HAWESKO
HOLDING AG

ANNUAL REPORT **2008**

NUMBER 1 IN THE TRADE WITH PREMIUM WINES

Oestrich-Winkel, Rheingau, Hesse, Germany

Success with premium wines
– substantial, profitable, lasting

HAWESKO HOLDING AG

WINE-SHOP RETAIL

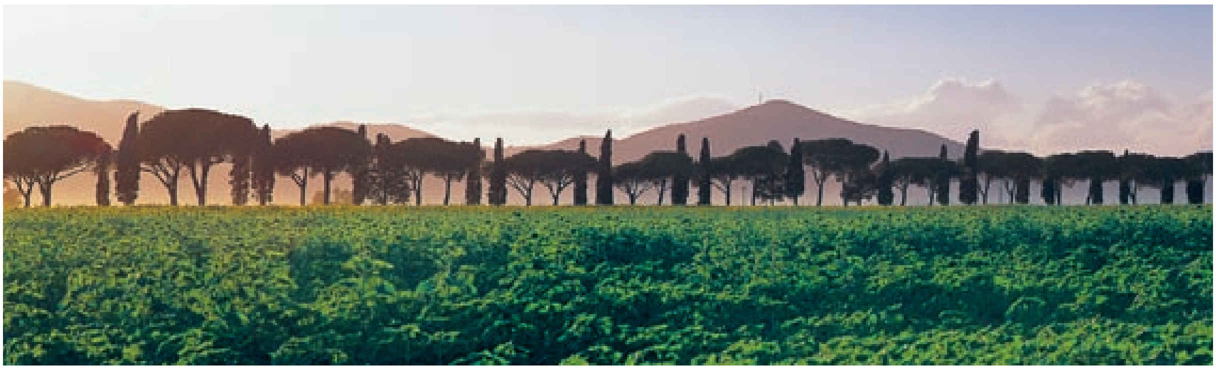
- Trading names:
  Jacques' Wein-Depot
  (Germany/Austria)
- Target group:
  younger, more adventurous private customers
- Market segment:
  controlled quality wines – exclusive to *Jacques'* – average price: over € 6 per bottle
- Addresses base:
  approx. 800,000
- Number of outlets:
  Germany: 267, 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



Maremma, Tuscany, Italy

FINANCIAL HIGHLIGHTS

	2008	2007	
NET SALES (€ million)	**338.8**	333.7	+1.5%
GROSS PROFIT (€ million)	**135.6**	130.9	+3.5%
CONSOLIDATED EBIT (€ million)	**25.5**	18.3	+39.5%
EARNINGS PER SHARE (€)	**1.67**	0.76	+119.7% [1)]
ROCE	**22.7%**	16.4%	+6.3%-points
DIVIDEND YIELD (31/12)	**6.2%**	4.4%	+1.8%-points
EMPLOYEES	**614**	609	+0.8%

1) *after elimination of one-off tax effect +56.1%*

Dear fellow shareholders,

2008 was a year brimming with contradictions: a thundering start to the year for the Hawesko Group and high expectations pinned on Bordeaux wines of the long awaited 2005 vintage; the spread of the financial crisis and various German banks rescued from the brink of collapse; sound growth and high profitability for *Jacques' Wein-Depot* and Hawesko's mail order trade; government bailouts for major banks in the USA and assurances from the German Chancellor that private individuals' savings are safe; the secondary market for older vintages of Bordeaux wines grinding to a halt towards the end of the year; fears of a collapse in Christmas business; the best Christmas season in the history of *Jacques'* and a return to the accustomed level of profitability for Hawesko's mail order business in the fourth quarter.

If only we had a patent recipe for steering precisely the right course through these volatile, fitful markets! Yet no such patent recipe exists. I believe, however, that we are entering times when the true value of old-style, simple virtues will come to the fore again – as long exemplified by the Hanseatic merchant. Hawesko has always placed the wishes of the customer at the forefront, offered good wines at a fair price and treated suppliers and other business partners equitably year in, year out. We have steadfastly invested in the future and kept our business processes technically up to date. And we aim to continue doing so.

The results for the 2008 financial year, which are grounded in precisely the same principles as in previous years, are very respectable indeed: the group enjoyed a 1.5% rise in sales, with activities in Germany actually up by 4.3%. We consequently yet again outperformed the wine market as a whole. *Jacques' Wein-Depot* further improved its network of shops, extended its customer base, increased sales by 5% and even boosted its operating result by 20%. Although the wholesale segment suffered a 3% downturn in sales year on year, this can be attributed to a return to normal levels of business following the unexpectedly high growth of previous years for high-quality Bordeaux wines. Wholesale EBIT, by contrast, remained at the high level of the previous year. Our mail order business not only increased sales by 5% by maintaining the drive to acquire new customers – at lower advertising outlay than in the previous year – and through innovative marketing measures; we also raised the rate of return back to the long-term level and almost tripled the operating result. All in all, this was a record year for the Hawesko Group, with EBIT of € 25.5 million, net earnings of € 14.6 million and a free cash flow of € 17.5 million!

The virtues of a Hanseatic merchant – in my understanding – include letting shareholders participate in this good performance. That is why we are proposing to you the payment of a dividend of € 1.20 per share. This is 20% up on the previous year; it is also consistent with the pattern of regular dividend payouts that we have maintained ever since going public and have steadily been increasing every year since 2002. Despite the higher distribution of profit, our balance sheet ratios remain very healthy because we are eager to preserve our financial strength in what is currently a very uncertain economic environment – that, too, is a Hanseatic virtue!

No company's shares have remained unaffected by the current state of the markets, but Hawesko's shares have put in a remarkably stable performance over the past twelve months (since the end of February 2008) with a fall of 12%, whereas the DAX index, for example, has fallen by over 40% and the MDAX has taken a hit of almost 50%.

In actual fact, I can legitimately repeat word for word what I wrote here last year, because my remarks are as topically relevant as ever: 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 dealer traded 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, eleven 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 well with their Hawesko shares! But this also defines our task for the future.

Everything points towards 2009 being a more difficult year. But my colleagues in the management board and I lead this company in the full knowledge that we have done our homework and are well equipped to navigate successfully the rough waters that lie ahead, because we have sound balance sheet ratios, proven and refined marketing concepts, and many years of management experience specifically in the wine trade. I therefore think it is realistic to forecast a stable performance for the Hawesko Group over the next two years, and could well imagine that this crisis will even offer us a few intriguing opportunities. Yet we will never lose sight of our long-term financial objectives.

This will not be achieved by accounting wizardry or ingenious financial-engineering products, but through honest work based on an effective business model that duly heeds the human dimension of doing business. Satisfied customers, motivated employees and fair treatment of and by business partners are all values which give our business that vital authenticity. That is why I would explicitly like to take this opportunity to thank everyone who does business with Hawesko based on such values, to our mutual benefit and to the benefit of the wider community. I would also like to thank you, our shareholders, for your enduring loyalty to Hawesko and its shares.

Yours sincerely,

A. Margaritoff

Alexander Margaritoff

from left to right: Bernd Hoolmans, Alexander Margaritoff, Ulrich Zimmermann, Bernd G. Siebdrat

THE BOARD OF MANAGEMENT OF HAWESKO HOLDING AG

Alexander Margaritoff, Chairman and Chief Executive Officer

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.

Bernd Hoolmans

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

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

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.

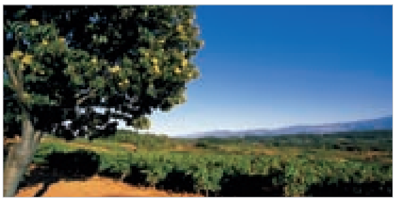
"The quality of a wine depends on its provenance, but also on its vintage. Upon this the poor and the rich are in persistent dispute: the former want much; the latter, good wine."

Endless variety
– the world of wine

THE ABOVE QUOTE FROM JOHANN WOLFGANG VON GOETHE brings the extremes of the contemporary wine market smartly to the point. In Germany the wine assortment of the big discount supermarkets start at prices of about one euro.

THE RANGE OF THE HAWESKO GROUP starts from selected basic qualities and goes all the way up to the top growths of the Bordelaise for several thousand euros. Our experienced wine buyers seek the world over for authentic wines from creative winemakers which we offer to our customers at the *Jacques' Wein-Depot* near their home, through our mail order or via our wholesale directly in their favourite restaurant.

THE YEAR 2008 was a very good one for the Hawesko Group. It also brought different growing conditions in the various wine regions of the world which affected the quality of the 2008 vintage. Hugh Johnson provides the following golden thread for the wine-lover: "What I want is good, authentic, refreshing and interesting wine that goes well with what I like to eat, and preferable has a story to tell" – just like us in the Hawesko Group.






GERMANY
Good weather conditions brought forth light, crisp white wines with fresh acidity and promising red wines, dark and ruby red. A light version of 2007!

CHIANTI
Perfect conditions made a great year for this classic red wine!

PIEDMONT
The late-maturing Nebbiolo and Barbera grapes benefited from beautiful autumn weather; the early-ripening varietals (e.g. Dolcetto) suffered from the summer rains.

BORDEAUX
Difficult weather conditions led to low yields and concentrated wines: Red with impressive colour and powerful, complex aromas; tasty, fruity whites. Bordeaux négociant Bill Blatch writes that the 2008 wines are good!

LOIRE
Unfavourable weather situation – low yields. The best wines of the region show pronounced fruit and manifold structure in their aroma.

RHÔNE
On the whole difficult conditions, especially in the South – strict selection within the small harvest led to good wine.

BURGUNDY
In spite of spotty weather and a difficult harvest one can discover a few hidden pearls.

SPAIN
Spring rains and a mild, occasionally hot summer brought forth aromatic and tart white wines as well as ripe and good red wines.

CALIFORNIA
A bit of everything – variable weather led to a long ripening period and a harmonious play of flavours within the low harvest.

AUSTRALIA
Drought and thus very low yields. More fruit from the cooler regions, potential is there for more character than earlier vintages. In Western Australia good fruit and strong concentration.

CHILE
Low yields led to strong, nice wines. The word is that Cabernet Sauvignon and Carmenère look strong.

SOUTH AFRICA
Chilly, damp weather made extensive work in the vineyards necessary. Good timing was rewarded with intense, tangy wines.

FINANCIAL INFORMATION

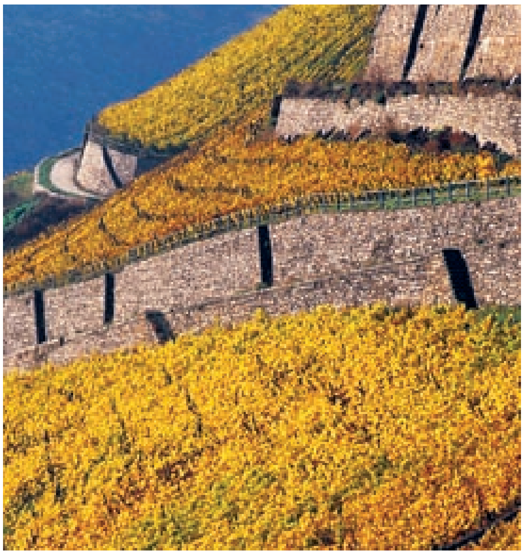
Johannisberg, Rheingau, Germany

COMBINED MANAGEMENT REPORT

of Hawesko Holding AG for the 2008 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, and increased to 100% in the year under review. Since the merger with *Wein Wolf,* the Hawesko Group has been Germany's largest 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). In 2008, approx. 91% of consolidated sales were 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).



Rüdesheimer Roseneck, Rheingau, Germany

GENERAL SITUATION

GERMAN ECONOMY PERFORMS VERY ROBUSTLY IN FIRST HALF OF 2008, GROWING SIGNS OF AN IMPENDING RECESSION IN SECOND HALF

The German economy achieved growth in 2008. Despite the marked slowdown in the economy during the second half of the year, real gross domestic product (GDP) still grew by an average of 1.3% in 2008 according to initial provisional statistics released by the Federal Statistics Office. Growth consequently fell to half the rate of 2007 (2.5%). In cyclical terms, the year was characterised by extreme contrasts. After a dynamic start, economic activity began to slow down, tipping over into a dramatic collapse in manufacturing output towards the end of the year. Any impetus for growth in 2008 came exclusively from within Germany, mainly in the form of investment spending on equipment. Consumer spending remained flat, having previously fallen by 0.3% in 2007. The much hoped-for upswing in consumption failed to materialise.

The consumer climate index measured by Gesellschaft für Konsumforschung (GfK) likewise remained stable at the start of 2008, even edging up slightly by April. In the late summer, however, it tumbled to a five-year low in the wake of high energy prices and the impending recession, recovering minimally by the end of the year.

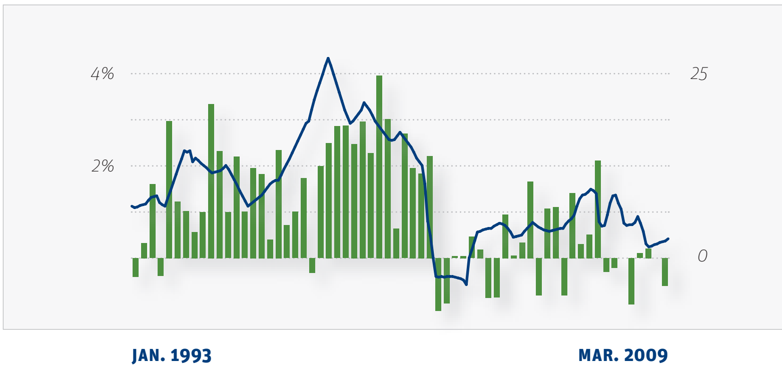
GERMAN WINE MARKET

According to the German Wine Institute, the German wine market grew in terms of value by 2.2% in 2008. Unit sales, on the other hand, fell slightly by 1.3%. This meant that the average spend per bottle rose. Within the food retailing trade, including discounters, it was € 2.49 per litre as against € 2.38 in the previous year – meaning that the customary 0.75 l bottle cost substantially less than € 2.00, with an average price of € 1.87 (previous year: € 1.79). The German Wine Institute nevertheless believes this market trend indicates a growing readiness among consumers to spend more money on wine. In defiance of the trend both picked up by the GfK consumer climate index and reflected in the business performance of the Hawesko Group, the market research institute GfK identified a downturn in wine sales in the first half of 2008, followed by growth in the second half.

GDP GROWTH (%)

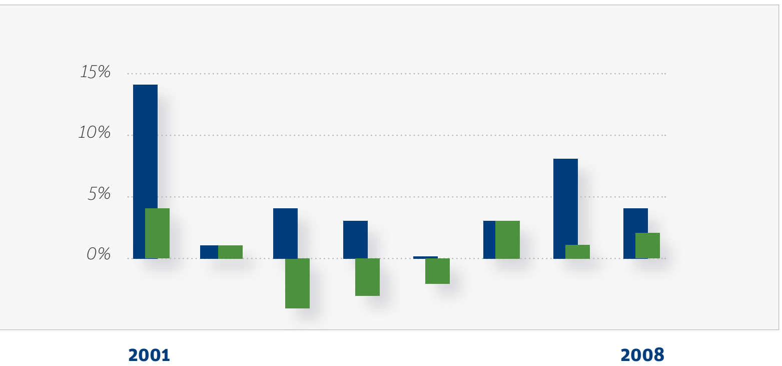
(Source: Destatis)

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)*

DOMESTIC SALES DEVELOPMENT HAWESKO GROUP (%)



- Hawesko Group domestic sales growth (year-on-year)
- Total German wine market change (year-on-year)

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

Placed in the long-term context, the German wine market resumed growth in 2008 following its sideways shift in 2007 and growth of 3% in 2006. In each of the three years prior to that, the German wine market as a whole had seen its overall value fall: –4% (2003), –3% (2004) and –2% (2005). The industry benefited from high consumer confidence in the first half of 2008, coupled with the popularity of the 2005 Bordeaux vintage, which was likewise released in the first half of the year. The long-term trends moreover remained intact: the appreciation of wine as an accompaniment to good food and as an expression of sophisticated table culture.

