consolidated in full or on a pro rata basis that are due to parties outside the group are reported under minority interest. The losses which minority shareholders are obliged to make good in excess of their negative share of the equity and earnings of fully consolidated subsidiaries are netted against the group equity in accordance with IAS 27.

The consolidated annual financial statements of economically independent foreign group companies are translated into the currency of the Hawesko Group in keeping with the concept of the functional currency. In the translation of these financial statements, all assets and debts are translated at the balance sheet date, and income and expense items at the average rate for the reporting period. All differences resulting from foreign currency translation are reported under equity with no effect on net income.

5. RECOGNITION AND MEASUREMENT PRINCIPLES

Intangible assets acquired for consideration are measured at acquisition cost. Borrowing costs are not capitalised.

Self-constructed intangible assets are capitalised at the costs that were incurred by them during the development phase, after the time that their technological and commercial feasibility was established, up to the time of their completion. The capitalised cost of production comprises the costs directly and indirectly allocable to the development phase.

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).

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. 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 anticipated sales proceeds or value in use. The value in use corresponds to the discounted cash flows from continued use, which are determined on the basis of group planning. Discounting of the forecast cash flows is performed using a risk-adjusted interest rate. Capital market data is used in determining the risk-oriented interest rate. If the carrying amount of the cash-generating unit exceeds the recoverable amount, the allocable goodwill is to be written down 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. Borrowing costs are not capitalised.

Plant under finance leases is capitalised within fixed assets at the present value of the minimum lease payments or at fair value if lower, and depreciated regularly by the straight-line method. The present value of lease obligations from future lease payments is recognised as a liability.

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

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT:

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

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

Raw materials, consumables used and merchandise 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.

Deferred taxes result from the temporarily divergent valuations in the IFRS consolidated balance sheet and the respective tax balance sheet values for these asset and liability items. Deferred tax assets on fiscally realisable loss carryforwards are capitalised if it is sufficiently likely that taxable income is to be expected in the future. They are determined on the basis of the anticipated tax rates in the individual countries at the time of realisation. These are based fundamentally on the legal provisions that are valid or approved at the balance sheet date.

Future income tax reduction claims and income tax obligations resulting from the preparation of the accounts according to IFRS are carried as deferred tax assets and liabilities.

The *provisions for pensions* are calculated according to the projected unit credit method pursuant to IAS 19, taking account of the anticipated pay and pension increases. Retirement benefit obligations are measured on the basis of retirement benefit appraisals. Actuarial gains and losses are recognised immediately. The interest component included in the pension costs is shown as personnel expenses together with the service cost.

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

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

Accounts receivable and payable in *foreign currency* are translated at the exchange rate at the time of their addition. This rate is also used for determining the acquisition costs of stock in trade. The outstanding receivables in foreign currency at the balance sheet date are translated at the selling rate, and outstanding payables at the buying rate.

A *financial instrument* is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The financial assets include in particular cash in banking accounts and cash on hand, trade receivables, other loans originated by the enterprise and primary and derivative financial assets held for trading. The financial liabilities include the minority interest in the capital of unincorporated subsidiaries, trade liabilities, amounts due to banks, finance lease liabilities and derivative financial liabilities.

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

Other loans are measured at amortised cost.

Accounts receivable and other assets are recognised at amortised cost. Any reductions for impairment necessary, which are based on the probable credit risk, are taken into account in the income statement. Impaired accounts receivable and other assets are derecognised where cash inflows are unlikely.

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

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

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

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

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

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

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

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

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

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

Preparation of the IFRS consolidated financial statements involves making *estimates and assumptions* which have an effect on the disclosure of assets and debts, the reporting of contingent liabilities at the balance sheet date and the disclosure of income and expenditure. The principal estimates and assumptions made relate in particular to the stipulation of uniform depreciation periods throughout the group, the reductions for impairment on receivables and merchandise, and the parameters applied in the provisions for pensions. The measurement of fixed assets based on impairment tests pursuant to IAS 36 was based on planned figures for the calculation of cash flows and standardised industry figures for the determination of capitalisation rates. The actual figures may differ from the amounts obtained by estimates and assumptions.

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

CONSOLIDATED COMPANIES

6. CONSOLIDATED COMPANIES

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 20 (previous year: 21) domestic and foreign companies, as well as one domestic joint venture and its foreign subsidiaries, in which Hawesko Holding AG directly or indirectly holds a majority of voting rights or is solely in control.

Eight (previous year: eight) subsidiaries of minor overall significance for the net worth, financial position and financial performance of the group are not consolidated. Their sales represent less than 1% of consolidated sales.

FULLY CONSOLIDATED SUBSIDIARIES	Registered Office	Segment	Shareholding in %
DIRECT PARTICIPATION			
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	Mail order	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	Specialist wine-shop retail	100.0
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	Hamburg	Wholesale	100.0
Wein Wolf Holding GmbH & Co. KG	Bonn	Wholesale	90.0
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	Miscellaneous	100.0
IWL Internationale Wein Logistik GmbH	Tornesch	Miscellaneous	100.0
Sélection de Bordeaux SARL	St-Christoly, Médoc *(France)*	Mail order	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Vienna *(Austria)*	Specialist wine-shop retail	100.0
Le Monde des Grands Bordeaux Château Classic SARL	St-Christoly, Médoc *(France)*	Wholesale	90.0
INDIRECT PARTICIPATION			
Viniversitaet Die Weinschule GmbH	Meerbusch	Specialist wine-shop retail	100.0
Multi-Weinmarkt GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	Wholesale	85.0*
Gebr. Josef und Matthäus Ziegler GmbH	Freudenberg	Wholesale	100.0*
Alexander Baron von Essen Weinhandels GmbH	Tegernsee	Wholesale	84.85*
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	Wholesale	100.0*
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	Wholesale	100.0*
Deutschwein Classics GmbH & Co. KG	Bonn	Wholesale	87.0*
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg *(Austria)*	Wholesale	100.0*
Carl Tesdorpf GmbH	Lübeck	Mail order	90.0
Winegate New Media GmbH	Hamburg	Mail order	100.0

* *Group shareholding lower, as there is a 10% minority interest in the subsidiary which holds the participation indirectly (Wein Wolf Holding GmbH & Co. KG).*

The joint venture *Global Eastern Wine Holding*, Bonn, and its subsidiaries *Global Wines, s.r.o.*, Prague (Czech Republic), and *Universal Wines GmbH i.L.*, Budapest (Hungary), are included in the consolidated financial statements on a pro rata basis, and allocated to the wholesale segment. *Universal Wines GmbH* has been in liquidation since 1 April 2007.

The 50% interest in *Global Eastern Wine Holding GmbH*, Bonn, which was established as a joint venture, and its 66% interest in the Czech wholesaler *Global Wines, s.r.o.*, Prague, were included in the group with effect from 1 January 2002. The average number of employees in the 2007 financial year was ten (previous year: five).

With effect from 15 September 2005 a further 66% interest in *Global Eastern Wine Holding GmbH,* Bonn, was included in the group. This constitutes the Hungarian wholesaler *Universal Wines GmbH i.L.* The average number of employees in the 2007 financial year was zero (previous year: one).

The indirect participation in *Sommelier Dystrybucja Sp.z o.o.* was sold by deed of 30 August 2007. The asset disposals from the consolidated balance sheet as a result of deconsolidation amount to € 1,021 thousand, and the liabilities disposals to € 1,224 thousand. Until its deconsolidation this company generated sales revenues of € 724 thousand in the past financial year, and its earnings before interest and taxes amounted to € –58 thousand.

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

Share of assets and debts:

€'000	31/12/2007	31/12/2006
Non-current assets	–	6
Current assets	1,689	1,382
ASSETS	**1,689**	**1,388**
Shareholders' equity	918	755
Short-term provisions and liabilities	771	633
EQUITY AND LIABILITIES	**1,689**	**1,388**

Share of income and expenses:

€'000	31/12/2007	31/12/2006
Sales revenues	2,553	2,064
Other operating income	22	31
Cost of materials	–1,567	–1,255
Personnel expenses	–137	–112
Depreciation and amortisation	–1	–0
Other operating expenses	–345	–294
RESULT FROM OPERATIONS	**525**	**434**
Interest income	52	18
Interest expense	–27	–0
RESULT FROM ORDINARY ACTIVITIES	**550**	**452**
Taxes on income	–141	–115
CONSOLIDATED EARNINGS	**409**	**337**

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

NON-CONSOLIDATED SUBSIDIARIES	Registered office	Shareholding %	Capital €'000	Net earnings 2007 €'000
"Châteaux et Domaines" Weinhandelsgesellschaft mbH	Hamburg	100.0	27	0
Wein Wolf Import GmbH	Bonn	100.0*	37	4
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0*	29	2
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	85.0*	28	1
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg *(Austria)*	100.0*	40	6
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	28	1
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	87.0*	25	1
C.C.F. Fischer GmbH	Tornesch	100.0	23	–1

* *Group shareholding lower, as there is a 10% minority interest in the subsidiary which holds the participation indirectly (Wein Wolf Holding GmbH & Co. KG).*

In view of its minor economic significance, the indirect shareholding (50%) in *Vera Maria Bau Consulting GmbH*, Bonn, which is held via *Wein Wolf Import GmbH & Co. Vertriebs KG*, was not consolidated. The net earnings of this company in 2007 were € –2 thousand.

The complete list of investment holdings of the Hawesko Group is on file at the Hamburg Commercial Register. It can in addition be requested directly from Hawesko Holding AG.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. SALES REVENUES

€'000	2007	2006
Specialist wine-shop retail	105,156	101,174
Wholesale	139,276	119,642
Mail order	89,026	81,416
Miscellaneous	260	406
	333,718	**302,638**

The sales revenues include € 106 thousand from counter-transactions.

8. OTHER OPERATING INCOME

€'000	2007	2006
Rental income	6,239	6,023
Advertising expense subsidies	3,895	3,193
Income from cost refunds	2,251	2,206
Income from the liquidation of provisions	1,479	627
Miscellaneous	2,580	1,930
	16,444	**13,979**

9. PERSONNEL EXPENSES

€'000	2007	2006
Wages and salaries	26,837	24,485
Social security and other pension costs	4,365	4,186
Of which in respect of old age pensions	(9)	(88)
	31,202	**28,671**

The retirement benefit expenses include payments from defined contribution plans totalling € 89 thousand (previous year: € 83 thousand) and income from defined benefit plans totalling € 98 thousand (previous year: expenses of € 5 thousand).

A commitment was made to the managing director of a subsidiary to pay him compensation amounting to 5% of the increase in EBIT of that subsidiary compared with the result for 2005 upon his departure from the company in 2014. At the balance sheet date, this obligation based on the EBIT performance of that subsidiary up until 2007 was carried as an expense amounting to € 128 thousand.

10. DEPRECIATION AND AMORTISATION

€'000	2007	2006
Intangible assets	1,222	774
Property, plant and equipment	3,781	3,489
	5,003	**4,263**

11. OTHER OPERATING EXPENSES

€'000	2007	2006
Advertising	26,881	23,945
Commissions to partners	27,241	25,508
Delivery costs	11,784	11,166
Rental and leasing	8,349	7,849
IT and communication costs	2,749	2,546
Legal and consultancy costs	1,037	1,114
Other personnel expenses	1,454	1,175
Miscellaneous	13,331	12,340
	92,826	**85,643**

12. FINANCIAL RESULT

€'000	2007	2006
Interest income	232	107
Interest expense	−1,237	−955
Interest for finance leases	−620	−679
Changes in fair value of interest hedging transactions	71	678
Net profit for the year due to minority interests in unincorporated subsidiaries	−637	−365
Change in the amortised cost of minority interests in the capital of unincorporated subsidiaries	−414	−61
	−2,605	**−1,275**
Of which: From financial instruments of the classification categories pursuant to IAS 39		
Loans and receivables	232	107
Financial assets held for trading	21	1
Financial liabilities held for trading	50	677
Financial liabilities measured at amortised cost	−2,288	−1,381

13. TAXES ON INCOME AND DEFERRED TAX EXPENSES

€'000	2007	2006
Current tax	3,539	2,773
Deferred taxes	5,176	3,588
	8,715	**6,361**

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	2007	2006
Current year	3,702	3,003
Previous years	−163	−230
	3,539	**2,773**

Expenses for deferred taxes are attributable to the following:

€'000	2007	2006
From restructuring measures with an effect on taxes	2,528	2,524
From loss carryforwards	–	128
Other temporary differences	−86	936
From the change in the uniform tax rate for the group	2,734	–
	5,176	**3,588**

The actual tax expense for the year 2007 of € 8,715 thousand is € 2,824 thousand higher than the anticipated tax expense of € 5,891 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 37.60% (previous year: 37.60%) and is obtained as follows:

Trade tax *(average municipal factor 360%)*	15.25%
Corporation tax *(25% of profits after trade tax)*	21.19%
Solidarity surcharge *(5.5% of corporation tax)*	1.16%
Total tax burden on pre-tax earnings	**37.60%**

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

€'000	2007	2006
Anticipated tax expense	5,891	6,515
Use of tax loss carryforwards on basis of a single-entity relationship for trade tax	–26	–112
Remeasurement of deferred taxes	2,734	–
Reclassification of minority interest	395	160
Tax expenses/income unrelated to the accounting period	–163	–230
Nonrecognition of fiscal loss carryforwards	–148	–17
Nondeductibility of remuneration for co-entrepreneurs in unincorporated firms	171	156
Nondeductibility of 50% of permanent debt interest for trade tax	43	–
Effect of divergent national tax rates	–409	–196
Tax effect from deconsolidation of *Sommelier Dystrybucja Sp.z o.o.*	130	–
Other tax effects	97	85
ACTUAL TAX EXPENSE	**8,715**	**6,361**
Effective tax rate %	55.63	36.71

14. EARNINGS PER SHARE

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

	2007	2006
Consolidated earnings (€'000)	6,658	10,806
Average number of shares ('000)	8,805	8,806
Basic earnings per share (€)	0.76	1.23

At the time of preparation of the consolidated financial statements there were 8,668,162 shares outstanding.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. INTANGIBLE ASSETS

The development in intangible assets in the year under review and in the previous year is shown in the consolidated assets movement schedule on pages 48–49.

€'000	31/12/2007	31/12/2006
Software	4,773	5,498
Other intangible assets	122	150
Goodwill from the consolidation of capital	4,982	4,982
	9,877	**10,630**

The item "Software" includes the development of an IT system, completed during the previous year, for registering orders and processing customers in the mail-order segment at a cost of € 595 thousand (previous year: € 712 thousand) by way of a self-constructed fixed asset. Depreciation amounting to € 117 thousand (previous year: € 49 thousand) was performed.

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

€'000	Acquisition cost	Accumulated depreciation 31/12/2007	Carrying amount 31/12/2007
Wein Wolf Group	6,690	2,209	4,481
Le Monde des Grands Bordeaux C.C. SARL	615	426	189
Carl Tesdorpf GmbH	457	181	276
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	47	11	36
Sélection de Bordeaux SARL (formerly Edition Reiss SARL)	–19	–19	–
	7,790	**2,808**	**4,982**

The accumulated depreciation arose up until 31 March 2004. No impairment losses pursuant to IAS 36 were recognised in the reporting period. The figures for the financial year consequently correspond to the prior-year figures. 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 value in use based on the future cash flows according to internal medium-range plans.

The calculation is based on a risk-adjusted growth rate and interest rates of 9.5% to 12.0% before tax.

16. PROPERTY, PLANT AND EQUIPMENT

The development in property, plant and equipment for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 48–49.

€'000	31/12/2007	31/12/2006
Land and buildings, including buildings on third-party land	15,513	17,217
Other fixtures and fittings, tools and equipment	6,442	6,286
Advance payments and construction in progress	1	13
	21,956	**23,516**

The carrying amounts of the land and buildings in finance lease totalled € 7,499 thousand at 31 December 2007 (previous year: € 8,489 thousand). The latter are not freely at the company's disposal.

One piece of land carries land charges totalling € 1,023 thousand as collateral for a bank loan.

17. FINANCIAL ASSETS

The development in financial assets for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 48–49.

€'000	31/12/2007	31/12/2006
Shares in affiliated companies	207	207
Participating interests	18	18
Securities	10	10
Other loans	61	50
	296	**285**

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

€'000	31/12/2007	31/12/2006
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
"Châteaux et Domaines" Weinhandelsgesellschaft mbH	26	26
Weinland Ariane Abayan Verwaltungs GmbH	20	20
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributions-gesellschaft m.b.H.	25	25
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	34	34
Deutschwein Classics Verwaltungsgesellschaft mbH	25	25
C.C.F. Fischer GmbH	25	25
	207	**207**

The participating interests (€ 18 thousand) refer to the interest held in *Vera Maria Bau Consulting GmbH*, Bonn.

The other loans totalling € 61 thousand (previous year: € 50 thousand) relate to one (previous year: one) loan to an employee. The loan accrues interest at 6% and matures in September 2009.