According to GfK's findings, the upmarket segment of the German wine market enjoyed slight growth in 2008 compared with 2007. However, the market as a whole is still dominated by the continuing encroachment of grocery discounters. Over the five-year period from 2001 to 2005, the latter succeeded in increasing their share of the market's volume from around one-third to approximately half. Discounters succeeded in capturing market share from classic grocery retailers in 2008, though their share of the overall wine market remained virtually unchanged compared with 2007 because specialist retailers likewise increased their market share. Hawesko's Board of Management perceives this development as reflecting the growing popularity of wines in higher price categories and offering additional opportunities for the group's sales concepts.

Buying market still characterised by a general oversupply

There continued to be an oversupply on the wine market in 2008. In its study published before the Vinexpo exhibition at the start of 2009, the International Wine and Spirit Record estimates worldwide wine over-production at around three million litres, which is equivalent to almost 10% of total production. The growth in total vineyard area that has been observed over many years in Australia, South Africa, South America and the USA is exacerbating the market situation in European Union member states, which are already suffering from their own chronic over-production. The situation at the supply end should, however, be eased by the fact that the recent harvests e.g. in Australia, France 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 nevertheless remains 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. On the other hand, top-class wines in the top segment are barely affected by this development because it is fundamentally not possible to expand the world's top locations; their products are accordingly usually 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. Following a boom in Bordeaux wines over the period 2005–2008, culminating in the shipping of the much sought-after 2005 vintage, the market has now quieted down. At the start of 2009, there is a trend towards more moderate purchase prices both here and for many other top wines, reflecting worldwide fears of a recession.

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 upscale market segment – i.e. above a price per bottle of € 4.00 – is covered by a large number of smaller suppliers. That portion of the market, in which the Hawesko Group also operates, is largely fragmentary in nature.

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 cut-price suppliers. The more favourable economic conditions between 2006 and 2008 then enabled the Hawesko Group to grow more strongly and gain access to new customer groups. Hawesko's growth consequently outstripped that of the market as a whole, bringing it an increased 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 through the segment for high-quality wines first. Hawesko has therefore been focusing on that segment for many years.
- *Nurturing ties with the best wine producers in the world:* The Hawesko Group's ranges comprise over 4,000 exclusive products. These ranges 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 mass selling 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.

Jonkershoek Valley vineyard, Stellenbosch, South Africa

- *Concentrating on the potential of the German market:* The German wine market is one of the five biggest in the world. Recent estimates, e.g. by the International Wine and Spirit Record, envisage its growth continuing in the coming years. Thanks to having been involved in that market for decades, the individual subsidiaries of the Hawesko Group have built up a strong market position. Business contacts with around two million wine-loving customers have been established and nurtured over many years. Hawesko consequently now acts as consumers' leading gateway to high-quality wines in Germany. Notwithstanding its strong position on the domestic market, Hawesko's Board of Management is systematically stepping up business activities outside Germany and is actively looking for attractive business opportunities abroad, too.
- *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 Hawesko Group has a structure comprising three business segments: specialist wine-shop retail, wholesale/distribution, and mail order; there in addition exists a "miscellaneous" segment. The Segment Report in Note 40 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 has a decentralised organisation. This organisational structure is an advantage in 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 the world of 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), through optimising the network of outlets and through moderate expansion of the network 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) over € 6.00 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 Germany's neighbouring countries).

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 private customers who have discerning tastes in wine, regard themselves as sophisticated connoisseurs and appreciate the convenience of being able to order choice wines from all over the world from the comfort of their own homes, then have them delivered to their doorstep. 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 – in the latter case, e.g. through marketing partnerships with leading suppliers of lifestyle products and exclusive services.

STRATEGIC TARGETS FOR GROWTH AND RATE OF RETURN, FINANCING TARGETS

The Hawesko Group's targets for growth and rate of return 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 long-term objective of achieving a minimum return on capital employed of 16%.

Group steering

Financial steering within the Hawesko Group is based on a limited range of closely coordinated key ratios. The development in sales serves not merely as the starting point for calculating business performance, but also as a touchstone of substantive, sustained growth. Another important indicator is EBIT and the development in EBIT, which gauges the short-term operating performance of the group and the individual segments. Aside from EBIT itself the Hawesko Group uses the EBIT margin as a key ratio.

By safeguarding financial stability, adequate financial resources are to be assured for both day-to-day business operations and future growth. The group's objective is to secure a long-term capital structure and net debt to EBITDA ratio that corresponds to a bank rating of "investment grade". 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 and effective investment management will perform a crucial role here (cf. "Management and control" below, page 37).

The group uses the ratio of return on capital employed (ROCE) as a benchmark of how profitably its business is developing. The aim of the Hawesko Group is to earn the costs of capital derived from the capital market (cf. "Financial position" below, page 29) in every segment of the group. The group is thus reasserting its objective of investing only in areas of business that generate value or exceed their minimum return in the long term. In the Hawesko Group, ROCE is calculated as follows: EBIT divided by the average capital employed, in other words by the balance sheet total plus capitalised lease commitments less interest-free liabilities and provisions. The ROCE ratios for the business segments and group are as follows:

ROCE

	2006	2007	2008	Anticipated minimum return
Specialist wine-shop retail	29%	30%	36%	> 27%
Wholesale/distribution	15%	23%	23%	> 17%
Mail order	15%	7%	18%	> 22%
Group	18%	16%	23%	> 16%

The following were communicated as targets for 2008 or long-term rate of return targets and achieved or not achieved as indicated:

	Objective	2008	Attained
Sales	Mid-range single-digit percentage increase on previous year (€ 333.7 million), higher growth than the market itself (2008: +2.2%)	€ 338.8 million (+1.5%, in Germany +4.3%)	(✔)
EBIT	Comfortably double-digit percentage rise in operating result (EBIT) compared with previous year (€ 18.3 million)	€ 25.5 million (+39.5%)	✔
EBIT margin	Long-term margin of 7% of sales	7.5%	✔
Capital turnover	Permanently exceeding a factor of 1.3	2.0	✔
ROCE	Achieving the long-term minimum target return (16%)	23%	✔
Free cash flow	Approx. € 14 million	€ 17.5 million	✔

The group was able to increase domestic sales by 4.3%, meaning that it again posted higher growth than the German wine market as a whole which, according to the German Wine Institute, grew by 2.2% in 2008. The Hawesko Group has consequently increased its market share yet again.

OVERVIEW OF BUSINESS PROGRESS IN 2008

The Board of Management's assessment is that the Hawesko Group performed outstandingly in the 2008 financial year, despite the financial and economic crisis. Thanks to the steady improvements realised in recent years, it has laid sound foundations for its future business performance. While the German economy still performed robustly in the first half of 2008, increasing signs of a looming recession gradually began to emerge. The Hawesko Group benefited from the sound state of the economy as a whole in the first six months, and was subsequently able to stave off the deteriorating economic environment. As the year drew to a close, the group was able to report net sales rising from € 333.7 million to € 338.8 million for 2008, an increase of 1.5%. The sales achieved in Germany outstripped the prior-year figure by 4.3%; on the other hand, international sales of older vintages of high-quality Bordeaux wines were down, following a very strong upward trend in the previous two years. According to the German Wine Institute, the German wine market as a whole grew by only 2.2% in 2008. Hawesko has therefore again increased its market share. Further operating improvements were achieved in the year under review. The higher gross profit margin, particularly from mail order business, is particularly noteworthy.

Also, the Hawesko Group had reported substantial non-recurring effects in 2007 and invested considerable amounts in canvassing for new business. In the previous year, costs had been 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 € 25.5 million easily exceeded the previous year's level (€ 18.3 million). Not only is this entirely within the expected bandwidth; the EBIT margin of 7.5% of sales is actually above the declared long-term target (7%). In the wholesale segment, business for the French subsidiary *Château Classic – Le Monde des Grands Bordeaux,* which specialises in wines from the Bordelais, retreated following its very strong progress in 2007. On the other hand the domestic arm of this segment benefited from more lively demand for Spanish and German wines, and from new exclusive arrangements for Italian wines. The net effect of these contradictory developments was that the segment posted a result in line with expectations, despite lower sales revenues. The specialist wine-shop retail area performed better than expected. This development was attributable in particular to another good Christmas period and to high demand for German white wines; the segment had staged a concerted drive to increase its range of such wines in recent years. Mail order business, too, achieved a better result than in the previous year.

That sales channel benefited from promotional activities conducted in 2007 with a view to acquiring new customers; these activities substantially boosted business in the year under review. The development in sales and gross profit from the main catalogues' ranges, in particular, was much better than expected. The wine club concept *VinoSelect* of *Hanseatisches Wein- und Sekt-Kontor* was also further extended. Subscription business for the much sought-after 2005 Bordeaux vintage was equally up on the previous year. The net earnings of the Hawesko Group rose as planned. The tax reform approved in 2007 was the major factor behind a one-off increase in tax expense of € 2.7 million in the previous year. The tax expense ratio consequently fell from 56% in 2007, back down to 33% in the year under review. Consolidated earnings after taxes and minority interest amounted to € 14.6 million or € 1.67 per share, compared with € 6.7 million or € 0.76 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) in the previous year.

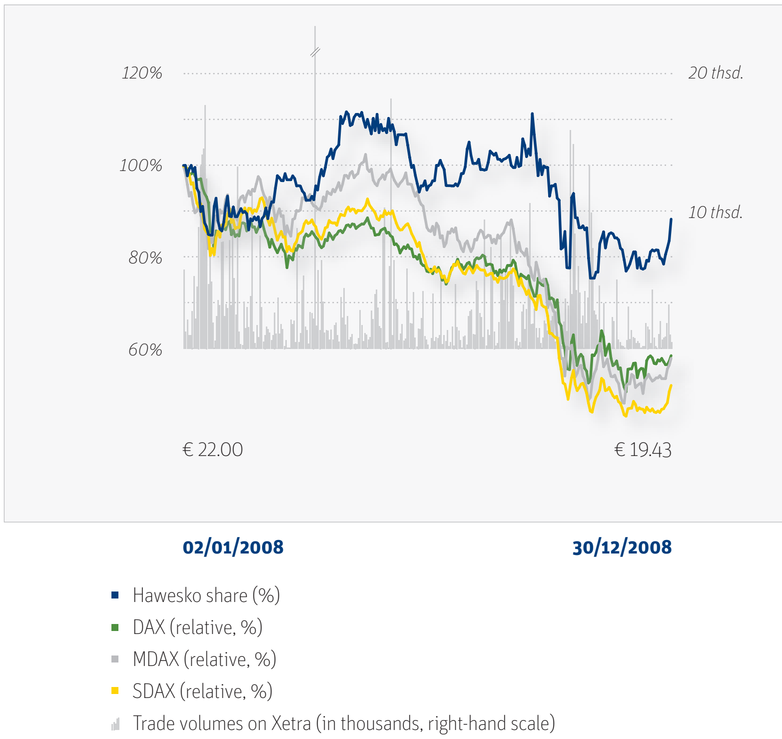
The consolidated balance sheet shows a lower rate of increase in working capital relative to sales. In conjunction with the sharply risen EBIT, the ROCE of 23% consequently exceeded substantially the target figure of 16%.

The Hawesko Group generated a free cash flow of € 17.5 million in the year under review (previous year: € 13.6 million). This increase resulted on the one hand from the improved financial performance and on the other from the fact that the rise in trade receivables was lower than the rise in sales.

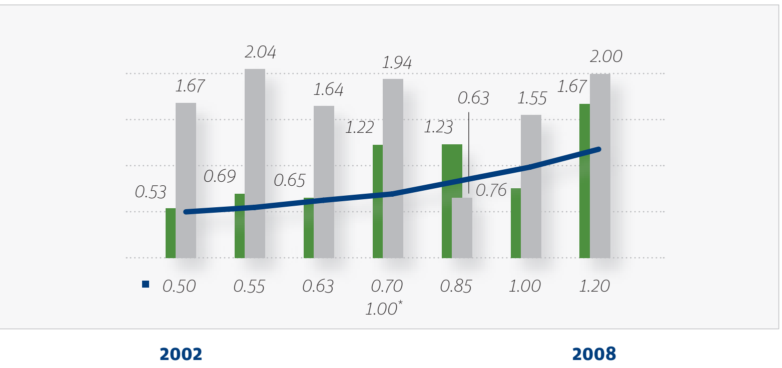
SHARE PRICE DEVELOPMENT AND CAPITAL MEASURES

The performance of stock markets in 2008 in Germany was dominated by fears of a recession spreading from the English-speaking world. After a robust start to the year, inflationary concerns and the threat of a recession loomed large. The German share index DAX started the year on 7,941 points and closed on around 4,810 points on the year's final day of trading. The mid-cap stock corporations listed in the MDAX experienced a similar downward trend, from 9,708 points to 5,602 points. The SDAX small-cap index started the year on 5,219 points and closed on 2,800 points. Overall, therefore, the markets retreated by 40% or more.

PRICE DEVELOPMENT OF THE HAWESKO SHARE/TRADING VOLUMES



KEY DATA PER SHARE (€)



- Earnings per share
- Free cash flow per share
- Dividend per share

* *incl. of bonus payment*

KEY SHARE FIGURES

Year-opening price (€)	22.00
Market capitalisation (year-opening, € million)	193.0
Year-end price (€)	19.43
Market capitalisation (year-end, € million)	171.7
Highest price (2 May, €)	24.70
Lowest price (27 October, €)	15.95
Average daily trading (shares)	3.400
German securities code	604270
ISIN	DE0006042708
Ticker symbol	HAW
Stock exchanges	Frankfurt (Xetra), Hamburg
Market segment	Prime Standard
Reuters	HAWG.de
Bloomberg	HAW:GR

The trading price of Hawesko Holding AG's shares was quoted at € 22.00 on the first day of trading in 2008 and closed the year on € 19.43. This fall of 12% meant that Hawesko's share price performed considerably better than the market as a whole. Hawesko shareholders furthermore received a dividend of € 1.00 per share and consequently enjoyed an income from their investment – as has been the case in every year since the IPO in 1998.

The share buy-back programme launched on 2 October 2007 continued in 2008, and a further 97,807 shares were acquired after 1 January 2008. The share buy-back programme ended on 21 April 2008 with a total of 143,135 shares having been bought back, at an average buy-back price of € 19.90. These shares, together with a further 7,527 shares, were retired by means of a simplified process, i.e. without a reduction in the subscribed capital. In September 2008, 162,406 new shares were issued in return for the hitherto outstanding minority interest in the subsidiary *Wein Wolf Holding GmbH & Co. KG,* Bonn, as a result of which the total number of shares rose to 8,844,736. Following further buy-backs and the launch of an employee share-ownership scheme in the autumn, the number of treasury shares rose by 9,902; this meant that the number of shares outstanding at year-end was 8,834,834.

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. As in the previous year, a total of 60 individual meetings with shareholders and their representatives were held in 2008. Hawesko in addition held nine company presentations in Hamburg, Frankfurt am Main, Munich and Düsseldorf and introduced itself to investors at road-shows in London, Paris and Frankfurt. The development of Hawesko Holding AG is regularly covered by a number of leading banks, including Berenberg Bank, Cazenove, CBSeydler Research, Commerzbank, Deutsche Bank, DZ BANK, GSC Research and M.M. Warburg.