18. INVENTORIES

€'000	31/12/2007	31/12/2006
Raw material and consumables used	1,454	1,396
Work in progress	2,529	2,392
Finished goods and merchandise	54,248	52,282
Advance payments	15,899	11,542
	74,130	**67,612**

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

Inventories totalling € 325 thousand (previous year: € 569 thousand) were recognised at their net realisable value. Liquidation of impairment losses totalling € 405 thousand was reported under the cost of materials in the result for the year under review. € 31 thousand had been added to impairment losses in the previous year.

19. RECEIVABLES AND OTHER ASSETS

€'000	31/12/2007	31/12/2006
Trade receivables (gross)	48,488	45,619
Less uncollectable receivables	–655	–772
Trade receivables	**47,833**	**44,847**
Income taxes receivable	1,101	1,247
Other receivables and other assets	3,104	2,904
	52,038	**48,998**
Of which with a term of:		
– up to 1 year	50,932	47,863
– over 1 year	1,106	1,135

€'000	Carrying amount	Of which neither impaired nor overdue at reporting date	Of which not impaired but overdue by the following time bands at reporting date				
			< 30 days	30–60 days	61–90 days	91–180 days	> 180 days
	31/12/2007						
Trade receivables	47,833	33,135	11,902	1,775	141	394	101
	31/12/2006						
Trade receivables	44,847	31,263	10,330	1,991	403	221	144

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.

The impairment losses on trade receivables developed as follows:

€'000	2007	2006
Impairment losses at 1 January	772	731
Added	321	359
Used up	–425	–264
Liquidated	–13	–54
IMPAIRMENT LOSSES AT 31 DECEMBER	**655**	**772**

Other receivables and other assets:

€'000	31/12/2007	31/12/2006
Due from affiliated companies	7	7
Due from participating interests	63	83
Tax refund claims	36	412
Receivables from trade representatives	400	355
Rent deposits	754	783
Accrued costs	465	457
Miscellaneous	1,379	807
	3,104	**2,904**

The amounts due from affiliated companies are owed by *Verwaltungsgesellschaft Wein Wolf Import GmbH*, Salzburg (Austria). The amounts due from participating interests are those from the joint venture *Global Eastern Wine Holding*, Bonn, and its subsidiary *Global Wines, s.r.o.*, Prague (Czech Republic).

The remainder of the assets were neither impaired nor overdue.

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

20. CASH IN BANKING ACCOUNTS AND CASH ON HAND

Cash in banking accounts and cash on hand totalling € 8,388 thousand (previous year: € 5,506 thousand) relates substantially to balances with banks.

21. DEFERRED TAX ASSETS

€'000	31/12/2007	31/12/2006
Previous year	15,339	19,213
Increase	130	–
Decrease	–4,898	–3,282
Offsetting	–630	–592
	9,941	**15,339**

Due to changes in the fiscal consolidated group of Hawesko Holding AG, deferred tax liabilities shown under the provisions (cf. Note 29) were the first time offset against the deferred tax assets of Hawesko Holding AG in the previous year.

Deferred tax assets are made up as follows:

€'000	31/12/2007	31/12/2006
Temporary differences:		
– From restructuring measures with an effect on taxes	12,835	15,363
– From the fair value measurement of derivative financial instruments	23	59
– Other	490	509
– Offsetting	–630	–592
– From the change in the uniform tax rate for the group	–2,777	–
	9,941	**15,339**

The conversion of the subsidiaries *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG, CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* from incorporated firms to unincorporated firms at 1 January 1998 resulted in fiscally allowable goodwill which is amortised over 15 years. Deferred tax assets with an effect on income totalling € 38,212 thousand were entered in the accounts at 1 January 1998; they are released by the straight-line method over the amortisation period, booked as an expense. The remaining temporary differences are amortised over a residual useful life of six years. Amortisation is performed at the rate of € 2,232 thousand per year for the above companies.

No further deferred tax credit balances were reported for fiscal loss carryforwards of unlimited use (previous year: zero). However, there remain unused fiscal loss carryforwards amounting to € 4,458 thousand (previous year: € 5,654 thousand), for which no deferred tax assets were reported in the balance sheet.

Deferred tax credit balances totalling € 23 thousand (previous year: € 59 thousand) are reported as a result of the recognition of derivative financial instruments at fair value.

A sum of € 2,538 thousand is expected to be realised from the deferred tax assets within twelve months.

22. SUBSCRIBED CAPITAL

The subscribed capital of Hawesko Holding AG in the commercial accounts amounts to € 13,249,488.00 and is divided into 8,832,992 no par value bearer shares.

In accordance with the authorisation of the Shareholders' Meeting of 18 June 2007 and the Board of Management resolution of 2 October 2007, a share buy-back was launched in the 2007 financial year. 45,328 treasury shares had been acquired by the balance sheet date. Transaction costs of € 2 thousand arose for handling the buy-back. A further 5,625 shares had in addition been traded on behalf of Hawesko Holding AG by the end of the financial year and were settled at a total amount of € 121 thousand at the start of January 2008.

19,469 treasury shares were put into circulation during the year under review under an employee share-ownership scheme, with the result that 52,855 treasury shares in total were held at 31 December 2007.

Total shares	2007	2006
OPENING INVENTORY	**8,805,996**	**8,819,494**
Treasury shares	–52,855	–13,498
CLOSING INVENTORY	**8,753,141**	**8,805,996**

A further 84,979 shares were acquired by the date of preparation of the consolidated financial statements. A regular dividend of € 0.85 was paid in the financial year, amounting to € 7,485 thousand in total. The subscribed capital of the group totals € 8,883,055 (previous year: € 8,883,055) and, as a result of 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 – which was reported as a "transaction between companies under common control" – is € 4,366 thousand lower than in the commercial accounts.

Approved capital

The Board of Management is authorised to increase the capital stock on one or more occasions by up to a total of € 6,600,000.00 within the period ending 31 May 2008, with the approval of the Supervisory Board, by issuing new no par value bearer shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right. With the permission of the Supervisory Board, the Board of Management is, however, authorised to exclude the shareholders' statutory subscription,

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

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

c) in the case of capital increases for cash for a partial amount of up to € 264,000.00, in order to issue shares to employees,

d) for residual amounts.

In the case of capital increases for cash, the Board of Management is moreover authorised to exclude the subscription right of the shareholders, with the approval of the Supervisory Board, if the nominal value of the new shares neither exceeds 10% of the existing capital stock at the time of the authorisation taking effect nor exceeds 10% of the existing capital stock at the time of issue of the new shares and the issue value of the new shares is not significantly below their stock market price pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law. Treasury shares sold are to be added to the 10% threshold if the sale takes place with the exclusion of the subscription right, on the basis of an authorisation that is already valid or takes effect at the time of this authorisation, pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law.

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

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

In the year under review, no shares were issued from the approved capital, with the result that it totals € 6,600,000.00 at 31 December 2007.

Authorisation to acquire treasury shares

At the Ordinary Shareholders' Meeting on 18 June 2007, Hawesko Holding AG was given authorisation until 30 November 2008 to acquire treasury shares up to a maximum of 10% of the capital stock, via the stock market or via an offer of purchase extended to all shareholders. The price paid for the purchase of these shares via the stock market may not undercut or exceed the average share price (closing price of Hawesko Holding shares in Xetra trading or in a comparable substitute system to Xetra at the Frankfurt Stock Exchange) over the last five trading days preceding the acquisition of the shares by more than 10%. If acquired by means of a public offer of purchase, the purchase price offered may not undercut or exceed the average share price (closing price of floor-traded Hawesko Holding shares in Xetra trading or in a comparable substitute system to Xetra at the Frankfurt Stock Exchange) over the last five trading days preceding the public announcement by more than 15%.

The Board of Management was authorised to sell treasury shares acquired, in a manner other than via the stock exchange or an offer made to all shareholders, if the shares acquired are sold for cash at a price that is not significantly below the average share price (closing price of floor-traded Hawesko Holding shares in Xetra trading or in a comparable substitute system to Xetra at the Frankfurt Stock Exchange) over the five previous trading days. This authorisation applies with the stipulation that the shares sold under exclusion of the subscription right pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law may not exceed a total of 10% of the capital stock, either at the time this authorisation takes effect or when it is exercised. The shares that are issued on the basis of an existing or substitute authorisation at the time of this authorisation coming into effect for the issue of new shares from approved capital pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law, with the exclusion of the subscription right, are to be included when assessing the 10% threshold.

The Board of Management was moreover authorised to sell the acquired shares to third parties, excluding the subscription right of existing shareholders, if this is done with the purpose of acquiring companies or participating interests in companies.

The Board of Management was moreover authorised to redeem treasury shares, without the need for further ratification by shareholders' resolutions.