Monteriggioni vineyard, Tuscany, Italy

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

FINANCIAL PERFORMANCE

Sales growth at home outpaces growth in the overall German wine market – market share increased

The net sales of the Hawesko Group rose by 1.5% in 2008, from € 333.7 million to € 338.8 million. The sales volume amounted to slightly more than 51 million bottles (previous year: 52 million bottles). Around 91% of sales were generated in the German market. Wines from France accounted for around 40% of the total, Italian wines for approximately 27% and wines from Spain for some 10%.

In the specialist wine-shop retail business segment, sales continue to rise steadily. Mail order business enjoyed a rise in sales, to a large extent through the drive to acquire new customers in 2007 and the successful implementation of the *VinoSelect* wine club concept at *Hanseatisches Wein- und Sekt-Kontor.* On the other hand, sales by the wholesale arm were down. This development was prompted particularly by the fall in demand for Bordeaux wines in the second half of the year, albeit from an exceptionally high level in the previous year. Improved business for Spanish and German wines, as well as a new exclusive arrangement for Italian wines, compensated for this downturn.

In addition to the higher sales proceeds for the mail order and specialist wine-shop retail segments, where the share in each case rose, the gross profit margin of the Hawesko Group also rose from 39.2% in the previous year to 40.0% in the year under review. The specialist wine-shop retail segment was able to maintain its gross profit margin at the prior-year level. This figure was boosted in the mail order segment thanks to adjustments to retail prices. In the previous year, sales had been influenced additionally by the high proportion of purchases by new customers, which traditionally generate a lower gross profit margin, but also by the price changes following the VAT increase.

Personnel expenses comprise wages and salaries, as well as statutory, collectively negotiated and voluntary social contributions. Personnel costs remained basically unchanged from the previous year in the year under review at € 31.2 million. The personnel cost ratio eased slightly to 9.2% (previous year: 9.3%).

Advertising expenses fell by just under € 0.8 million compared with the previous year to € 26.0 million, which represents a dip from 8.1% to 7.7% as a percentage of sales. Acquisitions of new customers nevertheless remained on a par with the previous year; the group again attracted around 180,000 new customers in 2008. *Jacques' Wein-Depot* acquired approx. 88,000 new customers (previous year: approx. 80,000) for its existing outlets. The number of active customers rose by more than 6% to 580,000. In the mail order segment, efforts to acquire new customers were scaled back somewhat after the major drive in 2007. The level of new customers nevertheless remained high; compared with around 100,000 new customers in the previous year, the total for the year under review retreated only slightly to 90,000 first-time buyers. As at 31 December 2008 the mail order segment had 375,000 active customers on its books (previous year: 347,000); for this purpose, an active customer is defined as someone who has placed at least one order in the past 24 months.

Delivery costs were cut by € 0.8 million to € 11.0 million and amounted to 3.2% of sales (previous year: 3.5%).

Consolidated EBIT entirely within the expected bandwidth

The operating result (EBIT) of the Hawesko Group amounted to € 25.5 million (previous year: € 18.3 million) in the year under review. Consolidated EBIT for 2008 represents an operating margin of 7.5% of sales (2007: 5.5%). This meant that the long-term target rate of return of 7% was bettered. There were positive effects largely from operating improvements (the gross profit margin in particular) and from increased sales in the mail order and specialist wine-shop retail segments. EBIT for the previous year had been reduced on the one hand by the costs of piloting the specialist market concept, which amounted to € 1.3 million, and on the other hand by the rise in expenditure on the acquisition of new customers in the mail order segment (approx. € 1.0 million). The sale of the Polish participation *Sommelier Dystrybucja Sp.z o.o.* with effect from 1 September 2007 had moreover diminished EBIT by all of € 0.5 million and the integration of the *Wein Wolf* Group warehouse into the Tornesch location, near Hamburg, had also eroded the figure in the previous year.

DEVELOPMENT IN EARNINGS

€ million	2005	2006	2007	2008
EBITDA	**23.3**	**22.9**	**23.3**	**30.0**
Year-on-year change	+5.2%	–1.8%	+1.8%	+28.9%
EBITDA margin	8.1%	7.6%	7.0%	8.9%
EBIT	**18.9**	**18.6**	**18.3**	**25.5**
Year-on-year change	+12.4%	–1.8%	–1.8%	+39.5%
EBIT margin	6.6%	6.1%	5.5%	7.5%
EBT	**16.2**	**17.3**	**15.7**	**22.2**
Year-on-year change	+21.0%	+6.8%	–9.6%	+41.9%
EBT margin	5.6%	5.7%	4.7%	6.6%
CONSOLIDATED EARNINGS	**10.7**	**10.8**	**6.7**	**14.6**
Year-on-year change	+88.6%	+0.7%	–38.4%	+119.4%
Consolidated earnings margin	3.7%	3.6%	2.0%	4.3%

COST STRUCTURE

as % of sales	2005	2006	2007	2008
Personnel costs	–9.9%	–9.5%	–9.3%	–9.2%
Advertising costs	–8.2%	–7.9%	–8.1%	–7.7%
Delivery costs	–3.9%	–3.7%	–3.5%	–3.2%
Other operating income and expenses (balance)	–11.5%	–11.8%	–11.3%	–11.1%
Depreciation and amortisation	–1.5%	–1.4%	–1.5%	–1.3%
TOTAL	**–35.0%**	**–34.3%**	**–33.7%**	**–32.5%**

Disproportionately high sales and EBIT growth in specialist wine-shop retailing

The net sales of the specialist wine-shop retail business segment (in essence *Jacques' Wein-Depot*) were boosted by 4.8% in the year under review to € 110.2 million. Like for like, the rise in sales was 3.7%.

Growth was driven by the sharp increase in the number of purchase transactions. This figure increased by almost 6% compared with the previous year. The successful efforts to acquire new customers also played a part. On the other hand, the average spend remained virtually unchanged. The segment continued to experience 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.

At the end of the year under review there were 271 *Jacques' Wein-Depot* outlets, including four in Austria (end of previous year: 269, including four in Austria). At 31 December 2008 rental agreements for a further outlet had in addition been taken out.

The operating result (EBIT) for the wine-shop segment rose from € 12.2 million to € 14.6 million in the reporting period, or by 20.2%. This increase was attributable to the growth in sales. As in previous years, the well-established *Jacques'* customer loyalty card and the successful acquisition of new customers for existing outlets in particular contributed towards business stability. EBIT for *Jacques' Wein-Depot* in the previous year included a one-off special liquidation of bonus points set aside (€ 0.5 million) for the customer loyalty card. In 2008, as in previous years, a portion of the provision for those bonus points that will probably not be claimed was liquidated.

The training activities of *Viniversitaet Die Weinschule GmbH* yielded a positive result (expense in previous year: € 0.2 million). *Jacques' Wein Depot* in Austria was able to repeat its previous year's EBIT of € 0.1 million in 2008.

Marlborough, South Island, New Zealand

Wholesale/distribution with sales consolidated – EBIT margin rises slightly

The net sales of the wholesale/distribution segment were 2.9% down on the previous year, at € 135.2 million. The drop in sales is attributable to the Bordelais-based subsidiary *Château Classic – Le Monde des Grands Bordeaux,* which specialises in trading in top-class wines from that region. Demand for such wines experienced a sharp fall in the second half of 2008, in the wake of the financial and economic crisis. Thanks to its strong position, the wholesale/distribution segment was able to compensate in part for this downturn in sales by increasing its domestic business. For example the subsidiary *Deutschwein Classics,* established in 2006 and specialising in sales of German wines, again posted high growth from a low starting level. Sales of Spanish wines picked up quite considerably. *Wein Wolf* continued to be successful in Austria and the Czech Republic with its activities based around the discerning business concept of "a wealth of individuality".

Due to mixed sales fortunes for the wholesale segment, the operating improvements over and above the absence of non-recurring expenses following the sale of the Polish participation *Sommelier Dystrybucja Sp.z o.o.* with effect from 1 September 2007 (€ 0.5 million) did not produce a higher operating result (EBIT) for the wholesale and distribution segment; it reached € 8.7 million, as in the previous year. There was a slight improvement in the EBIT margin following the lower sales, from 6.2% in the previous year to 6.4% in 2008.

Forward-looking acquisition of new customers in previous year stimulates mail order sales and EBIT

Net sales for the mail order business segment climbed to € 93.3 million in 2008. This rise of 4.8% was achieved above all through the measures aimed at acquiring new customers for the standard range of *Hanseatisches Wein- und Sekt-Kontor*. The expectations with regard to sales and gross profit from both main catalogues were easily surpassed. The gradual expansion of the *VinoSelect* wine club concept had an equally positive effect. Sales from gifts business remained slightly down on the previous year due to a lower number of orders from corporate clients, which was a consequence of the financial and economic crisis. On the other hand subscription business for the much sought-after 2005 Bordeaux vintage was up on the previous year. *Carl Tesdorpf – Weinhandel zu Lübeck* was able to post sales growth of a high single-digit percentage, again thanks to improved subscription business and a better response to measures aimed at customers. There was substantial growth in the amount of business conducted by the mail order segment over the Internet as a proportion of its total sales. This ratio climbed from 13% in the previous year to 15% in 2008. This reflects an increase in Internet sales of 19% for the past financial year.

The customer structure in the mail order segment has been further optimised through the acquisition of a large number of first-time customers who could potentially generate high follow-on sales. Around 90,000 new customers were attracted (previous year: 100,000; in each case excluding the normal annual migration). At the same time, the average number of bottles per order fell (–5%). On the other hand the average spend (+2%) and the ordering frequency rose as expected.

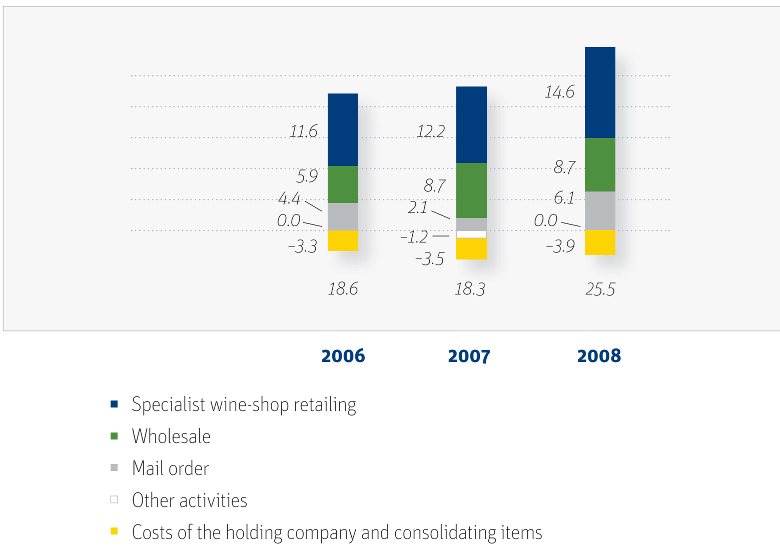
The operating result (EBIT) for the mail order segment rose to € 6.1 million (previous year: € 2.1 million). This higher operating result was driven by the higher sales, the improved gross profit margin and lower costs for measures for acquiring new customers. Canvassing for new business nevertheless remains one of the segment's priority tasks.

Balanced operating result (EBIT) for logistics

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. As expected, these external sales fell by 44% in the year under review. Thanks to the improved sales performance of the Tornesch sales companies, their more efficient service throughout the year and the better capacity utilisation, the operating result (EBIT) for this company as at the end of 2008 was up on the prior-year figure. EBIT had moreover been diminished by € 0.5 million in the previous year by non-recurring costs for the integration of wholesale logistics into operations at Tornesch. Both circumstances led to a year-on-year increase in EBIT.

SALES BY SEGMENT (€ million)

EBIT BY SEGMENT (€ million)



EBIT MARGINS

as % of sales	2006	2007	2008
Specialist wine-shop retailing	11.5%	11.6%	13.3%
Wholesale	4.9%	6.2%	6.4%
Mail order	5.4%	2.4%	6.5%

At group level, the costs for the holding company and consolidating items amounted to € 3.9 million in the year under review, compared with € 3.5 million in the previous year. The rise was substantially attributable to higher consultancy costs in connection with plans to expand internationally.

Consolidated net income

The consolidated earnings before taxes for the 2008 financial year totalled € 22.2 million, up € 6.6 million on the prior-year figure. As scheduled, the financial result showed a net expense of € 3.3 million (previous year: € –2.6 million). The increase in financing expenses of around € 0.7 million was principally due to a one-off expense of € 1.2 million from the acquisition of minority interests in the subsidiary *Wein Wolf Holding GmbH & Co. KG.* There was the compensating effect of lower average net debt for the year, coupled with virtually unchanged interest expense. Within tax expense, the amount stated for the balance sheet item "Deferred tax assets" needed to be adjusted by € 2.7 million in 2007 following the Federal Council's ratification of a tax reform act in July 2007. The resulting higher effective tax rate of 55.6% in the previous year consequently came back down to 33.2% in 2008 (cf. Note 13 to the consolidated financial statements). This, together with higher earnings before taxes, produced earnings after taxes of € 14.8 million (previous year: € 7.0 million). After elimination of the one-off additional tax expense, for greater ease of comparison, the earnings after taxes in 2007 amounted to € 9.7 million.

Napa Valley, California, USA

Consolidated earnings after taxes and minority interest totalled € 14.6 million in the year under review. The prior-year figure was € 6.7 million (after elimination of the non-recurring additional tax effect: € 9.4 million).

Earnings per share amounted to € 1.67 (2007: € 0.76; after elimination of the non-recurring additional tax effect: € 1.07). 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 group parent, 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 improved as a result of the higher overall earnings of the subsidiaries, from € 13.9 million in the previous year to € 22.2 million in the year under review. After deduction of expenses and taxes, there remained net income of € 17.1 million (previous year: € 10.7 million). Taking account of the profit carry-forward of € 0.4 million from the previous year and following allocation of € 6.5 million to the other revenue reserve, there remains an unappropriated profit of € 11.0 million.

FINANCIAL POSITION

Principles and aims of financial management

The principles and aims of financial management were explained above on page 18 in the section “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 2008, the cash resources of the group comprised cash amounting to € 10.1 million (previous year: € 8.4 million). There exist unlimited credit facilities with a volume totalling € 35.0 million, of which € 10.0 million is available seasonally to finance Christmas business. At 31 December 2008, these credit facilities were drawn on to a level of only around 23% and 16% respectively. Overall, the Hawesko Group reported short-term and long-term borrowings amounting to € 14.9 million at that reporting date. Of this total, € 7.9 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 contractual obligations of Hawesko Holding AG that they contain (financial covenants) have always been met. The existing credit facilities moreover guaranteed adequate cash levels at all times during the year under review. The long-term borrowings show liabilities from finance leases amounting to € 7.0 million.

According to group calculations, the costs of the equity and borrowed capital made available to the group are currently 7.1%. They comprise the weighted costs of the equity capital of 7.25% on the one hand, and of the borrowed capital of 5.25% on the other. In calculating the cost of equity, the group works on the basis of a long-term risk-free interest rate of 4.25% and a risk premium of 5.0% at beta = 0.6.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2008:

(rounding differences possible)	Short-term € million	Short-term %	Long-term € million	Long-term %	Total € million
Due to banks	6.8	100.0	–	0.0	**6.8**
Finance leases	1.1	13.6	7.0	86.4	**8.1**
TOTAL	**7.9**	**53.0**	**7.0**	**47.0**	**14.9**

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**

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 56.

In the year under review of 2008, the net debt owed fell by € 5.9 million to € 5.5 million. The € 3.3 million reduction in amounts due to banks and the € 1.6 million rise in cash were the main factors behind this development.