The Supervisory Board may specify that measures by the Board of Management on the basis of this authorisation may only be carried out with its approval.

In the year under review, 45,328 (previous year: 0 shares) treasury shares were purchased by the balance sheet date, at an average price of € 21.05.

23. CAPITAL RESERVE

€'000	31/12/2007	31/12/2006
Capital reserve	6,108	5,867

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

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

The capital reserve grew by € 241 thousand in the year under review as a result of the issuance of treasury shares under an employee share-ownership scheme.

24. REVENUE RESERVE

€'000	31/12/2007	31/12/2006
Revenue reserve	35,940	35,626
Deduction for treasury shares	–1,048	–340
	34,892	**35,286**

The group's revenue reserve includes amounts allocated in the past from earnings generated by companies included in the consolidated accounts. Treasury shares totalling € 1,048 thousand (previous year: € 340 thousand) have in addition been deducted from the revenue reserve, in agreement with IAS 32.

25. UNAPPROPRIATED GROUP PROFIT

The unappropriated group profit includes the consolidated earnings for the financial year, the undistributed earnings from previous years and the adjustments to earnings resulting from the changeover to IFRS. The distributable profit results from the commercial accounts of Hawesko Holding AG and totals € 9,058 thousand (previous year: € 7,613 thousand).

The individual components of the equity and its development in the years 2006 and 2007 are shown in the consolidated statement of movements in equity on page 47.

26. MINORITY INTEREST

The minority interest in the consolidated balance sheet relates to minority interests in the equity and net earnings of the group companies that are consolidated in full or on a pro rata basis (cf. Note 6).

27. MINORITY INTEREST IN THE CAPITAL OF UNINCORPORATED SUBSIDIARIES

The minority interest in the capital of unincorporated subsidiaries comprises the possible settlement obligations and the interests in the net earnings of the group companies consolidated in full or on a pro rata basis. It is not expected that there will be any need to pay out the financial liabilities in the next twelve months.

28. PROVISIONS FOR PENSIONS

For old-age pension purposes, five (previous year: five) active employees, two (previous year: one) retired employees and no (previous year: one) former 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. The liquidation of provisions for pensions amounted to € 98 thousand (previous year: allocation of € 5 thousand) in the year under review.

The expense comprises service cost of € 16 thousand (previous year: € 16 thousand), interest expense of € 29 thousand (previous year: € 27 thousand), payments made of € 17 thousand (previous year: € 6 thousand) and an actuarial gain of € 126 thousand (previous year: € 32 thousand).

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

%	2007	2006
Discounting rate	5.50	4.25
Pensions trend	2.00	2.00

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

The present value of the obligation developed as follows (in €'000):

31/12/2007	31/12/2006	31/12/2005	31/12/2004	31/12/2003
585	683	678	521	458

29. DEFERRED TAX LIABILITIES

The deferred tax liabilities are the result of temporary differences between the valuations in the fiscally relevant balance sheets and the carrying amounts in the consolidated balance sheet. The following table provides an explanation of the differences in the values of the deferred tax liabilities formed in the balance sheets:

DEFERRED TAXES

€'000	31/12/2007	31/12/2006
Fixed assets	567	443
Inventories	236	276
Trade receivables	134	142
Other fixed assets	18	152
Miscellaneous	–149	–65
Offset against deferred tax assets	–630	–592
From the change in the uniform tax rate for the group	–43	–
	133	**356**

30. OTHER PROVISIONS

€'000	1/1/2007	Drawn (D) Liquidated (L)	Allocated	31/12/2007
Provisions for personnel	378	46 (D) 15 (L)	74	391

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

The provisions with a term of up to one year total € 66 thousand. The provisions with a term of between one and five years total € 325 thousand. There are no provisions with a term of over five years, as in the previous year.

31. BORROWINGS

€'000	31/12/2007	31/12/2006
Banks	10,061	11,276
Finance lease	9,159	10,161
	19,220	**21,437**
Of which with a term of:		
– *up to 1 year*	10,140	10,253
– *1 to 5 years*	5,569	7,222
– *over 5 years*	3,511	3,962

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

CREDIT FACILITY

Term €'000	2007	2006
Open-ended	25,000	13,000
31/12/2006	–	4,000
31/01/2007	–	7,500
31/07/2007	–	10,000
31/12/2007	10,000	–
	35,000	**34,500**

The interest rates of short-term loans raised in 2007 were between 4.35% and 5.21% (previous year: between 3.40% and 4.73%).

Borrowings from banks with terms of more than one year relate to two fixed-rate loans:

Original amount €'000	31/12/2007 €'000	Term	Interest rate
9,868	1,974	30/09/2009	5.92%
511	51	31/12/2008	5.50%

The loan with the original amount of € 511 thousand is secured by a land charge of € 1,023 thousand (previous year: € 1,023 thousand).

The finance lease liabilities at 31 December 2007 can be reconciled as follows:

€'000	Term up to one year	Term over one and up to five years	Term over five years	Total
Minimum lease payments	1,622	6,041	4,360	**12,023**
Interest component	556	1,459	849	**2,864**
Principal repaid	1,066	4,582	3,511	**9,159**

The first is the mail-order logistics centre in Tornesch, near Hamburg, which has been leased for a total period of 22.5 years. The second is an office building, which is being used over a term of 18 years. In the case of the mail-order logistics centre, the lessor has a put option at the end of the rental period (31 March 2011) on a portion that is covered by movable equipment lease agreement. There exist purchase options for both properties at the end of the term of the contracts.

The lease has been classified as a financial lease, as the present value of the minimum lease payments in essence corresponds to the fair value of the mail-order logistics centre at the time of formation of the contract. The present value was calculated using effective interest rates ranging from 5.5% to 7%, depending on the contract.

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

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

€'000	Carrying amount 31/12/2007	Cash flows 2008 Fixed interest	2008 Variable interest	2008 Principal	2009 Fixed interest	2009 Variable interest	2009 Principal	2010–2012 Fixed interest	2010–2012 Variable interest	2010–2012 Principal	>2012 Fixed interest	>2012 Variable interest	>2012 Principal
PRIMARY FINANCIAL LIABILITIES													
Due to banks	–10,061	–88	–36	–9,074	–29	–	–987	–	–	–	–	–	–
Finance lease liabilities	–9,159	–556	–	–1,066	–489	–	–1,133	–970	–	–3,449	–849	–	–3,511
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives without hedging relationship	–16	–236	237	–	–236	227	–	–177	169	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	45	–52	59	–	–52	59	–	–52	56	–	–	–	–

32. OTHER LIABILITIES

€'000	31/12/2007	31/12/2006
Advances received	14,824	11,162
Trade payables	44,962	43,482
Income taxes payable	500	451
Other liabilities	20,895	18,482
	81,181	**73,577**
Of which with a term of:		
– up to 1 year	75,657	65,297
– 1 to 5 years	5,524	8,280
– over 5 years	–	–

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 2008 and 2009.

The advances received include liabilities with a term of between one and five years totalling € 4,805 thousand (previous year: € 7,413 thousand).

The other liabilities include liabilities with a term of between one and five years totalling € 719 thousand (previous year: € 867 thousand). There no longer exist any other liabilities with a term of over five years, as in the previous year.

The other liabilities are composed of the following:

€'000	31/12/2007	31/12/2006
Sales tax and other taxes	9,613	7,916
Liabilities in respect of social insurance	641	236
Liabilities to employees	3,691	3,038
Customer bonuses	3,430	3,995
Derivative financial instruments	16	72
Liabilities to other company members	214	220
Due to affiliated companies	109	99
Miscellaneous	3,181	2,906
	20,895	**18,482**

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

€'000	31/12/2007	31/12/2006
"Châteaux et Domaines" Weinhandelsgesellschaft mbH	27	27
Deutschwein Classics Verwaltungsgesellschaft mbH	3	1
Wein Wolf Import GmbH	5	5
Wein Wolf Holding Verwaltungs GmbH	3	3
Weinland Ariane Abayan Verwaltungs GmbH	3	3
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg	41	33
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	27	27
	109	**99**

33. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, stated amounts and fair values by classification category, 2007:

€'000	Classification category acc. to IAS 39	Carrying amount 31/12/2007	Acquisition cost	Amortised cost	Fair value through profit and loss	Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2007
ASSETS							
Cash	LaR	8,388	–	8,388	–	–	8,388
Trade receivables	LaR	47,833	–	47,833	–	–	47,833
Receivables and other assets							
– Other receivables	LaR	3,059	–	3,059	–	–	3,059
– Derivatives without hedging relationship (held for trading)	FAHfT	45	–	–	45	–	45
Financial assets							
– Other loans	LaR	61	–	61	–	–	61
– Available-for-sale financial assets	AfS	235	235	–	–	–	n.a.
EQUITY AND LIABILITIES							
Minority interest in the capital of unincorporated subsidiaries	FLAC	3,687	–	3,687	–	–	n.a.
Trade payables	FLAC	44,962	–	44,962	–	–	44,962
Due to banks	FLAC	10,061	–	10,061	–	–	10,101
Finance lease liabilities	n.a.	9,159	–	–	–	9,159	9,835
Other liabilities							
– Other liabilities	FLAC	20,879	–	20,879	–	–	20,879
– Derivatives without hedging relationship (held for trading)	FLHfT	16	–	–	16	–	16
Of which aggregated by classification category acc. to IAS 39:							
– Loans and receivables (LaR)		59,341	–	59,341	–	–	59,341
– Available-for-sale financial assets (AfS)		235	235	–	–	–	n.a.
– Financial assets held for trading (FAHfT)		45	–	–	45	–	45
– Financial liabilities measured at amortised cost (FLAC)		75,901	–	75,901	–	–	75,941
– Financial liabilities held for trading (FLHfT)		16	–	–	16	–	16

Carrying amounts, stated amounts and fair values by classification category, 2006:

€'000	Classification category acc. to IAS 39	Carrying amount 31/12/2006	Acquisition cost	Amortised cost	Fair value through profit and loss	Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2006
ASSETS							
Cash	LaR	5,506	–	5,506	–	–	5,506
Trade receivables	LaR	44,847	–	44,847	–	–	44,847
Receivables and other assets							
– Other receivables	LaR	2,874	–	2,874	–	–	2,874
– Derivatives without hedging relationship (held for trading)	FAHfT	30	–	–	30	–	30
Financial assets							
– Other loans	LaR	50	–	50	–	–	50
– Available-for-sale financial assets	AfS	235	235	–	–	–	n.a.
EQUITY AND LIABILITIES							
Minority interest in the capital of unincorporated subsidiaries	FLAC	2,948	–	2,948	–	–	n.a.
Trade payables	FLAC	43,482	–	43,482	–	–	43,482
Due to banks	FLAC	11,276	–	11,276	–	–	11,313
Finance lease liabilities	n.a.	10,161	–	–	–	10,161	10,531
Other liabilities							
– Other liabilities	FLAC	18,410	–	18,410	–	–	18,410
– Derivatives without hedging relationship (held for trading)	FLHfT	72	–	–	72	–	72
Of which aggregated by classification category acc. to IAS 39:							
– Loans and receivables (LaR)		53,277	–	53,277	–	–	53,277
– Available-for-sale financial assets (AfS)		235	235	–	–	–	n.a.
– Financial assets held for trading (FAHfT)		30	–	–	30	–	30
– Financial liabilities measured at amortised cost (FLAC)		73,168	–	73,168	–	–	73,205
– Financial liabilities held for trading (FLHfT)		72	–	–	72	–	72

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

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

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

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

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

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

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

NET EARNINGS BY CLASSIFICATION CATEGORY 2007

€'000	From interest	From subsequent measurement: At fair value	At amortised cost	Currency translation	Impairment losses	From profit distribution	From disposal	Net earnings 2007
Loans and receivables (LaR)	232	–	–	–	117	–	–	349
Available-for-sale financial assets (AfS)	–	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	71	–	–	–	–	–	71
Financial liabilities measured at amortised cost (FLAC)	–1,237	–	–1,051	100	–	–	–	–2,188
TOTAL	**–1,005**	**71**	**–1,051**	**100**	**117**	**–**	**–**	**–1,768**

NET EARNINGS BY CLASSIFICATION CATEGORY, 2006

€'000	From interest	From subsequent measurement: At fair value	At amortised cost	Currency translation	Impairment losses	From profit distribution	From disposal	Net earnings 2006
Loans and receivables (LaR)	107	–	–	–	–41	–	–	66
Available-for-sale financial assets (AfS)	–	–	–	–	–	1	–	1
Financial instruments held for trading (FAHfT + FLHfT)	–	155	–	–	–	–	523	678
Financial liabilities measured at amortised cost (FLAC)	–955	–	–426	140	–	–	–	–1,241
TOTAL	**–848**	**155**	**–426**	**140**	**–41**	**1**	**523**	**–496**

The interest from financial instruments is reported under the financial result (cf. also Note 12: Financial results). The remaining components of net earnings are likewise reported by Hawesko Holding under the financial result, except for the impairment losses on trade receivables in the classification category loans and receivables, which are reported under miscellaneous other operating expenses. The income and expenses from currency translation for trade liabilities are included in the other operating income, other operating expenses and cost of purchased goods.

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

OTHER PARTICULARS

34. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The following contingencies and financial obligations in respect of third parties existed on 31 December 2007:

€'000	31/12/2007	31/12/2006
Credit by way of guarantee	132	105
Advance payments outstanding	543	112
Guarantees	3,025	3,287

Obligations relating to advance payments outstanding for subscriptions received as at 31 December 2007 were repaid at the start of 2008.

Hawesko Holding AG owns a 100% interest in *Sélection de Bordeaux SARL*. As 50% of this company's equity capital had been used up, in June 2006 the company passed the resolution under French law to continue the business. The company is liable for any losses incurred until such time as the equity capital has been restored. The financial obligations amounted to € 76 thousand at 31 December 2007 (previous year: € 347 thousand).

For one commercial act, in 2005 the subsidiary *Weinland Ariane Abayan GmbH & Co. KG* entered into a buy-back obligation by 31 March 2009 at a net purchase price of € 2,836 thousand. The company has transferred this buy-back obligation internally to two natural persons.

The minimum total for non-discounted future lease and rental payments amounts to € 9,072 thousand (previous year: € 8,972 thousand). The global obligations for lease and tenancy agreements are due as follows:

€'000	
Up to 1 year	6,960
Over 1 year, up to 5 years	1,320
Over 5 years	792
	9,072

The other financial obligations from tenancy and lease agreements relate substantially to rented shop premises for the specialist retailing of wine, and two pieces of land classified as operating leases.

35. RISK MANAGEMENT AND FINANCIAL DERIVATIVES

Principles of risk management

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

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

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

Exchange risks arise essentially as a result of business operations and are rated as low. No derivative hedging instruments are therefore recognised at the reporting date, as in the previous year, and no separate foreign exchange sensitivity analysis has been carried out.

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.

Due to the lack of matched maturities between – and high variation in the levels of use of – underlying and hedging transactions, there is no close hedging relationship with the underlying transactions in the case of the interest rate derivatives. They are consequently measured at fair value, with gains or losses from the change in fair value booked to income via the interest result. The obligations and entitlement from the measurement of interest rate derivatives are shown under other liabilities and other liabilities.

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

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

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

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

If the market rate had been 100 base points higher (lower) at 31 December 2007, earnings would have been € 0.2 million lower (€ 0.1 million higher). The effects would be reflected in the interest result.

The *credit and non-payment risk* of financial assets from business operations (essentially trade receivables) corresponds to no more than the amounts shown on the assets side and is well diversified thanks to the large number of individual receivables from customers. The credit risk is in addition reflected by means of uncollectable receivables and lump-sum uncollectable receivables. Advance payments are normally protected by bank guarantees.

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

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

HEDGES/DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2007 there were no derivative financial instruments in use as *fair value hedges* or *cash flow hedges*.

The following table shows the reported fair values of the various derivative financial instruments concluded without effective hedging relationships pursuant to IAS 39:

	Nominal volume		Fair value	
€'000	**31/12/2007**	**31/12/2006**	**31/12/2007**	**31/12/2006**
Interest hedging transactions with a positive market value at the reporting date	12,000	7,000	45	30
Interest hedging transactions with a negative market value at the reporting date	5,000	10,000	–16	–72

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

36. 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.

ROCE is an 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 deferred tax assets. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) permanently higher than 16% is the aim. A rate of return of 16% was achieved in the year under review (previous year: 18%).

37. EMPLOYEES

The average number of employees was as follows:

Group	2007	2006
Commercial and industrial employees	587	530
Apprentices	22	21
	609	**551**

38. NOTES TO THE CASH FLOW STATEMENT

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

The cash outflows from interest payments and dividends have been allocated to financing activities. The cash outflows from financing activities include interest payments made totalling € 1,763 thousand and interest payments received totalling € 130 thousand. The cash inflows from current operations of € 17,873 thousand (previous year: € 12,709 thousand) include the changes in cash and cash equivalents from operating activities. Cash and cash equivalents comprise cheques, cash on hand as well as cash in banks and amounts due to banks at any time.

The following assets, liabilities and cash were disposed of in connection with the sale of *Sommelier Dystrybucja Sp.z o.o.*:

€'000	
Fixed assets	42
Inventories	523
Receivables and other assets	402
Liabilities	240
Cash	53

The purchase price of € 280 thousand was received in the year under review except for € 50 thousand.

The composition of cash and cash equivalents is as follows:

€'000	31/12/2007	31/12/2006	Change
Cash in banking accounts and cash on hand	8,388	5,506	2,882

39. SEGMENT REPORTING

In keeping with the requirements of IAS 14, individual data from the annual financial statements has been segmented according to business area (primary reporting format). In agreement with the internal reporting arrangements of the Hawesko Group, the 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. The Europe segment (excluding Germany) comprises the countries France (representing approx. 65%), Austria (approx. 25%), Czech Republic (approx. 7%), Poland (approx. 2%) and Hungary (approx. 1%). 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 secondary reporting format is used for the first time because sales in the Europe segment (excluding Germany) exceeded 10% of total sales in the past financial year.

The segments comprise the following areas:

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

- The wholesale segment groups together business activities with retailers; wines and champagnes are sold both by mail order (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein Wolf* Group). *Le Monde des Grands Bordeaux Château Classic SARL* gives the company a presence at what must be the most important trading location for Bordeaux wines. It likewise includes the 50% interest in *Global Eastern Wine Holding GmbH*, Bonn, and its 66% interest respectively in the Czech wholesaler *Global Wines, s.r.o.*, Prague, and the Hungarian wholesaler *Universal Wines GmbH i.L.*, Budapest. Further details of the joint venture are provided in Note 6.

- The segment for mail-order trade comprises the wine and champagne mail-order division, with activities focused on the consumer. This segment also includes gifts business for corporate and private customers, based on a special catalogue. The mail-order division includes the companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Carl Tesdorpf GmbH* and *Sélection de Bordeaux SARL*.

- The miscellaneous segment includes Hawesko Holding AG and *IWL Internationale Wein Logistik GmbH*, as well as the former general-partner limited-liability company of the renamed firm *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*.

The segment data has been calculated in the following way:

- Internal sales indicate the sales between segments. Intra-group sales are calculated on the basis of market prices.

- The segment result is defined as earnings before interest, taxes and any deduction for minority interest (EBIT).

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

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

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

- There are no significant income and expenses with no cash impact in the specialist wine-shop retail, wholesale and mail-order segments.

SEGMENTS 2007

€'000	Specialist retail	Wholesale	Mail order	Miscellaneous	Reconciliation	Group
SALES REVENUES	105,240	147,469	96,306	15,561	–30,858	333,718
– External sales	**105,156**	**139,276**	**89,026**	**260**	**–**	**333,718**
– Internal sales	84	8,193	7,280	15,301	–30,858	–
OTHER INCOME	9,013	6,318	2,572	1,142	–2,601	16,444
– External	9,013	6,035	1,129	267	–	16,444
– Internal	–	283	1,443	875	–2,601	–
EBIT	**12,181**	**8,662**	**2,139**	**–4,649**	**–**	18,332
Non-allocated expenses						–60
						18,272
Financial income						232
Financial expense						–2,837
Financial result						–2,605
RESULT FOR SEGMENTS BEFORE TAXES						**15,667**
Taxes on income						–8,715
RESULT AFTER TAXES						**6,952**
SEGMENT ASSETS	32,555	80,790	50,008	146,067	–142,771	166,649
Non-allocated assets						9,977
CONSOLIDATED ASSETS						**176,626**
SEGMENT DEBTS	19,870	44,348	17,472	9,275	–8,794	82,171
Non-allocated debts						19,911
CONSOLIDATED DEBTS						**102,082**
Depreciation and amortisation	1,702	606	1,390	1,305	–	5,003
Investment	1,505	1,004	415	474	–	3,398

SEGMENTS 2006

€'000	Specialist retail	Wholesale	Mail order	Miscellaneous	Reconciliation	Group
SALES REVENUES	101,208	128,107	90,970	12,949	−30,596	302,638
– External sales	**101,174**	**119,642**	**81,416**	**406**	**–**	**302,638**
– Internal sales	34	8,465	9,554	12,543	−30,596	–
OTHER INCOME	7,958	4,855	2,299	1,194	−2,327	13,979
– External	7,958	4,753	1,058	175	35	13,979
– Internal	–	102	1,241	1,019	−2,362	–
EBIT	**11,619**	**5,879**	**4,407**	**−3,372**	**–**	18,533
Non-allocated expenses						69
						18,602
Financial income						934
Financial expense						−2,209
Financial result						−1,275
RESULT FOR SEGMENTS BEFORE TAXES						**17,327**
Taxes on income						−6,361
RESULT AFTER TAXES						**10,966**
SEGMENT ASSETS	31,189	72,644	48,334	143,249	−140,530	154,887
Non-allocated assets						16,999
CONSOLIDATED ASSETS						**171,886**
SEGMENT DEBTS	19,389	33,322	20,153	8,396	−6,621	74,638
Non-allocated debts						22,158
CONSOLIDATED DEBTS						**96,796**
Depreciation and amortisation	1,414	632	1,069	1,148	–	4,263
Investment	1,552	701	2,333	1,332	–	5,918

GEOGRAPHICAL SEGMENTATION

	Segment assets		Segment investment		External sales	
€'000	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Germany	145,007	138,391	3,297	5,683	296,562	275,233
Europe (excl. Germany)	21,642	16,496	101	236	37,156	27,405
	166,649	**154,887**	**3,398**	**5,919**	**333,718**	**302,638**

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

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

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

The group companies *IWL Internationale Wein Logistik GmbH, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* make use of the exemption rules of Section 264 Para. 3 of German Commercial Code for the year under review. The consolidated financial statements are published in the electronic Federal Gazette.

42. DECLARATION OF COMPLIANCE

The statement with respect to the German Corporate Governance Code, as specified under Section 161 of German Stock Corporation Law, has been submitted and is published on the Internet on www.hawesko.com.

43. RELATED PARTY DISCLOSURES

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

The Board of Management and Supervisory Board are to be regarded as related parties pursuant to IAS 24.5. During the period under review, there were business relationships between the 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 financial year:

€'000	Variable remuneration	Fixed remuneration	Attendance fees	Remuneration for services rendered in person	Total
Manfred Middendorff	22	8	15	–	45
Prof. Dr. Dr. Dr. Franz Jürgen Säcker	15	6	6	–	27
Prof. Dr. Carl H. Hahn	10	4	3	–	17
Jacques Héon	10	4	4	–	18
Detlev Meyer	10	4	5	–	19
Angelika Jahr-Stilcken	10	4	6	–	20
TOTAL	**77**	**30**	**39**	**–**	**146**

The members of the Board of Management were paid the following total remuneration for their activities in the financial year:

€'000	Fixed	Variable	Total
Alexander Margaritoff	1,043	268	1,311
Bernd Hoolmans	405	131	536
Ulrich Zimmermann	162	–	162
TOTAL	**1,610**	**399**	**2,009**

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

In the previous year, remuneration totalling € 2,400 thousand was paid to the Board of Management, comprising € 1,820 thousand in fixed pay and € 580 thousand in variable components. Payments to members of the Supervisory Board totalled € 171 thousand in the previous year, of which € 32 thousand were fixed components.

Under the employee share-ownership scheme, Alexander Margaritoff and Bernd Hoolmans in addition each purchased 1,500 shares at a price of € 17.54 with the reference date of 16 October 2007.

The contract of service of the Board of Management member Sven Ohlzen appointed until 31 December 2006 duly ended on 31 December 2007.

A former Board of Management member was paid remuneration totalling € 498 thousand in the financial year, comprising € 367 in fixed pay and € 131 thousand in variable pay.

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

The employment contract of Ulrich Zimmermann includes a revocable post-contractual competition ban for the period of six months with continued payment of 50% of the fixed remuneration. If employment is terminated for reasons for which Ulrich Zimmermann is not responsible, compensation rises to 100% of the fixed remuneration.

The Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay. A provision totalling € 89 thousand (previous year: € 109 thousand) was reported for this commitment at 31 December 2007.

In the event of termination of employment following a “change of control”, the Board of Management member Bernd Hoolmans is entitled to compensation amounting to 150% of his last average contractually agreed annual pay for the remaining term of his contract (a maximum of three years’ pay).

There existed no loans to members of the Board of Management or Supervisory Board in the 2007 financial year.

The balance sheet includes provisions for obligations totalling € 676 thousand (previous year: € 748 thousand) to the Board of Management and Supervisory Board.