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

€ million (rounding differences possible)	2008	2007
Due to banks	6.8	10.1
+ Finance leases	8.1	9.2
+ Provisions for pensions	0.6	0.6
= GROSS DEBT OWED	**15.5**	**19.8**
– Cash	–10.1	–8.4
= NET DEBT OWED	**5.5**	**11.4**

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

Liquidity analysis

CONSOLIDATED CASH FLOW

€ million	2008	2007
Cash flow from current operations	+24.7	+17.9
Cash flow from investing activities	–5.8	–2.6
Cash flow from financing activities	–19.8	–12.4

The consolidated cash flow from current operations improved by € 6.8 million to € 24.7 million. This year-on-year increase stemmed from the substantially improved result. The overall rise in inventories was moreover less pronounced as a result of lower advance payments for subscriptions to Bordeaux wines, because the demand for the 2007 vintage was lower. There was furthermore a marked fall in trade receivables, even though the previous year's sales figure was bettered at group level. Conversely, the lower level of advances received had the opposite effect.

The cash flow from investing activities includes cash outflows for property, plant and equipment and intangible assets amounting to € 2.4 million. A 2.9% interest in the British wine dealer *Majestic Wine PLC,* Watford, Hertfordshire, was in addition acquired via the London Stock Exchange during the year under review at a cost of € 3.6 million.

Marlborough, South Island, New Zealand

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 € 3.9 million to € 17.5 million.

The cash flow from financing activities includes the payment of the dividend (€ 8.7 million) as well as payments for the acquisition of treasury shares amounting to € 2.2 million.

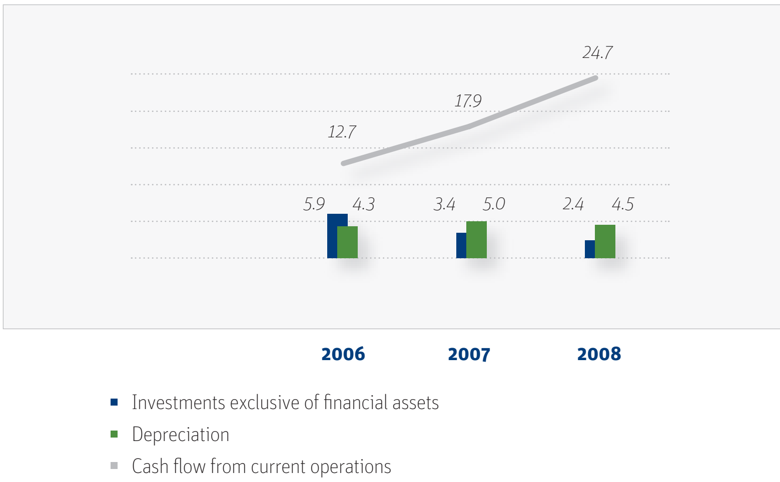
Investment analysis

The Hawesko Group invested € 2.4 million in intangible assets, in property, plant and equipment and in financial assets in the year under review (previous year: € 3.4 million). In relation to sales, the investment ratio was thus approximately 0.7% (previous year: 1.0%).

Capital expenditure on property, plant and equipment totalled € 2.1 million (previous year: € 2.9 million), the bulk of which (€ 1.2 million) was used for the modernisation of the *Jacques' Wein-Depot* outlets in the specialist wine-shop retail segment. The investments in intangible assets of € 0.3 million (previous year: € 0.5 million) were in essence for the relaunch of the *Hanseatisches Wein- und Sekt-Kontor* website which had already begun in the previous year.

The investments in financial assets of € 3.6 million (previous year: € 0.0 million) were in connection with the acquisition of shares in *Majestic Wine PLC* (see above). At the balance sheet date, they were carried on the consolidated balance sheet at fair value of € 2.0 million.

INVESTMENTS/DEPRECIATION/CASH FLOW (€ million)



STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS

€ million (rounding differences possible)

	2008	as % of balance sheet total	2007	as % of balance sheet total
NON-CURRENT ASSETS				
Intangible assets	8.9	5%	9.9	6%
Property, plant and equipment	20.6	12%	22.0	12%
Financial assets	2.3	1%	0.3	0%
Deferred tax liabilities	7.3	4%	9.9	6%
Other	5.6	3%	6.8	4%
	44.7	**26%**	**48.9**	**28%**
CURRENT ASSETS				
Inventories	72.3	43%	68.4	38%
Trade receivables	40.2	24%	47.8	27%
Cash and other current assets	12.8	8%	11.5	7%
	125.4	**74%**	**127.7**	**72%**
BALANCE SHEET TOTAL	**170.1**	**100%**	**176.6**	**100%**

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

€ million (rounding differences possible)

	2008	as % of balance sheet total	2007	as % of balance sheet total
SHAREHOLDERS' EQUITY				
Subscribed capital (adjusted pursuant to IFRS)	9.1	5%	8.9	5%
Capital reserve	6.5	4%	6.1	3%
Revenue reserve	38.2	22%	34.9	20%
Accumulated other equity	–1.6	–1%	0.0	0%
Unappropriated group profit	24.4	14%	21.0	11%
Minority interest	0.6	0%	0.6	1%
	77.2	**45%**	**71.4**	**40%**
MINORITY INTEREST IN THE CAPITAL OF UNINCORPORATED SUBSIDIARIES	**1.4**	**1%**	**3.7**	**2%**
LONG-TERM DEBT				
Provisions	0.9	1%	0.9	1%
Non-current portion of borrowings	7.0	4%	9.1	5%
Other non-current liabilities and deferred tax liabilities	1.1	1%	5.7	3%
	9.0	**5%**	**15.6**	**9%**
SHORT-TERM PROVISIONS AND LIABILITIES				
Provisions	0.1	0%	0.1	0%
Current portion of borrowings	8.0	5%	10.1	6%
Advances received	6.8	4%	10.0	6%
Trade payables	45.6	27%	45.0	25%
Other liabilities	22.1	13%	20.7	12%
	82.5	**49%**	**85.9**	**49%**
BALANCE SHEET TOTAL	**170.1**	**100%**	**176.6**	**100%**

FINANCIAL POSITION

Debt level further reduced

The consolidated balance sheet total fell from € 176.6 million in the previous year to € 170.1 million in the year under review. This represents a drop of 3.7%.

The non-current assets fell from € 48.9 million in the previous year to € 44.7 million as a result of depreciation and amortisation. This item includes e.g. 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). Within the "Other" item, the long-term advance payments for inventories showed a decrease of € 1.3 million to € 4.5 million as a result of the reclassification of advance payments for the 2006 Bordeaux vintage as current assets. The deferred tax assets item fell according to plan by a total of € 2.6 million.

Current assets overall were down slightly from € 127.7 million to € 125.4 million. The lower rise in inventories and cash contrasted with a reduced level of trade receivables, which was realised despite the growth in sales.

Consolidated equity rose year on year by € 5.8 million to € 77.2 million. This was attributable to the higher unappropriated profit. In view of the lower balance sheet total, the equity ratio (prior to the distribution of profit) therefore rose from 40.4% to 45.4% of the balance sheet total. Following a capital increase for contribution in kind, the subscribed capital rose year on year by € 0.2 million. The change in the capital reserve originates on the one hand from the above capital increase (€ +3.4 million) and on the other hand from the retirement of shares (€ –2.9 million), with the result that this item showed an overall increase of € 0.4 million. The € 3.3 million rise in the revenue reserve to € 38.2 million is principally the result of the allocation from the previous year's unappropriated profit.

Great Western, Victoria, Australia

The minority interest in the capital of unincorporated subsidiaries was down by € 2.3 million compared with the previous year. This item includes potential settlement obligations in respect of outside limited partners in consolidated unincorporated firms. The decrease originates mainly from the fact that 100% (previous year: 90%) of the shares of the subsidiary *Wein Wolf Holding GmbH & Co. KG* are now held and that there is consequently no longer any minority interest in the capital of this unincorporated company.

Non-current liabilities fell overall by almost € 6.7 million to € 9.0 million. This change was principally due to the fall in the item "Other non-current liabilities and deferred tax liabilities", because the advance payments reported under this item for the 2007 Bordeaux vintage were lower. Borrowings were down € 2.1 million in the year under review, to € 7.0 million. As there were no new long-term borrowings, this item fell as a result of the scheduled repayments.

Short-term provisions and liabilities were down € 3.4 million. The reason here was likewise the reduced level of advance payments.

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 capital turnover was 2.0 in the year under review, compared with 1.9 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.

Soft assets

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 approx. 900,000 end customers (previous year: likewise approx. 900,000) in Germany and Austria. The average spend of these customers during the past year was approx. € 237 (previous year: € 225) net. 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 able to capitalise on a major advantage thanks to its special logistics arrangements, in other words the warehousing, handling and dispatching of its wines to customers in a manner that befits such a sensitive, high-quality product.

Napa Valley, California, USA

For its mail order logistics, the group has a fully air-conditioned delivery centre at Tornesch, near Hamburg, where the processes are tailored precisely to the specific nature of mail order trade with consumers. Since summer 2007, *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, predominantly third-party service providers are used because the processes in this instance are closer to the established norm in logistics.

EMPLOYEES

The Hawesko Group's employees play a pivotal role in its long-term success. The continuing development of the group depends to a very great extent on their wide-ranging skills, experience and dedication.

The group employed an average of 614 people in the 2008 financial year, for the most part in Germany; this compares with 609 in the previous year. There have been no structural adjustments to personnel levels as a result of the more difficult economic environment. The subsidiaries of the Hawesko Group have continually been adjusting their personnel structures in recent years and keeping them flexible, with the result that they should be well equipped to handle future conditions. 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.

QUALIFICATIONS AND TRAINING

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

Successfully recruiting junior employees starts with offering a diverse range of options for school-leavers. In the year under review, the group had 26 apprentices. Traineeships are predominantly in commercial vocations such as wholesale or retail clerks or office clerks. Those at the start of their career can also train in information technology and warehouse logistics.

To realise additional potential, by way of systematically training up junior employees, sandwich training courses are offered in business administration and commercial information technology, in partnership with Nordakademie Elmshorn. These training courses represent an alternative to exclusively theory-based studies, and juniors complete their practical training at Hawesko.

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 goods management and on the handling of user software. Expenditure on training and advancement measures in the year under review amounted to € 0.2 million.

SOCIAL RESPONSIBILITY

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

One example of how the company is helping to promote its employees' health is a course designed to help smokers quit; this voluntary course is available to our employees based at Hamburg/Tornesch.

TOTAL EMPLOYEES

There is also a wide range of fringe and welfare benefits available to the Hawesko Group's employees. These include most notably retirement benefit arrangements and schemes, and opportunities for employees to participate in the company's success through profit-sharing schemes.

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 2008, 292 employees of the group belonged to this pension fund. Collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

Employees were able to acquire shares in Hawesko Holding AG in the 2008 reporting year, under the employee share-ownership scheme. All eligible employees were offered shares at a discount on the stock market price. Around 23% of employees took up this offer.

RESEARCH AND DEVELOPMENT

As a trading company, the Hawesko Group does not perform research and development in the narrower sense. The cost of developing exclusively marketed vintages in partnership with renowned wine producers – including the registration and protection of brands – does not exceed an amount of € 100 thousand per year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Board of Management of Hawesko Holding AG considers that the 2008 financial year was a successful one for the Hawesko Group. Sales in Germany again rose more sharply than the wine market as a whole, and the operating result was boosted by nearly 40%. It is particularly satisfying to note that the improvements introduced gradually over the past few years are now bearing fruit and that the Hawesko Group has become even more competitive as a result. In February 2009, at the time this report was written, the Board of Management considers the Hawesko Group to be economically in even better shape. The group's already low level of net debt was reduced further in the year under review, paving the way for future growth. The 2009 financial year will undoubtedly be a difficult one, bearing in mind the general economic situation. Nevertheless, the Board of Management is convinced that the group's business model will prove to be relatively stable throughout difficult times.

LEGAL STRUCTURE OF THE GROUP AND INFORMATION REQUIRED UNDER TAKEOVER LAW

REPORT PURSUANT TO SECTION 315 PARA. 4 OF GERMAN COMMERCIAL CODE IN CONJUNCTION WITH SECTION 120 PARA. 3 NO. 2 OF GERMAN STOCK CORPORATION LAW:

Hawesko Holding AG has been listed on the stock exchange since May 1998. The subscribed capital amounting to € 13,497,324.27 is divided into 8,844,736 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 2013 to increase the capital stock by up to a total of € 6,352,163.73, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 Para. 1 No. 8 exists. An amendment to the articles of incorporation requires a shareholders' resolution carried by at least three-quarters of the capital stock represented.

The principal agreements of Hawesko Holding AG, which contain a clause in the event of the takeover of Hawesko Holding AG, relate to agreements with various suppliers on exclusive sales rights, bilateral credit facilities with German banks and employment contracts with two members of the Board of Management. 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; the two members of the Board of Management are entitled to compensation in the event of termination of their employment contract following a change of control (in this connection please refer to the Note 44 to the consolidated financial statements). 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 30.3% of the shares. He is followed by Detlev Meyer – who acquired his shareholding of 25.6% (31 December 2007: 20.2%) in Hawesko in 2005 via Tocos Beteiligung GmbH and was a member of the Supervisory Board until 31 December 2007 – and Michael Schiemann, who acquired a 5.0%

shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 40% are held by institutional 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 (16) 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 16).

MANAGEMENT AND CONTROL

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

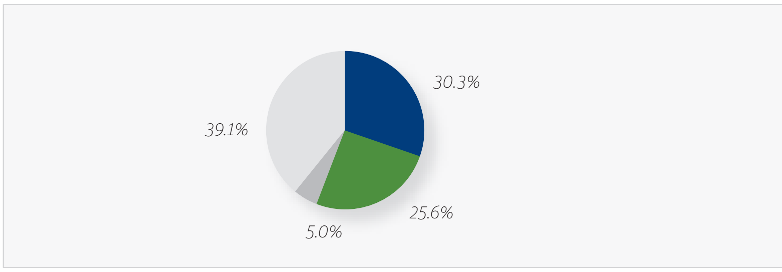
The Supervisory Board appoints the members of the Board of Management. Members of the Board of Management may be appointed for a maximum of five years. The reappointment or extension for a maximum of five years requires a renewed resolution by the Supervisory Board.

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

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

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

SHAREHOLDER STRUCTURE (%)



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

The Board of Management uses EBIT and ROCE as the basis for its steering approach. The target minimum rates of return 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 92) and is published on the Internet at http://www.hawesko.com -> Investor Relations -> Corporate Governance, both in its current version and in older versions.

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 Note 44 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 their employment contract following a change of control, two members of the Board of Management are entitled to compensation. This arrangement is indicated in section 44 of the Notes to the consolidated financial statements and simultaneously constitutes a part of this remuneration report.

Saint Emilion, Bordeaux, France

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 Note 44 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 Note 44 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.

ENVIRONMENTAL REPORT

As a trading company the Hawesko Group does not possess any 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.

Measures to save energy have been and are being realised at the administrative offices in Tornesch, near Hamburg, and in Düsseldorf; the emphasis is on seeking to use resources more intelligently. Optimisation here cut electricity use by around 30% in the year under review at Tornesch, compared with the previous year, and by 10% at Düsseldorf. The office air conditioning system at Tornesch operates with water as an environmentally friendly refrigeration medium. Consumables and recycling products with a low environmental impact are used at both locations. Office workplaces are equipped exclusively with PCs and monitors that represent the state of the art and with much lower power consumption than earlier generations of equipment.

For all direct mail campaigns, the addresses targeted in each mail shot are chosen using intelligent selection principles. This makes the use of mail shots more effective and equally cuts consumption of paper and energy. Print runs can consequently be planned more accurately, and waste at the printers can be avoided. Recycled paper or paper manufactured according to Forest Stewardship Council standards is used in the printing of advertising media.

In 2008 the individual *Jacques' Wein-Depot* outlets started to identify and replace lighting systems with a particularly high energy consumption. An energy-optimised lighting concept is always used whenever outlets are refurbished or new outlets opened. The efficiency of installed heating technology is examined. The energy pass for commercial properties is being introduced for all outlets, and any measures taken to reduce energy consumption and their effect are documented. For a number of years, every *Jacques' Wein-Depot* shop has collected wine corks for recycling. Over eight million corks were collected at the outlets during the year under review, and passed on to specialist recyclers. This was the highest tally ever. *Jacques'* offers this service as the only nationwide network of specialist wine retail outlets in Germany.

The group's climate-controlled logistics centre is located at Tornesch and prepares consignments of wine for the wholesale and mail order segments. A computer-aided precision control function in the heating and climate control system ensures that energy is put to optimum use. Transport packaging is used economically and effectively, to avoid unnecessary waste. Both locations use a central data processing system for precision daily planning, stock control, pre-sorting of goods by destination and paperless coordination with the forwarding agents DHL and Hermes Logistik Service, with a view to making maximum use of their capacity and therefore minimising energy consumption. For their part, both DHL and Hermes Logistik Service use highly environmentally friendly processes and are accredited to DIN 14001 (Environmental Management Systems).

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 group occurred after the end of the year under review and before the time this Annual Report went to press. In particular, no measures for refinancing were required as a result of the financial crisis or capacity bottlenecks.

Groot Drakenstein, Franschhoek, South Africa

RISK REPORT

RISK MANAGEMENT AND RISK REPORT

In the context of operations in its sales markets, 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. 91% 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.

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.

Quality assurance for the wines we buy starts with a visit to the vineyard where they are produced, and continues with tests conducted in the Hawesko Group's laboratories. 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.

▪ *Public debate on duty on alcohol and ban on advertising*

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

▪ *Data protection*

An amendment to the Federal Data Protection Act in Germany has been fuelling public debate since mid-2008. According to the draft legislation dated 10 December 2008, the amendment in essence seeks to abolish the "list privilege", which currently permits and regulates the transfer and use of personal data for purposes of advertising, market and opinion research as well as for data processing in the context of business operations. The Hawesko specialist wine-shop retail and mail order segments each acquire a considerable portion of their new customers by methods covered by the "list privilege", but have equally for many years been committed to the responsible use of data that goes beyond the statutory requirements.

Trulli, Apulia, Italy

The amendment furthermore calls for an opt-in arrangement before the customer may be supplied with advertising information by telephone, telefax or e-mail.

The Board of Management considers it likely that the act will be passed with the provisions described above or similar. If this happens, it will have a substantial effect on the acquisition of new customers. The group's management is currently preparing concepts for an approach to the acquisition of new customers that will comply with the anticipated new provisions.

▪ *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.

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.

Panquehne, Aconcagua Valley, Chile

The subsidiaries 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.

The company is not aware of any fiscal risks which have a significant influence on the economic situation of the Hawesko Group. A provision was created as a precautionary measure for risks arising in connection with the tax investigation that was not yet completed at the time of compiling this report.

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 backup 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 goods management 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 and is regularly updated in line with new standards. 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, goods management and accounting purposes; one wholesale subsidiary uses the mail order system (see below). The IT risks to business are rated as marginal. To keep the IT up to date, new goods management and financial accounting software based on SAP is to be introduced in the next 15 months.

In the mail order area, customer orders and movements of goods are controlled by stock administration, goods management and financial accounting software based on SAP, introduced in 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 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. If the current global economic crisis deepens and becomes more drawn-out, the Board of Management will take all appropriate measures to safeguard the company's market position and liquidity. Its healthy level of funding gives the Hawesko Group full entrepreneurial scope, even in a protracted period of economic downturn. The principal sales market is likely to remain the Federal Republic of Germany; the markets in Austria, the Czech Republic, France and the Far East 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. Through purchases of shares on the open market, an interest was acquired in *Majestic Wine PLC* (see section "Liquidity analysis", page 30) at the end of 2008; this interest amounted to 3.4% of voting rights at the end of January 2009. No further acquisition plans have taken on sufficiently firm contours to merit reporting. No fundamental change to business processes or the type of business is envisaged.

Casablanca Valley, Chile

GENERAL ECONOMIC SITUATION

Future overall economic developments: initially more marked impact of financial crisis, hopes of an improvement pinned on stimulus packages

There was a marked slowdown in economic activity towards the end of 2008. In the second half of 2008 and at the start of 2009, the global financial crisis and a worldwide recession were clouding Germany's economic prospects. The expectations with regard to levels of economic activity are equally downbeat. Most experts believe that the situation in Germany will remain difficult throughout 2009. For example, at the end of February 2009 DZ Bank was forecasting a 2.9% decline in gross domestic product (GDP) and a fall of 0.2% in consumer spending in 2009 as a whole. Nevertheless, a number of early indicators point towards an improvement, such as the index published by the Centre for European Economic Research (ZEW) from mid-February and the Ifo business barometer from late February 2009, within which the sub-index for the current situation fell yet again, while the sub-index for the prospects for the coming six months pointed upwards. According to DZ Bank, the German government's economic recovery programmes include stimulus packages amounting to more than 3.0% of GDP, the effect of which could start to show in the second half of 2009. Falling raw material and food prices could moreover boost private consumption. The indicators of both the Ifo Institute and ZEW suggest a recovery is on the horizon, even if there is little cause to be positive about the present situation. This is based not on a belief in a short-term improvement, but on the fact that the expectations for the next six months are no longer as bleak. In its assessment of the situation, Hawesko's Board of Management endorses the scenario where the underlying economic situation will not improve before autumn 2009, after which the economy will start to gain ground.

Future situation in the trade: temporary weakening and trend towards higher quality

In the opinion of the Board of Management of Hawesko Holding AG, the wine industry will temporarily weaken in 2009 as a result of the difficult state of the economy as a whole. According to the International Wine and Spirits Record (IWSR), the wine market suffered only temporarily during the recession that was brought on by the oil crisis of 1974. Some consumers will probably switch to cheaper wines as an interim measure. The Board of Management then expects to see a recovery in 2010. Notwithstanding that, the existing quality trends will 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 2009 and 2010. 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.

ANTICIPATED FINANCIAL PERFORMANCE

In view of the highly uncertain economic outlook at present, any forecast for the next two years would be seriously lacking in substance. Economic experts anticipate a deep recession for the 2009 financial year. The situation for Hawesko, too, will become more difficult, particularly in the first half of the year given the challenging comparative figures for the previous year. Hawesko's Board of Management nevertheless believes that enjoying wine is an indispensable experience for many consumers, for all the present economic difficulties, and that wine consumption will therefore remain relatively stable over the year as a whole.

In the opinion of the Hawesko Board of Management *Jacques' Wein-Depot* in particular, with its price emphasis on bottles costing between € 4.00 and € 8.00 and its close customer ties, should act as a strong stabilising factor in the immediate future. The wholesale segment is in the first instance influenced by the calming down of worldwide business in older-vintage Bordeaux wines, after sensational growth for the subsidiary *Château Classic – Le Monde des Grands Bordeaux* in the years 2005 to 2007. The restaurant trade likewise presents a significant challenge in the present difficult economic environment; the wholesale segment is responding with the intensive customer care procedures it has been establishing since 2005 and the delivery logistics that were improved in 2008. On the one hand the mail order segment will have to cope with a downturn in deliveries of Bordeaux wines in the first quarter of 2009 and a generally subdued economic climate; on the other hand, it has access to an increased pool of active customers and more refined marketing arrangements. The Board of Management expects a slight drop in total group sales on the order of a low to middle single-digit percentage range for the 2009 financial year as a whole. The Board of Management will take all the necessary measures to defend the Hawesko Group's market position if the economic crisis deepens and becomes more drawn-out. Thanks to its healthy level of funding, Hawesko's entrepreneurial leeway is not restricted even if the global economy remains on the retreat for some time to come.

With regard to the operating result (EBIT) and therefore also the consolidated net earnings, any forecast for either 2009 or 2010 would scarcely be well-founded in view of the uncertainties surrounding the sales performance. Hawesko's Board of Management nonetheless expects earnings to be positive on the whole. Based on the latest estimates an EBIT margin slightly below last year's figure ought to be achievable. As matters stand, no non-recurring factors affecting either the financial result or the tax expenses are expected. The Board of Management expects a clearly positive free cash flow in 2009 and 2010, coupled with payment of a dividend by the company. As usual, Hawesko's Board of Management will promptly communicate its expectations and outlook for the future in the next interim reports, where the emerging situation takes on firmer contours.

Heemskerk, Tasmania, Australia

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 2009 financial year is likely to be slightly more than € 4 million. The emphasis of the investment measures planned will be on the opening of further outlets for *Jacques' Wein-Depot* and on IT investments in the wholesale segment. In the event that the global economic crisis becomes more protracted or deeper, the group's healthy level of funding will maintain the company's capacity to act. The Board of Management will then examine investment plans and take action to protect liquidity if necessary.

The current plans do not incorporate either long-term investments or acquisitions; 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 adequate financial leeway for handling a potential acquisition in its balance sheet.

OPPORTUNITIES AND RISKS

The Hawesko Board of Management is not expecting the current economic environment to offer any outstanding opportunities, such as a sudden leap in general consumption. The present situation (end of February 2009) is characterised by uncertainty and fitful developments. The latest economic forecasts for instance highlight the possibility that there could be a substantial rise in unemployment figures despite the widespread introduction of short-time, and this would correspondingly affect consumer confidence. If there is a general, marked deterioration in the propensity to consume in Germany, the wine market could be significantly affected; according to the Board of Management's current worst-case scenarios the Hawesko Group could experience negative sales development of as much as 15%. On the other hand, some experts believe that consumption in Germany, which remained flat for several years in contrast to elsewhere, might not fall to the same extent as in other countries. Consumer confidence could therefore have a stabilising effect on the economy in Germany. The Hawesko Board of Management is currently inclined to predict that wine consumption will remain relatively stable over the year as a whole. This assessment is reinforced by the remarks of the IWSR (see above) on the performance of the wine market during the oil crisis in the 1970s.

The Hawesko Group enjoyed very healthy balance sheet ratios at the reporting date of 31 December 2008, for example an equity ratio of over 45% and net debt owed of € 5.5 million compared with a balance sheet total of € 170 million. Another very strong key figure of the group is its free cash flow of € 17.5 million. The Board of Management assumes that most of its competitors do not share this financial strength.

All companies in the Hawesko Group use highly refined marketing concepts. They are able to dissociate themselves to a limited degree from the general macroeconomic trend by focusing their marketing activities as accurately as possible on those who are interested in their product range. These people generally have above-average incomes and therefore respond less sensitively than the average consumer to cyclical fluctuations.

Finally, the Board of Management is convinced that the Hawesko Group's many years of management experience specifically in the wine industry is a very sound basis on which to overcome the crisis.

The tighter economic situation could result in weaker competitors disappearing from the market, giving the Hawesko Group the opportunity to increase its market share.

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 prompt a further rise in sales and, in the medium term, boost earnings.

Le Muy, Provence, France

OVERALL STATEMENT ON THE ANTICIPATED DEVELOPMENT OF THE GROUP

In light of the above individual factors and the assessment of the wine market's development, the Board of Management considers a steady development in the Hawesko Group to be realistic for the next two years. One of the key objectives will be to maintain the return on sales and, as soon as the markets return to normal, the Board of Management of the Hawesko Group has its sights set on profitable growth. Consistently achieving a return on capital employed (ROCE) of 16% is another important target. However, the attainment of these financial targets is merely the outward manifestation of an effective business model; it will only succeed if the human dimension of economic activity is paid due regard: satisfied customers, motivated employees, and fair treatment of and by business partners are all values which give our business that vital authenticity, and which the Hawesko Board of Management deems are worthy of continuing to advocate.

CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding AG for the 2008 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2008 (IFRS)

	Notes	1/1–31/12/2008	1/1–31/12/2007
		€'000	€'000
SALES REVENUES	7.	**338,845**	**333,718**
Increase/decrease in finished goods inventories		307	86
Other operating income	8.	15,498	16,444
Cost of purchased goods		–203,277	–202,786
Personnel expenses	9.	–31,154	–31,202
Depreciation and amortisation	10.	–4,500	–5,003
Other operating expenses	11.	–90,056	–92,826
Other taxes		–169	–159
RESULT FROM OPERATIONS		**25,494**	**18,272**
Financial result	12.	–3,258	–2,605
RESULT FROM ORDINARY ACTIVITIES		**22,236**	**15,667**
Taxes on income and deferred tax expenses	13.	–7,393	–8,715
RESULT AFTER TAXES		**14,843**	**6,952**
Profit due to minority interests		–233	–294
CONSOLIDATED EARNINGS		**14,610**	**6,658**
Earnings per share (basic) in €	14.	1.67	0.76

CONSOLIDATED BALANCE SHEET

at 31 December 2008 (IFRS)

ASSETS	Notes	31/12/2008	31/12/2007
		€'000	€'000
NON-CURRENT ASSETS			
Intangible assets	15.	8,928	9,877
Property, plant and equipment	16.	20,646	21,956
Financial assets	17.	2,291	296
Advance payments for inventories	18.	4,458	5,715
Receivables and other fixed assets	19.	1,102	1,106
Deferred tax assets	21.	7,293	9,941
		44,718	**48,891**
CURRENT ASSETS			
Inventories	18.	72,312	68,415
Trade receivables	19.	40,242	47,833
Other fixed assets	19.	1,712	1,998
Accounts receivable from taxes on income		1,036	1,101
Cash in banking accounts and cash on hand	20.	10,056	8,388
		125,358	**127,735**
		170,076	**176,626**

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2008	31/12/2007
		€'000	€'000
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	22.	13,497	13,249
Group adjustment acc. to IFRS		–4,366	–4,366
Subscribed capital		9,131	8,883
Capital reserve	23.	6,491	6,108
Revenue reserve	24.	38,188	34,892
Accumulated other equity	25.	–1,619	24
Unappropriated group profit	26.	24,390	20,950
Minority interest	27.	587	557
		77,168	**71,414**
MINORITY INTEREST IN THE CAPITAL OF UNINCORPORATED SUBSIDIARIES	28.	**1,431**	**3,687**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	29.	615	585
Other provisions	31.	271	325
Borrowings	32.	6,960	9,080
Advances received	33.	850	4,805
Other liabilities	33.	144	719
Deferred tax liabilities	30.	130	133
		8,970	**15,647**
SHORT-TERM PROVISIONS AND LIABILITIES			
Other provisions	31.	65	81
Borrowings	32.	7,966	10,140
Advances received	33.	6,804	10,019
Trade payables	33.	45,585	44,962
Accounts payable from tax on income		2,508	500
Other liabilities	33.	19,579	20,176
		82,507	**85,878**
		170,076	**176,626**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2008 (IFRS)