At 31 December 2007, the Supervisory Board held 1,793,294 (previous year: 1,579,494) and the Board of Management 2,680,126 (previous year: 2,680,996) shares – directly and indirectly – in Hawesko Holding AG, with the Chairman of the Board of Management holding 2,668,342 (previous year: 2,667,052) shares directly and indirectly.

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

44. EXPENDITURE ON AUDITOR’S FEES

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

€’000	2007	2006
Audit of financial statements	165	162
Tax consultancy	110	101
Other services	16	29
TOTAL	**291**	**292**

Hamburg, 22 February 2008

The Board of Management

Alexander Margaritoff Bernd Hoolmans

Bernd G. Siebdrat Ulrich Zimmermann

INDEPENDENT AUDITOR'S REPORT

We have examined the consolidated financial statements of Hawesko Holding Aktiengesellschaft, Hamburg – comprising the balance sheet, the income statement, the statements of changes in shareholders' equity and cash flow and the notes to the consolidated financial statements – as well as the group management report for the financial year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and group management report in accordance with IFRS as applied in the European Union, as well as with the applicable commercial regulations pursuant to Section 315a, Paragraph 1 of the German Commercial Code, is the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and group management report based on our audit.

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

The audit includes an assessment of the annual financial statements of the companies included in the consolidated financial statements, the definition of the consolidated group, the accounting and consolidation principles used and significant estimates made by the legal representatives of the group as well as an appraisal of the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our evaluation.

Our audit has not led to any reservations.

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

Hamburg, 7 March 2008

Susat & Partner oHG
Wirtschaftsprüfungsgesellschaft

von Oertzen
Independent auditor

Dr. Dannenbaum
Independent auditor

DECLARATION OF THE LEGAL REPRESENTATIVES

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

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

Hamburg, 22 February 2008

The Board of Management

Alexander Margaritoff   Bernd Hoolmans

Bernd G. Siebdrat   Ulrich Zimmermann

REPORT OF THE SUPERVISORY BOARD

In the 2007 financial year the Supervisory Board performed the tasks for which it is responsible, in accordance with the legal requirements and the articles of incorporation; it was in addition informed by the Board of Management about the situation of the company at its meetings as well as in individual conferences, and passed the necessary resolutions. Furthermore, the Board of Management reported to the Supervisory Board on other important matters. The regular oral and written reports submitted to the Supervisory Board pertained to the overall situation of the company and current business developments as well as to the medium-term strategy of the company, including its investment, personnel, financial and earnings plans. Its deliberations focused on the economic development of the company, the group, the individual divisions and the affiliated companies, as well as the ongoing evolution of Hawesko Holding AG.

In the 2007 financial year the Supervisory Board held a total of four ordinary meetings to assure itself of the lawful and orderly management of the company. The topics of the reports and discussions of the Supervisory Board included the current trading position of the group, the corporate governance principles and their implementation, risk management within the group, concluding assessment of the IT changeover in the mail-order segment, the piloting of the specialist market concept, the disposal of wholesale activities in Poland, the expansion of the Board of Management, potential corporate acquisitions and the medium-term business plans. The Supervisory Board received separate reports from the Board of Management on the following topics: the IT changeover in the mail-order segment; the prospects for *Jacques' Wein-Depot* in Austria; a presentation on and profitability projection for the customer acquisition measures in the mail-order segment; the market situation for wines produced according to organic cultivation and vinification techniques, for reduced-alcohol wines and for wines in alternative forms of packaging; the marketing concept for German wines. Pursuant to Section 8 of the articles of incorporation, an individual investment project involving more than € 2.5 million or the acquisition of other companies or the disposal of investments in companies with a value of more than € 0.5 million require the prior approval of the Supervisory Board; no transactions of this magnitude took place in 2007, with the result that no such approval was necessary.

Three members of the Supervisory Board attended all Supervisory Board meetings; one member sent apologies for absence on one occasion and two members sent apologies for absence on two occasions. Where absent, the members participated in the passing of resolutions by submitting their vote in writing. The Committee for Accounting and Investment Affairs met on one occasion, and the Committee for Personnel Affairs on two occasions. A Nominating Committee was formed. The Supervisory Board successfully assessed its efficiency in a self-evaluation process.

Between its meetings, the Supervisory Board was given regular, up-to-date, comprehensive reports by the Board of Management on the development of the group. Considerable importance was attached to the monthly reporting system, which reports and comments on key financial data compared with the target and prior-year figures. The Supervisory Board has received all principal budgeting and accounting documents and been able to assess their correctness and appropriateness.

No conflicts of interest concerning individual Supervisory Board members came to the attention of the Chairman.

At the end of March 2007 the Board of Management and Supervisory Board submitted the annual Declaration of Compliance in respect of the German Corporate Governance Code. The Declaration of Compliance approved today pursuant to Section 161 of German Stock Corporation Law and a statement on corporate governance are published separately in the Annual Report (page 87); this document is available on the Internet at www.hawesko.com.

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 2007 financial year, including the bookkeeping, were examined by Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 18 June 2007. The auditors did not find any cause for objection and signed off the above without qualification.

Pursuant to Section 170 of German Stock Corporation Law, the Board of Management submitted the annual and consolidated financial statements, the combined management report for the group and the parent company for the 2007 financial year, and the auditors' audit reports on the examination of the annual and consolidated financial statements and the Board of Management's proposal on the appropriation of earnings to the Supervisory Board for review. The Supervisory Board Committee for Accounting and Investment Affairs inspected the documents presented at length at its meeting on 27 March 2008 and discussed them in the presence of the auditors. The full Supervisory Board discussed the annual financial statements and the consolidated financial statements of Hawesko Holding AG as well as the auditors' audit reports at its meeting on 7 April 2008. Based on the conclusions of its examination, the Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2007 pursuant to Section 171 of German Stock Corporation Law. The annual financial statements are thus approved in accordance with Section 172 of German Stock Corporation Law.

The Supervisory Board endorses the proposal of the Board of Management to use the unappropriated profit for the 2007 financial year for the distribution of a dividend of € 1.00 per no par value share.

Detlev Meyer surrendered office with effect from 31 December 2007; the Supervisory Board would like to thank him for his dedicated work.

With effect from 1 January 2008 Bernd G. Siebdrat was appointed as a new, additional Board of Management member with responsibility for the wholesale area. Mr Siebdrat is co-founder and Managing Director of the subsidiary *Wein Wolf Holding GmbH & Co. KG*, which was established in 1981 and taken over by Hawesko in 1999. He has been in charge of the entire wholesale segment of the Hawesko Group since 2004.

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

Hamburg, 7 April 2008

The Supervisory Board

Manfred Middendorff

Chairman

CORPORATE GOVERNANCE

Hawesko Holding AG is committed to responsible company management and supervision directed towards increasing the value of the company. The transparency of the principles of the company as well as the presentation of its continuous 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 monitor compliance with the German Corporate Governance Code and each year submit a Declaration of Conformity, both current and former versions of which can be called up on the internet. The overwhelming majority of the standards and recommendations specified in the German Corporate Governance Code have been practised for years at Hawesko Holding AG. This will remain so in the future.

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in the combined management report for the group and the parent company, as well as in the Notes to the consolidated and individual financial statements.

Declaration of Conformity pursuant to Section 161 of German Stock Corporation Law

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

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, declare that the aforementioned recommendations of the Government Commission on the German Corporate Governance Code in the version dated 14 June 2007 have been and are complied with, with the exception that the company departs from the recommendations of the Code in the following respects:

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

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

  (2) insofar as the capital increase for contribution in kind is made for the purpose of acquiring companies or participations in companies;

  (3) insofar as the capital increase for cash is made for the purpose of acquiring companies or participations in companies;

  (4) to eliminate residual amounts.

These arrangements conform to the statutory model of German Stock Corporation Law.

- *Section 2.3.2 of the Code:* the company does not send notification of the convening of the General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means if the approval requirements are fulfilled.

  This practice adopted by Hawesko Holding AG conforms to the standard of German companies with bearer shares.

- *Section 3.8 of the Code:* where D&O insurance cover (Directors' & Officers' Liability) is taken out for the Board of Management and Supervisory Board, the company does not provide for an excess to be borne by those insured. This practice adopted by Hawesko Holding AG conforms to European standards.