		Notes	1/1–31/12/2008	1/1–31/12/2007
			€'000	€'000
	Result from ordinary activities	39.	22,236	15,667
+	Depreciation of intangible and tangible assets (net of write-ups)		4,500	5,003
+/–	Other cash expenses and income as cash items		1	656
+	Interest result	39.	3,258	2,605
+/–	Result from the disposal of intangible and tangible assets		–29	46
+/–	Change in inventories		–2,639	–7,041
+/–	Change in receivables and in other assets		7,978	–3,570
+/–	Change in provisions		–40	–70
+/–	Change in liabilities (excluding borrowings)		–7,778	6,914
–	Taxes on income paid out	39.	–2,805	–2,337
=	**NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS**		**24,682**	**17,873**
+	Inpayments from the sale of subsidiaries		–	177
–	Outpayments for tangible assets and intangible assets		–2,430	–3,385
–	Outpayments for the acquisition of other financial assets		–3,616	–13
+	Inpayments from the disposal of intangible and tangible assets		217	606
+	Inpayments from the disposal of financial assets		2	2
=	**NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES**		**–5,827**	**–2,613**
–	Outpayments for dividends		–8,682	–7,485
–	Outpayments to minority interests*		–753	–468
+	Inpayments from the sale of treasury shares		74	331
–	Outpayments for the acquisition of treasury shares		–2,197	–954
–	Payment of finance lease liabilities		–1,066	–1,002
+/–	Change in borrowings		–5,822	–1,167
–	Interest paid out and received	39.	–1,368	–1,633
=	**OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES**		**–19,814**	**–12,378**
=	**NET DECREASE/INCREASE OF FUNDS**		**–959**	**2,882**
+	Funds at start of period		8,388	5,506
=	**FUNDS AT THE END OF PERIOD**	39.	**7,429**	**8,388**

* *including outpayments to minority interests in unincorporated subsidiaries*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2006 to 31 December 2008 (IFRS)

€'000	Subscribed capital	Capital reserve	Revenue reserves	Accumulated other equity	Unappropriated Group profit	Minority interest	Shareholders' equity
31/12/2006	**8,883**	**5,867**	**35,286**	**14**	**22,091**	**366**	**72,507**
Appropriation to revenue reserve	–	–	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**
Appropriation to revenue reserve	–	–	2,488	–	–2,488	–	–
Capital increase for contribution in kind	248	3,352	–	–	–	–	3,600
Costs for capital increase for contribution in kind	–	–54	–	–	–	–	–54
Deferred tax liabilities on adjustments in equity	–	15	–	–	–	–	15
Cancellation of treasury shares	–	–2,931	2,931	–	–	–	–
Treasury shares	–	1	–2,123	–	–	–	–2,122
Dividends	–	–	–	–	–8,682	–186	–8,868
Change in valuation of securities »available for sale«	–	–	–	–1,614	–	–	–1,614
Currency translation differences	–	–	–	–29	–	–17	–46
Consolidated earnings	–	–	–	–	14,610	233	14,843
31/12/2008	**9,131**	**6,491**	**38,188**	**–1,619**	**24,390**	**587**	**77,168**

DEVELOPMENT OF CONSOLIDATED ASSETS

at 31 December 2008 (IFRS)

INTANGIBLE ASSETS €'000	Software	Goodwill	Advance payments	Total
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2008	**10,584**	**8,409**	**–**	**18,993**
Additions	272	–	23	295
Disposals	–668	–	–	–668
Transfers	–	–	18	18
POSITION AT 31/12/2008	**10,188**	**8,409**	**41**	**18,638**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2008	**5,811**	**3,305**	**–**	**9,116**
Additions	1,231	27	–	1,258
Disposals	–664	–	–	–664
POSITION AT 31/12/2008	**6,378**	**3,332**	**–**	**9,710**
CARRYING AMOUNT AT 31/12/2008	**3,810**	**5,077**	**41**	**8,928**

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 1/1/2008	**30,780**	**20,702**	**1**	**51,483**
Additions	73	2,012	50	2,135
Disposals	–18	–958	–	–976
Transfers	–	–	–18	–18
POSITION AT 31/12/2008	**30,835**	**21,756**	**33**	**52,624**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2008	**15,267**	**14,260**	**–**	**29,527**
Additions	1,355	1,888	–	3,243
Disposals	–	–790	–	–790
Write-ups	–2	–	–	–2
POSITION AT 31/12/2008	**16,620**	**15,358**	**–**	**31,978**
CARRYING AMOUNT AT 31/12/2008	**14,215**	**6,398**	**33**	**20,646**

FINANCIAL ASSETS €'000	Shares in affiliated companies	Participating interests	Securities	Other loans	Total
ACQUISITION OR MANUFACTURING COST					
POSITION AT 1/1/2008	**207**	**18**	**10**	**61**	**296**
Additions	–	–	3,616	–	3,616
Disposals	–	–	–	–2	–2
POSITION AT 31/12/2008	**207**	**18**	**3,626**	**59**	**3,910**
ACCUMULATED DEPRECIATION					
POSITION AT 1/1/2008	–	–	–	–	–
Write-ups	–	5	1,614	–	1,619
POSITION AT 31/12/2008	**–**	**5**	**1,614**	**–**	**1,619**
CARRYING AMOUNT AT 31/12/2008	**207**	**13**	**2,012**	**59**	**2,291**

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
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
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
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
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
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding AG for the 2008 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 2008.

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 26 February 2009 for signing off at the Supervisory Board meeting devoted to the annual accounts on 26 March 2009.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2008 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:

- 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. Its application for the first time has no effect on the net worth, financial position and financial performance.
- *Supplement to* IAS 39 *and* IFRS 7 *"Reclassification of Financial Assets"*
  The supplements relate to reclassifications of financial instruments into other categories in certain circumstances. The options stated there are not relevant for the consolidated financial statements of Hawesko Holding AG.
- 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. 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 was mandatory for the 2008 financial year, 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 which had been endorsed by the EU prior to 31 December 2008 are to be applied only for financial years commencing after 1 January 2009:

- IFRIC 13 *"Customer Loyalty Programmes"*
- IAS 1 *"Presentation of Financial Statements"*
  – extensively revised
- IAS 23 *"Borrowing Costs"*
  – revised
- *Revised* IFRS 2 *"Share-based Payment"*
  – vesting conditions and cancellations
- IFRS 8 *"Operating Segments"*
  (endorsed)

The following new or revised standards and interpretations had not yet been endorsed by the EU at 31 December 2008:

- *Amendments to* IAS 32 *and* IAS 1 *"Puttable Financial Instruments and Obligations Arising on Liquidation"*
  (endorsed by the EU on 21 January 2009)
- *Amendments to* IFRS 1 *"First-time Adoption of* IFRS*" and* IAS 27 *"Consolidated and Separate Financial Statements"*
  (endorsed by the EU on 23 January 2009)
- *Annual Improvements Project 2008*
  (endorsed by the EU on 26 January 2009)
- IFRIC 12 *"Service Concession Arrangements"*
  (application not yet mandatory in the EU in the financial year)
- IFRS 3 *and* IAS 27 *(revised 2008) "Business Combinations"*
- IFRIC 15 *"Agreements for the Construction of Real Estate"*
- IFRIC 16 *"Hedges of a Net Investment in a Foreign Operation"*
- IFRIC 17 *"Distributions of Non-Cash Assets to Owners"*
- IFRIC 18 *"Transfers of Assets from Customers"*
- *Amendments to* IAS 39 *"Financial Instruments: Recognition and Measurement"*
  – reclassification of financial assets: first-time application and interim arrangements
- *Amendments to* IAS 39 *"Financial Instruments: Recognition and Measurement"*
  – Eligible Hedged Items

In December 2006 the IASB published IFRS 8 "Operating Segments", which was endorsed by the Commission of the European Communities on 22 November 2008 and the application of which is mandatory for financial years commencing on or after 1 January 2009. This IFRS replaces IAS 14 and is based on the management approach, according to which the segments are defined and segment information is presented on the basis of internal reporting to the highest decision-making body in the group. No material effect on the consolidated financial statements is expected, because the definition of the segments and the reporting of segment information already largely concur with the internal reporting format.

As a result of the amendments to IAS 1 "Presentation of Financial Statements", changes are expected in the presentation of the financial statements' components and in particular in the presentation of the development of the shareholders' equity and the income statement. Application of the changes is mandatory for financial years beginning on or after 1 January 2009. The Hawesko Group is currently in the process of assessing the impact of these changes on the consolidated financial statements.

Application of the other standards and interpretations listed above and of the changes from the "Annual Improvements Project 2008" 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 timing 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 for impairment previously recorded cease to apply, these assets are written up. The value in use corresponds to the discounted cash flows from continued use, which are determined on the basis of group planning. Discounting of the forecast cash flows is performed using a risk-adjusted interest rate. Capital market data is used in determining the risk-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 statutory provisions that are valid or approved at the balance sheet date.

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

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 and reported under personnel costs together with the interest and service cost from pension commitments.

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.

Securities are categorised as *financial assets available for sale.* They are recognised at fair value. If the fair value cannot reliably be determined, they are measured at cost. Unrealised gains or losses resulting from fair value changes are recognised in the accumulated other equity, taking account of the fiscal effects. The fair value changes are not recognised in income until the time of disposal or until permanent impairment is established.

Other loans are measured at amortised cost.

Accounts receivable and other assets are recognised at amortised cost. Any necessary reductions for impairment, 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: 20) domestic and foreign companies in which Hawesko Holding AG directly or indirectly holds a majority of voting rights, as well as one domestic joint venture and its foreign subsidiaries. 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	100.0
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

The joint venture *Global Eastern Wine Holding,* Bonn, and its subsidiary *Global Wines, s.r.o.,* Prague (Czech Republic), are included in the consolidated financial statements on a pro rata basis, and allocated to the wholesale segment.

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 2008 financial year was 13 (previous year: 10).

With effect from 15 September 2005 a further 66% interest in *Global Eastern Wine Holding GmbH,* Bonn, was included in the group. This constituted the Hungarian wholesaler *Universal Wines GmbH i.L. Universal Wines GmbH i.L.* was wound up with effect from 28 January 2008 and has been removed from consolidation.

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	31/12/2008	31/12/2007
Non-current assets	–	–
Current assets	1,666	1,689
ASSETS	**1,666**	**1,689**
Shareholders' equity	1,079	918
Short-term provisions and liabilities	587	771
EQUITY AND LIABILITIES	**1,666**	**1,689**

Share of income and expenses:

€'000	31/12/2008	31/12/2007
Sales revenues	2,742	2,553
Other operating income	30	22
Cost of materials	–1,541	–1,567
Personnel expenses	–186	–137
Depreciation and amortisation	–	–1
Other operating expenses	–390	–345
RESULT FROM OPERATIONS	**655**	**525**
Interest income	18	52
Interest expense	–47	–27
RESULT FROM ORDINARY ACTIVITIES	**626**	**550**
Taxes on income	–139	–141
CONSOLIDATED EARNINGS	**487**	**409**

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

NON-CONSOLIDATED SUBSIDIARIES	Registered office	Shareholding in %	Capital €'000	Net earnings 2008 €'000
"Châteaux et Domaines" Weinhandelsgesellschaft mbH	Hamburg	100.0	27	0
Wein Wolf Import GmbH	Bonn	100.0	40	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	30	1
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	85.0	29	1
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg *(Austria)*	100.0	47	7
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	30	2
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	87.0	27	1
C.C.F. Fischer GmbH	Tornesch	100.0	22	–1

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 2008 were € 15 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	2008	2007
Specialist wine-shop retail	110,164	105,156
Wholesale	135,193	139,276
Mail order	93,341	89,026
Miscellaneous	147	260
	338,845	**333,718**

The sales revenues include € 209 thousand from counter-transactions mainly for advertising services.

8. OTHER OPERATING INCOME

€'000	2008	2007
Rental income	6,577	6,239
Advertising expense subsidies	3,941	3,895
Income from cost refunds	2,463	2,251
Income from the liquidation of provisions	667	1,479
Miscellaneous	1,850	2,580
	15,498	**16,444**

9. PERSONNEL EXPENSES

€'000	2008	2007
Wages and salaries	26,824	26,837
Social security and other pension costs	4,330	4,365
of which in respect of old age pensions	(89)	(9)
	31,154	**31,202**

The retirement benefit expenses include payments from defined contribution plans totalling € 59 thousand (previous year: € 89 thousand) and expenses from defined benefit plans totalling € 30 thousand (previous year: income of € 98 thousand).

10. DEPRECIATION AND AMORTISATION

€'000	2008	2007
Intangible assets	1,258	1,222
Property, plant and equipment	3,242	3,781
	4,500	**5,003**

11. OTHER OPERATING EXPENSES

€'000	2008	2007
Advertising	26,046	26,881
Commissions to partners	28,533	27,241
Delivery costs	11,011	11,784
Rental and leasing	8,448	8,349
IT and communication costs	2,656	2,749
Legal and consultancy costs	1,016	1,037
Other personnel expenses	1,266	1,454
Miscellaneous	11,080	13,331
	90,056	**92,826**

12. FINANCIAL RESULT

€'000	2008	2007
Interest income	190	232
Interest expense	–983	–1,237
Interest for finance leases	–556	–620
Changes in fair value of interest hedging transactions	–46	71
Expense from the conversion of debt into equity	–1,192	–
Net profit for the year due to minority interests in unincorporated subsidiaries	–544	–637
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	–127	–414
	–3,258	**–2,605**
Of which: from financial instruments of the classification categories pursuant to IAS 39		
Loans and receivables	140	232
Financial assets held for trading	–62	21
Financial liabilities held for trading	66	50
Financial liabilities measured at amortised cost	–2,846	–2,288

13. TAXES ON INCOME AND DEFERRED TAX EXPENSES

€'000	2008	2007
Current tax	4,748	3,539
Deferred tax liabilities	2,645	5,176
	7,393	**8,715**

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	2008	2007
Current year	4,429	3,702
Previous years	319	–163
	4,748	**3,539**

Expenses for deferred taxes are attributable to the following:

€'000	2008	2007
From restructuring measures with an effect on taxes	1,749	2,323
From loss carryforwards	808	205
Other temporary differences	88	–86
From the change in the uniform tax rate for the group	–	2,734
	2,645	**5,176**

The consolidated financial statements for the previous year showed the deferred tax assets from loss carryforwards in the context of a fiscal restructuring, together with the deferred taxes from restructuring measures with an effect on taxes, under this item (€ 2,528 thousand in total).

The actual tax expense for the year 2008 of € 7,393 thousand is € 1,073 thousand higher than the anticipated tax expense of € 6,321 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 28.43% (previous year: 37.60%) and is obtained as follows:

Trade tax *(average municipal factor 360%)*	12.60%
Corporation tax *(15% of profits after trade tax)*	15.00%
Solidarity surcharge *(5.5% of corporation tax)*	0.83%
Total tax burden on pre-tax earnings	**28.43%**

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

€'000	2008	2007
Anticipated tax expense	6,321	5,891
Use of tax loss carryforwards on basis of a single-entity relationship for trade tax	3	–26
Remeasurement of deferred taxes	–	2,734
Reclassification of minority interest	529	395
Tax expenses/income unrelated to the accounting period	319	–163
Nonrecognition of fiscal loss carryforwards	–72	–148
Nondeductibility of remuneration for co-entrepreneurs in unincorporated firms	19	171
Tenancy and leasing commitments to be included	208	–
Nondeductible part of Supervisory Board remuneration	25	27
Nondeductibility of 50% of permanent debt interest for trade tax	–	43
Effect of divergent national tax rates	–96	–409
Tax effect from the deconsolidation of *Sommelier Dystrybucja Sp.z o.o.*	–	130
Other tax effects	137	70
ACTUAL TAX EXPENSE	**7,393**	**8,715**
Effective tax rate %	33.25	55.63

14. EARNINGS PER SHARE

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

	2008	2007
Consolidated earnings (€'000)	14,610	6,658
Average number of shares ('000)	8,742	8,805
Basic earnings per share (€)	1.67	0.76

At the time of preparation of the consolidated financial statements there were 8,834,834 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 54–55.

€'000	31/12/2008	31/12/2007
Software	3,810	4,773
Other intangible assets including advance payments	136	122
Goodwill from the consolidation of capital	4,982	4,982
	8,928	**9,877**

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 € 478 thousand (previous year: € 595 thousand) by way of a self-constructed asset. Depreciation amounting to € 117 thousand (previous year: € 117 thousand) was performed.

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

€'000	Acquisition cost	Accumulated depreciation 31/12/2008	Carrying amount 31/12/2008
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-Distributions-gesellschaft 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 of 0.75% (previous year: 0.75%) and interest rates of 8.9% to 10.9% before tax (previous year: 9.5% to 12.0%).

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 54–55.

€'000	31/12/2008	31/12/2007
Land and buildings, including buildings on third-party land	14,215	15,513
Other fixtures and fittings, tools and equipment	6,398	6,442
Advance payments and construction in progress	33	1
	20,646	**21,956**

The carrying amounts of the land and buildings in finance lease totalled € 6,509 thousand at 31 December 2008 (previous year: € 7,499 thousand). The latter are not freely at the company's disposal.

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 54–55.

€'000	31/12/2008	31/12/2007
Shares in affiliated companies	207	207
Participating interests	13	18
Securities	2,012	10
Other loans	59	61
	2,291	**296**

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	31/12/2008	31/12/2007
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-Distributionsgesellschaft 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 (€ 13 thousand) refer to the interest held in *Vera Maria Bau Consulting GmbH,* Bonn.

The securities substantially (€ 2,002 thousand) comprise the shares in *Majestic Wine PLC* acquired during the financial year.

The other loans totalling € 59 thousand (previous year: € 61 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	31/12/2008	31/12/2007
Raw material and consumables used	1,023	1,454
Work in progress	2,764	2,529
Finished goods and merchandise	61,027	54,248
Advance payments	11,956	15,899
	76,770	**74,130**

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

Inventories totalling € 225 thousand (previous year: € 325 thousand) were recognised at their net realisable value. An allocation to impairment totalling € 346 thousand was reported under the cost of materials in the result for the year under review. € 405 thousand of impairment had been liquidated in the previous year.

With regard to isolated items within inventories, it is possible that they are not turned over within the course of one year. This is particularly possible in the case of higher-quality wines and spirits. It is therefore not possible to make any liquidity forecasts on the basis of the inventories reported.

19. RECEIVABLES AND OTHER ASSETS

€'000	31/12/2008	31/12/2007
Trade receivables (gross)	40,873	48,488
Less uncollectable receivables	–631	–655
Trade receivables	**40,242**	**47,833**
Accounts receivable from taxes on income	1,036	1,101
Other receivables and other assets	2,814	3,104
	44,092	**52,038**
Of which with a term of:		
– up to 1 year	42,990	50,932
– over 1 year	1,102	1,106

€'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
	31/12/2008						
Trade receivables	40,242	29,316	9,375	986	34	82	61
	31/12/2007						
Trade receivables	47,833	33,135	11,902	1,775	141	394	101

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

The impairment on trade receivables developed as follows:

€'000	2008	2007
Impairment at 1 January	655	772
Added	395	321
Used up	–402	–425
Liquidated	–17	–13
IMPAIRMENT AT 31 DECEMBER	**631**	**655**

Other receivables and other assets:

€'000	31/12/2008	31/12/2007
Due from affiliated companies	–	7
Due from participating interests	71	63
Tax refund claims	77	36
Receivables from trade representatives	360	400
Rent deposits	742	754
Accrued costs	404	465
Miscellaneous	1,160	1,379
	2,814	**3,104**

The amounts due from affiliated companies in the previous year were 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 € 10,056 thousand (previous year: € 8,388 thousand) relates substantially to balances with banks.

21. DEFERRED TAX ASSETS

€'000	31/12/2008	31/12/2007
Previous year	9,941	15,339
Increase	8	130
Decrease	–1,927	–4,667
Offsetting	–729	–861
	7,293	**9,941**

Deferred tax assets are made up as follows:

€'000	31/12/2008	31/12/2007
Temporary differences:		
– From restructuring measures with an effect on taxes	7,113	11,785
– From loss carryforwards	359	1,050
– From the fair value measurement of derivative financial instruments	21	23
– From finance leases	450	624
– From inventories	41	48
– From provisions for pensions	31	38
– Other	7	11
– Offsetting	–729	–861
– Change in tax rate	–	–2,777
	7,293	**9,941**

The consolidated financial statements for the previous year had still shown the deferred tax assets on loss carryforwards in the context of a fiscal restructuring together with the deferred taxes from restructuring measures with an effect on taxes (€ 12,835 thousand in total). The reported deferred taxes on tax loss carryforwards relate to the trade tax loss carryforwards of Hawesko Holding AG that are available for future use.

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 five years. Amortisation is performed at the rate of € 1,687 thousand per year for the above companies.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 4,237 thousand (previous year: € 4,458 thousand), for which no deferred tax assets were reported in the balance sheet.

Deferred tax credit balances totalling € 21 thousand (previous year: € 23 thousand) are reported as a result of the recognition of derivative financial instruments at fair value.

A sum of € 2,109 thousand (previous year: € 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 € 13,497,324.27 (previous year: € 13,249,488.00) and is divided into 8,844,736 (previous year: 8,832,992) no par value bearer shares.

Following a capital increase for contribution in kind, the subscribed capital grew year on year by € 248 thousand. 162,406 new shares were issued. After netting against the 150,662 treasury shares that were retired, the number of shares pursuant to the articles of incorporation has risen by 11,744 shares overall.

In the year under review, 111,004 (previous year: 45,328) treasury shares were purchased by the balance sheet date, at an average price of € 19.79. Of this total, 97,807 shares had been acquired as defined by Section 71 Para. 1 No. 8 of German Stock Corporation Law and were retired in August of the year under review along with the 52,855 treasury shares from the previous year.

3,295 treasury shares were put into circulation during the year under review under an employee share-ownership scheme, with the result that 9,902 treasury shares in total were held at 31 December 2008.

Total shares	2008	2007
OPENING NUMBER	**8,780,137**	**8,805,996**
Shares retired	–150,662	–
Treasury shares	42,953	–25,859
New shares issued	162,406	–
CLOSING NUMBER	**8,834,834**	**8,780,137**

A regular dividend of € 1.00 was paid in the financial year, amounting to € 8,682 thousand in total (previous year: € 0.85 per share, € 7,485 thousand in total).

The subscribed capital of the group totals € 9,130,891.27 (previous year: € 8,883,055.00) 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 2013, with the approval of the Supervisory Board, through the issuance of new no par value bearer shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right. With the permission of the Supervisory Board, the Board of Management is, however, authorised to exclude the shareholders' statutory subscription,

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

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

c) for residual amounts.

In the case of capital increases for cash, the Board of Management is moreover authorised to exclude the subscription right of the shareholders, with the 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 issuance of the new shares and the issue value of the new shares is not significantly below their stock market price pursuant to Section 186 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, 162,406 shares with a value of € 247,836.27 were issued from the approved capital, with the result that it totals € 6,352,163.73 (previous year: € 6,600,000.00) at 31 December 2008.

23. CAPITAL RESERVE

€'000	31/12/2008	31/12/2007
Capital reserve	6,491	6,108

The capital reserve for the group comprises the premium from the capital increase in 1998, from the issuance of shares to employees and from the issuance of new shares from the 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 costs for the capital increase for contribution in kind of € 55 thousand were likewise booked to the capital reserve net of taxes, with no effect on income.

The change in the capital reserve has its origins on the one hand in the above capital increase (€ +3.4 million) and on the other hand in the retirement of shares (€ –2.9 million), with the result that this item showed an overall increase of € 0.4 million.

24. REVENUE RESERVE

€'000	31/12/2008	31/12/2007
Revenue reserve	38,409	35,940
Deduction for treasury shares	–221	–1,048
	38,188	**34,892**

The group's revenue reserve includes amounts allocated in the past from earnings generated by companies included in the consolidated accounts. Treasury shares totalling € 221 thousand (previous year: € 1,048 thousand) have in addition been deducted from the revenue reserve, in agreement with IAS 32.

25. ACCUMULATED OTHER EQUITY

In the financial year an unrealised loss from a fall in fair value in respect of the shares in *Majestic Wine PLC* amounting to € 1,614 thousand (previous year: zero) was recognised directly within equity.

26. 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 € 10,954 thousand (previous year: € 9,058 thousand).

The individual components of the equity and its development in the years 2007 and 2008 are shown in the consolidated statement of changes in equity on page 53.

27. 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. details of consolidated companies).

28. 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.

During the financial year, the outstanding 10% capital of the unincorporated subsidiary *Wein Wolf Holding GmbH & Co. KG* was transferred to Hawesko Holding AG. In the context of this transfer from borrowed capital to equity capital, the reported minority interest in the capital of unincorporated subsidiaries fell by € 1,192 thousand.

29. PROVISIONS FOR PENSIONS

For old-age pension purposes, five (previous year: five) active employees, two (previous year: two) retired employees of the subsidiary *Jacques' Wein-Depot Wein-Einzelhandel GmbH* have an entitlement to supplementary retirement pay. A life-long retirement pension or disability pension and a pension for surviving dependents 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 allocation to provisions for pensions amounted to € 30 thousand in the year under review (previous year: liquidation of € 98 thousand). The expense comprises service cost of € 13 thousand (previous year: € 16 thousand), interest expense of € 32 thousand (previous year: € 29 thousand), payments made of € 18 thousand (previous year: € 17 thousand) and an actuarial loss of € 3 thousand (previous year: gain of € 126 thousand).

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

in %	2008	2007
Discounting rate	5.50	5.50
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 (€'000):

31/12/2008	31/12/2007	31/12/2006	31/12/2005	31/12/2004
615	585	683	678	521

Outpayments of € 19 thousand are expected for 2009.

30. 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 TAX LIABILITIES

€'000	31/12/2008	31/12/2007
Fixed assets	563	650
Inventories	186	235
Trade receivables	91	134
Other assets	19	18
Offset against deferred tax assets	–729	–861
Change in tax rate	–	–43
	130	**133**

31. OTHER PROVISIONS

€'000	1/1/2008	Drawn (D) Liquidated (L)	Allocated	31/12/2008
Provisions for personnel	391	90 (D) 0 (L)	35	336

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 € 65 thousand (previous year: € 66 thousand). The provisions with a term of between one and five years total € 271 thousand (previous year: € 325 thousand). There are no provisions with a term of over five years, as in the previous year.

32. BORROWINGS

€'000	31/12/2008	31/12/2007
Banks	6,833	10,061
Finance lease	8,093	9,159
	14,926	**19,220**
Of which with a term of:		
– *up to 1 year*	7,966	10,140
– *1 to 5 years*	3,928	5,569
– *over 5 years*	3,032	3,511

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 in €'000

Term	2008	2007
Open-ended	25,000	25,000
31/12/2007	–	10,000
31/12/2008	10,000	–
	35,000	**35,000**

The interest rates of short-term loans raised in 2008 were between 3.60% and 6.05% (previous year: between 4.35% and 5.21%).

Borrowings from banks all have a term of up to one year. In the previous year, there was still a fixed-rate loan with a term of more than one year, with a maturity date of 30 September 2009.

The finance lease liabilities at 31 December 2008 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	5,112	3,667	**10,401**
Interest component	489	1,184	635	**2,308**
Principal repaid	1,133	3,928	3,032	**8,093**

These comprise firstly the mail order logistics centre in Tornesch, near Hamburg, which has been leased for a total period of 22.5 years, and secondly 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:

	Carrying amount	Cash flows											
		2009			**2010**			**2011–2013**			**> 2013**		
€'000	**31/12/2008**	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal	Fixed interest	Variable interest	Principal
PRIMARY FINANCIAL LIABILITIES													
Due to banks	–6,833	–29	–10	–6,833	–	–	–	–	–	–	–	–	–
Finance lease liabilities	–8,093	–489	–	–1,133	–417	–	–1,205	–766	–	–2,723	–636	–	–3,032
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives without hedging relationship	–29	–52	39	–	–52	34	–	–	–	–	–	–	–
Forward exchange transactions without hedging relationship	–30	–	–	–30	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	12	–	–	–	–	–	–	–	–	–	–	–	–

33. OTHER LIABILITIES

€'000	31/12/2008	31/12/2007
Advances received	7,654	14,824
Trade payables	45,585	44,962
Income taxes payable	2,508	500
Other liabilities	19,723	20,895
	75,470	**81,181**
Of which with a term of		
– up to 1 year	74,476	75,657
– 1 to 5 years	994	5,524
– 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 2009 and 2010.

The advances received include liabilities with a term of between one and five years totalling € 850 thousand (previous year: € 4,805 thousand).

The other liabilities include liabilities with a term of between one and five years totalling € 144 thousand (previous year: € 719 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	31/12/2008	31/12/2007
Sales tax and other taxes	9,032	9,613
Liabilities in respect of social insurance	365	641
Liabilities to employees	3,981	3,691
Customer bonuses	3,474	3,430
Derivative financial instruments	59	16
Liabilities to other company members	86	214
Due to affiliated companies	112	109
Miscellaneous	2,614	3,181
	19,723	**20,895**

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

€'000	31/12/2008	31/12/2007
"Châteaux et Domaines" Weinhandelsgesellschaft mbH	27	27
Deutschwein Classics Verwaltungsgesellschaft mbH	3	3
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	41
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	30	27
	112	**109**

34. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, stated amounts and fair values by classification category, 2008:

€'000	Classi-fication category acc. to IAS 39	Carrying amount 31/12/2008	Stated amount in balance sheet acc. to IAS 39				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2008
			Acquisition cost	Amortised cost	Fair value in equity	Fair value through profit and loss		
ASSETS								
Cash	LaR	10,056	–	10,056	–	–	–	10,056
Trade receivables	LaR	40,242	–	40,242	–	–	–	40,242
Receivables and other assets								
– Other receivables	LaR	2,802	–	2,802	–	–	–	2,802
– Derivatives without hedging relationship	FAHfT	12	–	–	–	12	–	12
Financial assets								
– Other loans	LaR	59	–	59	–	–	–	59
– Available for sale financial assets	AfS	230	230	–	–	–	–	n / a
– Available for sale financial assets at fair value	AfS	2,002	–	–	2,002	–	–	2,002
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	1,431	–	1,431	–	–	–	n / a
Trade payables	FLAC	45,585	–	45,585	–	–	–	45,585
Due to banks	FLAC	6,833	–	6,833	–	–	–	6,859
Finance lease liabilities	n / a	8,093	–	–	–	–	8,093	9,276
Other liabilities								
– Other liabilities	FLAC	19,664	–	19,664	–	–	–	19,664
– Derivatives without hedging relationship	FLHfT	59	–	–	–	59	–	59
Of which aggregated by classification category acc. to IAS 39:								
– Loans and receivables (LaR)		53,159	–	53,159	–	–	–	53,159
– Available for sale financial assets (AfS)		2,232	230	–	2,002	–	–	n / a
– Financial assets held for trading (FAHfT)		12	–	–	–	12	–	12
– Financial liabilities measured at amortised cost (FLAC)		72,082	–	72,082	–	–	–	72,108
– Financial liabilities held for trading (FLHfT)		59	–	–	–	59	–	59

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

€'000	Classification category acc. to IAS 39	Carrying amount 31/12/2007	Stated amount in balance sheet acc. to IAS 39: 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	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	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

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. This category in addition includes securities that are recognised at fair value within equity. If no fair value can be reliably determined, the securities are measured 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, 2008

€'000	From interest	From subsequent measurement				From disposal	Net earnings 2008
		At fair value	At amortised cost	Currency translation	Impairment		
Loans and receivables (LaR)	140	–	–	–	24	–	164
Financial instruments held for trading (FAHfT + FLHfT)	–	–46	–	–	–	50	4
Financial liabilities measured at amortised cost (FLAC)	–983	–	–671	9	–	–1,192	–2,837
TOTAL	**–843**	**–46**	**–671**	**9**	**24**	**–1,142**	**–2,669**

NET EARNINGS BY CLASSIFICATION CATEGORY, 2007

€'000	From interest	From subsequent measurement				From disposal	Net earnings 2007
		At fair value	At amortised cost	Currency translation	Impairment		
Loans and receivables (LaR)	232	–	–	–	117	–	349
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**

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

35. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

The following contingencies and financial obligations in respect of third parties existed on 31 December 2008:

€'000	31/12/2008	31/12/2007
Credit by way of guarantee	72	132
Advance payments outstanding	144	543
Guarantees	2,988	3,025

Obligations relating to advance payments outstanding for subscriptions received as at 31 December 2008 were repaid at the start of 2009.