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

Hamburg, 7 April 2008

The Supervisory Board   The Board of Management

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

MEMBERS OF THE BOARD OF MANAGEMENT

Alexander Margaritoff,
Chairman and Chief Executive Officer, Hamburg

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

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

Bernd Hoolmans, Düsseldorf

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

Bernd G. Siebdrat (from 1 January 2008), Bonn

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

Ulrich Zimmermann, Chief Financial Officer, Hamburg

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

MEMBERS OF THE SUPERVISORY BOARD

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

Dipl.-Ing. Manfred Middendorff, Chairman [1)] [2)]

General Executive, Brauerei Herrenhausen KG, Hanover; Royal Norwegian Honorary Consul

Professor Dr. iur. Dr. rer. pol. Dr h.c. Franz Jürgen Säcker, Deputy Chairman [2)] [3)]

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

Dr. rer. pol. Dr. h.c. (mult.) Carl H. Hahn [1)]

Former Chairman of the Board of Management of Volkswagen AG, Wolfsburg

- Global Consumer Acquisition Corporation, New York, New York, USA (from 1 October 2007); Indesit Electrodomestici S.p.A., Fabriano, Italy (until 30 April 2007); Perot Systems Corporation, Plano, Texas, USA

Jacques Héon [3)]

Management consultant, co-founder of *Jacques' Wein-Depot*, Düsseldorf

Angelika Jahr-Stilcken [1)] [2)] [3)]

Journalist, Hamburg

- Gruner+Jahr AG, Hamburg (from 1 April 2008); Jacobs University, Bremen; Nestlé Deutschland AG, Frankfurt am Main

Detlev Meyer [1)] *(until 31 December 2007)*

Entrepreneur, Neustadt am Rübenberge

- Belux AG, Muttenz, Switzerland; Pius Weinwelt Verwaltung GmbH, Keitum/Sylt

1) *Member of the Personnel Committee*

2) *Member of the Committee on Accounting and Investment*

3) *Member of the Nominating Committee*

PARENT COMPANY STATEMENT OF INCOME OF HAWESKO HOLDING AG

for the period from 1 January to 31 December 2007

€'000 (Rounding differences possible)	1/1–31/12/2007	1/1–31/12/2006
Other operating income	413	523
Personnel expenses		
a) Salaries	–2,567	–2,471
b) Social securities and social maintenance costs	–91	–96
Depreciation and amortisation	–15	–6
Other operating expenses	–1,443	–1,155
Income from profit-transfer agreements	12,993	14,359
Investment income	2,799	1,745
Other interest and similar icome	2,908	2,121
Write-down of financial assets	0	–10,000
Expenses from loss-transfer	–1,934	–701
Interest and similar expenses	–1,017	–1,062
RESULTS FROM ORDINARY ACTIVITIES	**12,047**	**3,257**
Taxes on income	–1,316	–1,511
Other taxes	–1	–13
NET INCOME FOR THE YEAR	**10,730**	**1,733**
Profit carryforward from previous year	128	80
Withdrawals from other revenue reserves	760	5,800
Transfer into reserve for treasury shares	–760	–
Transfer into other revenue reserves	–1,800	–
UNAPPROPRIATED PROFIT FOR THE YEAR	**9,058**	**7,613**

The complete financial statements of the Hawesko Holding AG parent company, which have been drawn up according to the regulations of the German Commercial Code and German Stock Corporation Law and have received the unqualified certification of Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, will be submitted to the electronic Federal Gazette and can be called up from the electronic Companies Register.

PARENT COMPANY BALANCE SHEET OF HAWESKO HOLDING AG

at 31 December 2007

ASSETS (Rounding differences possible) €'000	31/12/2007	31/12/2006
FIXED ASSETS		
Intangible assets		
Software	18	–
Property, plant and equipment		
Operating equipment and fixtures	6	1
Financial assets		
Shares in affiliated companies	61,100	61,100
	61,125	**61,101**
CURRENT ASSETS		
Receivables and other assets		
Receivables from other affiliated companies	55,370	55,019
Other assets	581	819
	55,951	**55,838**
Securities: Treasury shares	1,030	270
Cash in banking accounts	5,010	2,984
	61,991	**59,092**
PREPAID EXPENSES	111	143
TOTAL ASSETS	**123,227**	**120,336**

SHAREHOLDERS' EQUITY AND LIABILITIES (Rounding differences possible) €'000	31/12/2007	31/12/2006
SHAREHOLDERS' EQUITY		
Subscribed capital	13,249	13,249
Capital reserve	57,697	57,697
Revenue reserve		
1. Reserve for treasury shares	1,030	270
2. Other revenue reserves	25,640	24,600
Unappropriated profit for the year	9,058	7,613
	106,675	**103,430**
PROVISIONS		
Provisions for taxation	14	–
Other provisions	976	948
	989	**948**
LIABILITIES		
Due to banks	10,007	11,011
Trade accounts payable	51	51
Due to affiliated companies	52	50
Other liabilities	5,453	4,846
	15,563	**15,958**
TOTAL ASSETS	**123,227**	**120,336**
CONTINGENCIES		
Liabilities arising from guarantees for affiliated companies (of which annual installments in the context of guarantees for continuous obligations € 1,431 thousand)	1,507	–

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This annual report is published in German and English. In case of discrepancies, the German version shall prevail.

CONCEPT AND DESIGN

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Dirk Uhlenbrock, Hamburg

KEY FINANCIAL DATA OF HAWESKO GROUP

€ million	2000	2001	2002	2003	2004	2005	2006	2007
Net sales	232.4	264.3	267.4	278.8	285.8	287.0	302.6	333.7
Gross profit	98.3	111.3	114.8	117.1	119.6	119.5	122.2	130.9
– *as % of net sales*	42.3%	42.1%	42.9%	42.0%	41.9%	41.6%	40.4%	39.2%
Operating result before depreciation (EBITDA)	13.7	23.0	20.4	21.4	22.1	23.3	22.9	23.3
– *as % of net sales*	5.9%	8.7%	7.6%	7.7%	7.7%	8.1%	7.6%	7.0%
Depreciation and amortisation	4.6	5.4	5.7	5.7	5.3	4.4	4.3	5.0
Operating result (EBIT)	9.0	17.6	14.7	15.7	16.8	18.9	18.6	18.3
– *as % of net sales*	3.9%	6.7%	5.5%	5.6%	5.9%	6.6%	6.1%	5.5%
Consolidated earnings *(after taxes and minority interests)*	1.0	6.8	4.4	5.9	5.7	10.7	10.8	6.7
Cash flow from current operations	9.6	24.2	18.3	24.6	21.4	24.3	12.7	17.9
Cash flow from investing activities	–5.8	–6.0	–0.4	–3.6	–4.8	–5.2	–5.6	–2.6
Free cash flow	0.8	14.0	14.4	17.9	14.4	17.1	5.6	13.6
Proposed dividend distribution for the current year *(parent company)*	–3.7	–5.1	–4.4	–4.8	–5.5	–8.8	–7.6	–8.8
Non-current assets	71.9	70.0	66.5	59.1	58.7	56.6	57.3	48.9
Current assets	116.9	115.0	114.9	110.7	106.6	106.0	114.5	127.7
Equity less proposed dividend	54.9	54.9	60.4	61.7	59.9	61.6	64.9	62.6
– *as % of balance sheet total*	29.1%	29.7%	33.3%	36.3%	36.2%	37.9%	37.8%	35.4%
Total assets	188.8	185.0	181.4	169.9	165.3	162.6	171.9	176.6
Capital employed	111.3	116.6	114.9	115.1	109.8	103.1	106.2	110.8
Return on total assets	5.0%	9.4%	8.0%	8.9%	10.1%	11.5%	11.1%	10.5%
Return on capital employed	8.3%	15.1%	12.8%	13.6%	15.3%	18.4%	17.5%	16.4%
Earnings per share (€) [1]	0.11	0.81	0.53	0.69	0.65	1.22	1.23	0.76
Regular dividend per share (€) [1]	0.42	0.58	0.50	0.55	0.63	0.70	0.85	1.00
Bonus dividend payment 2005 (€) [1]	–	–	–	–	–	0.30	–	–
Total dividend per share (€) [1]	0.42	0.58	0.50	0.55	0.63	1.00	0.85	1.00
Total shares [1] *(average number outstanding in the year, in '000)*	8,735	8,593	8,628	8,811	8,822	8,797	8,806	8,805
Year-end share price (€) [1]	7.00	8.64	7.69	10.30	12.60	16.75	20.40	22.70
Market capitalisation at end of year	60.6	73.5	67.8	90.8	111.3	148.0	180.2	200.5
Total employees (average for year)	515	527	558	568	580	566	551	609

[1] *adjusted to reflect the share split performed in October 2006*

Financial Calendar

29 April 2008	Annual results press conference/Interim Report to 31 March 2008
30 April 2008	Analyst conference
16 June 2008	Shareholders' meeting in Hamburg/last day before ex-dividend
31 July 2008	Interim Report to 30 June 2008
31 October 2008	Interim Report to 30 September 2008
End of January 2009	Preliminary business figures for 2008
End of April 2009	Publication of 2008 Annual Report, analyst conference