Hawesko Holding AG owns a one 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 in the previous year. The company reports positive equity at 31 December 2008.

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 € 9,254 thousand (previous year: € 9,072 thousand). The global obligations for lease and tenancy agreements are due as follows:

€'000	
Up to 1 year	7,358
Over 1 year, up to 5 years	1,192
Over 5 years	704
	9,254

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.

36. 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. A minimal volume of forward exchange transactions was recognised at the reporting date (previous year: none). No separate foreign exchange sensitivity analysis was carried out in view of its insignificance.

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 receivables.

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 or lower at 31 December 2008, earnings would have been € 0.1 million lower or € 0.1 million higher (previous year: € 0.2 million lower or € 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 financing area, transactions are concluded only with counterparties with a top credit rating.

There is no evidence of a *liquidity risk*, i.e. insufficient financial resources to pay off obligations (cf. Note 32).

HEDGES/DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2008 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	**31/12/2008**	**31/12/2007**	**31/12/2008**	**31/12/2007**
Forward exchange transactions (US dollars)	354	–	–30	–
Interest hedging transactions with a positive market value at the reporting date	7,000	12,000	12	45
Interest hedging transactions with a negative market value at the reporting date	5,000	5,000	–29	–16

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 two years.

37. 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) of at least 16% is the aim. A rate of return of 23% was achieved in the year under review (previous year: 16%).

38. EMPLOYEES

The average number of employees was as follows:

Group	2008	2007
Commercial and industrial employees	588	587
Apprentices	26	22
	614	**609**

39. NOTES TO THE CASH FLOW STATEMENT

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

The cash outflows from interest payments and dividends have been allocated to financing activities. The cash outflows from financing activities include interest payments made totalling € 1,547 thousand and interest payments received totalling € 179 thousand. The cash inflows from current operations of € 24,682 thousand (previous year: € 17,873 thousand) include the changes in cash and cash equivalents from operating activities. Cash and cash equivalents comprise cheques, cash on hand as well as cash in banks and amounts due to banks at any time.

The composition of cash and cash equivalents is as follows:

€'000	31/12/2008	31/12/2007	Change
Cash in banking accounts and cash on hand	7,429	8,388	–959

40. 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. 56%), Austria (approx. 35%) and the Czech Republic (approx. 9%). Segment assets and segment investment are fundamentally allocated on the basis of the location of the asset in question; external sales are allocated on the basis of each customer. In the year under review, sales in the Europe segment (excluding Germany) generated 9% (previous year: 10%) of consolidated sales.

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 in the Czech wholesaler *Global Wines, s.r.o.,* Prague. 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 2008

€'000	Specialist retail	Wholesale	Mail order	Miscellaneous	Reconciliation	Group
SALES REVENUES	110,236	142,688	102,196	18,180	–34,455	338,845
– External sales	**110,164**	**135,193**	**93,341**	**147**	–	**338,845**
– Internal sales	72	7,495	8,855	18,033	–34,455	–
OTHER INCOME	8,975	5,687	2,222	1,142	–2,528	15,498
– External	8,975	5,529	857	137	–	15,498
– Internal	–	158	1,365	1,005	–2,528	–
EBIT	**14,637**	**8,668**	**6,050**	**–3,860**	–	25,495
Non-allocated expenses						–1
						25,494
Financial income						190
Financial expense						–3,448
Financial result						–3,258
RESULT FOR SEGMENTS BEFORE TAXES						**22,236**
Taxes on income						–7,393
RESULT AFTER TAXES						**14,843**
SEGMENT ASSETS	34,477	79,433	42,201	152,605	–146,010	162,706
Non-allocated assets						7,370
CONSOLIDATED ASSETS						**170,076**
SEGMENT DEBTS	19,007	41,807	12,240	11,582	–8,216	76,420
Non-allocated debts						15,643
CONSOLIDATED DEBTS						**92,063**
Depreciation and amortisation	1,197	589	1,398	1,316	–	4,500
Investment	1,192	653	373	3,828	–	6,046

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

GEOGRAPHICAL SEGMENTATION

	Segment assets		Segment investment		External sales	
€'000	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Germany	142,733	145,007	5,927	3,297	309,234	296,562
Europe (excl. Germany)	19,973	21,642	119	101	29,611	37,156
	162,706	**166,649**	**6,046**	**3,398**	**338,845**	**333,718**

41. 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.

42. 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.

43. DECLARATION OF COMPLIANCE

The Declaration of Compliance with the German Corporate Governance Code, as specified under Section 161 of German Stock Corporation Law, was submitted on 7 April 2008 and is published on the Internet at www.hawesko.com.

44. 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 Supervisory Board or Board of Management and the companies included in the consolidated financial statements.

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

€'000	Variable remuneration	Fixed remuneration	Attendance fees	Remuneration for services rendered in person	Total
Manfred Middendorff	29	8	21	–	58
Prof. Dr. Dr. Dr. Franz Jürgen Säcker	22	6	13	9	50
Prof. Dr. Carl H. Hahn (until 16 June 2008)	7	2	2	–	11
Gunnar Heinemann (since 16 June 2008)	9	2	4	–	15
Jacques Héon	15	4	7	–	26
Angelika Jahr-Stilcken	15	4	7	–	26
TOTAL	**97**	**26**	**54**	**9**	**186**

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	1,041	429	1,470
Bernd Hoolmans	405	209	614
Bernd G. Siebdrat	254	446	700
Ulrich Zimmermann	153	86	239
TOTAL	**1,853**	**1,170**	**3,023**

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

In the previous year, remuneration totalling € 2,009 thousand was paid to the Board of Management, comprising € 1,610 thousand in fixed pay and € 399 thousand in variable components.

A former Board of Management member was paid fixed remuneration totalling € 180 thousand in the financial year.

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 Bernd G. Siebdrat includes a revocable post-contractual competition ban 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 twelve 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 € 120 thousand (previous year: € 89 thousand) was recognised for this commitment at 31 December 2008.

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).

In the event of termination of employment following a change of control, the Board of Management member Alexander Margaritoff is entitled to compensation amounting to three years' pay. Calculation of the compensation is based on the last completed financial year.

There existed no loans to members of the Board of Management or Supervisory Board in the 2008 financial year.

The balance sheet includes provisions for obligations in respect of the Board of Management and Supervisory Board totalling € 1,347 thousand (previous year: € 676 thousand).

At 31 December 2008, the Supervisory Board held 700 (previous year: 1,793,294) and the Board of Management 2,856,827 (previous year: 2,680,126) shares – directly and indirectly – in Hawesko Holding AG, with the Chairman of the Board of Management holding 2,677,742 shares (previous year: 2,668,342) directly and indirectly.

Along with the entry on the Commercial Register on 2 September 2008, Bernd. G. Siebdrat contributed his limited partner's share of 10% of *Wein Wolf Holding GmbH & Co. KG* in exchange for the issuance of 162,406 shares from the approved capital of Hawesko Holding AG.

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.

During the financial year there moreover existed business ties with Detlev Meyer, who holds a 25.6% interest in Hawesko Holding AG through Tocos Beteiligung GmbH. Goods to the value of € 78 thousand were purchased from a vineyard owned by Mr. Meyer during the financial year.

45. EXPENDITURE ON AUDITOR'S FEES

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

€'000	2008	2007
Audit of financial statements	170	165
Tax consultancy	67	110
Other services	28	16
TOTAL	**265**	**291**

Hamburg, 26 February 2009

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 2008. 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, 5 March 2009

Susat & Partner oHG
Wirtschaftsprüfungsgesellschaft

Driesch
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, 26 February 2009

The Board of Management

Alexander Margaritoff Bernd Hoolmans

Bernd G. Siebdrat Ulrich Zimmermann

REPORT OF THE SUPERVISORY BOARD

In the 2008 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 position 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.

The Supervisory Board held four ordinary meetings in the 2008 financial year to assure itself of the lawful and orderly management of the company. One extraordinary meeting was held in addition. 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, personnel affairs, risk management within the group, and business plans. The following topics were in addition dealt with separately:

- The constituting of a Nominating Committee and the reshuffling of members of the existing committees
- Capital increase for cash in exchange for minority interest
- Adjustment of the executive organisation chart for the Board of Management
- Possible purchases of investments internationally, including the investment in *Majestic Wine PLC*
- Marketing questions in respect of the Internet as well as product and packaging innovations
- Potential impact of changes to data protection legislation
- Business plans for 2009, particularly in view of a possible deterioration in the economic environment

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, by a voting majority of two-thirds of the Supervisory Board members; the Supervisory Board gave its approval for the investment in *Majestic Wine PLC* in 2008. Pursuant to Section 8 of the articles of incorporation, the Supervisory Board may in addition specify other transactions for which its approval is required; the Supervisory Board did not exercise this right in 2008.

All sitting members of the Supervisory Board attended the ordinary Supervisory Board meetings; three members attended the extraordinary meeting, and two members sent their apologies for absence. No member participated in less than half of the meetings. Where absent, the members participated in the passing of resolutions by submitting their vote in writing. The Committee for Audit and Investment Affairs (formerly: Committee for Accounting and Investment Affairs) met on three occasions, and the Committee for Personnel Affairs on two occasions. A Nominating Committee was constituted. 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 acknowledged the 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.

On 7 April 2008 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 92); in addition to the now obsolete Declarations of Compliance for the past five years, the 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 2008 financial year, including the bookkeeping, were examined by Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 16 June 2008. 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 2008 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 Audit and Investment Affairs (formerly: Accounting and Investment Affairs) inspected the documents provided ahead of and presented at length at its meeting on 5 March 2009 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 26 March 2009. Based on the conclusions of its examination, the Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2008 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 2008 financial year for the distribution of a dividend of € 1.20 per no par value share.

Dr. Carl H. Hahn was no longer available for election to the Supervisory Board at the last Shareholders' Meeting on 16 June 2008; our sincere thanks are due to him for his constructive work on the Supervisory Board. Mr. Gunnar Heinemann was elected to the Supervisory Board at the same Shareholders' Meeting. The change in members necessitated a reshuffle of the committees: the Personnel Committee now comprises the members Mr. Manfred Middendorff (committee chairman), Mrs. Angelika Jahr-Stilcken and Mr. Jacques Héon; the Audit and Investment Committee (formerly: Accounting and Investment Affairs Committee) comprises Mr. Middendorff (committee chairman), Mr. Heinemann and Professor Dr. Franz Jürgen Säcker. The Nominating Committee comprises Mr. Middendorff (committee chairman) and Messrs. Heinemann and Héon. At the end of the next Annual General Meeting of shareholders on 15 June 2009 the terms of two members of the Supervisory Board, namely Mrs. Jahr-Stilcken and Prof. Dr. Säcker, will end. Both members stand for re-election; the Supervisory Board proposes to the Meeting that Mrs. Jahr-Stilcken as well as Prof. Dr. Säcker be re-elected. Prof. Dr. Säcker shall again be proposed as deputy chairman of the Supervisory Board.

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

Hamburg, 26 March 2009

The Supervisory Board

Manfred Middendorff
Chairman

CORPORATE GOVERNANCE

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

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

Remuneration report

Particulars of the remuneration of the Board of Management and Supervisory Board are to be found in a separate section of the combined management report for the group and the parent company for 2008, as well as in the Notes to the consolidated financial statements (Note 44) and Notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

Shares of Hawesko Holding AG in the ownership of members of the Supervisory Board and Management Board

At 31 December 2008, the Supervisory Board held 700 (previous year: 1,793,294) and the Board of Management 2,856,827 (previous year: 2,680,126) shares – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,677,742 (previous year: 2,668,342) directly and indirectly.

Declaration of Compliance 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 6 June 2008 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) to the extent that 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 right to subscribe to new shares to the same extent they would be entitled to following exercising of the warrant or conversion right or following fulfilment of the conversion obligation;

  (2) to the extent that the capital increase for contributions in kind is made for the purpose of acquiring companies or participations in companies;

  (3) to eliminate residual amounts;

  (4) if the shares in the company are issued for cash and the issuing price per share does not significantly undercut the market price for shares already quoted, essentially with the same features, at the time of issuance of the shares. In this instance the exclusion of subscription rights may, however, only be exercised if the number of the shares issued in this way together with the number of treasury shares that are sold during the term of this authori-

sation, excluding the right to subscribe pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law, and the number of shares that may arise through the exercising of options and/or conversion rights or the fulfilment of conversion obligations from convertible bonds or loans or warrants issued during the term of this authorisation, excluding the right to subscribe pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law, does not exceed 10% of the capital stock either at the time of this authorisation taking effect or at the time of issuance of the shares.

- *Section 2.3.2 of the Code:* The company does not send notification of the convening of the Shareholders' Meeting together with the convening documents to all domestic and international financial services providers, shareholders and shareholders' associations by electronic means.
- *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.
- *Section 4.2.3 of the Code:* The provisions envisaged in the contract of employment of one Board of Management member in the event of a change of control may result in the recommended cap of 150% on compensation payments being exceeded.
- *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, 26 March 2009

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, 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) 3)]

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)]

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
(until 16 June 2008) [1)]

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

- Global Consumer Acquisition Corporation, New York, New York, USA; Perot Systems Corporation, Plano, Texas, USA

Gunnar Heinemann (since 16 June 2008) [2) 3)]

Managing Partner of Gebrüder Heinemann KG, Hamburg

- Travel Retail Norway AS, Gardemoen, Norway; Heinemann-Saether A/S, Farum, Denmark

Jacques Héon [1) 3)]

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

Angelika Jahr-Stilcken [1)]

Journalist, Hamburg

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

1) *Member of the Personnel Committee*

2) *Member of the Committee on Audit 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 2008

€'000 (Rounding differences possible)	1/1–31/12/2008	1/1–31/12/2007
Other operating income	1,050	413
Personnel expenses		
a) Salaries	–3,389	–2,567
b) Social securities and social maintenance costs	–100	–91
Depreciation and amortisation	–9	–15
Other operating expenses	–1,615	–1,443
Income from profit-transfer agreements	19,113	12,993
Investment income	3,899	2,799
Other interest and similar income	2,746	2,908
Write-down of financial assets	–42	–
Expenses from loss-transfer	–766	–1,934
Interest and similar expenses	–876	–1,017
RESULTS FROM ORDINARY ACTIVITIES	**20,011**	**12,047**
Taxes on income	–2,932	–1,316
Other taxes	–1	–1
NET INCOME FOR THE YEAR	**17,078**	**10,730**
Profit carryforward from previous year	376	128
Withdrawal from treasury stock reserve	1,030	–
Withdrawal from other revenue reserve	1,902	–
Expense from cancellation of treasury shares	–2,932	–
Withdrawal from other revenue reserve	179	760
Appropriation to treasury stock reserve	–179	–760
Appropriation to other revenue reserve	–6,500	–1,800
UNAPPROPRIATED PROFIT FOR THE YEAR	**10,954**	**9,058**

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 2008

ASSETS €'000 (Rounding differences possible)	**31/12/2008**	**31/12/2007**
FIXED ASSETS		
Intangible assets		
Software	12	18
Property, plant and equipment		
Operating equipment and fixtures	4	6
Advance payments	18	–
Financial assets		
Shares in affiliated companies	64,700	61,100
Securities held as fixed assets	3,616	–
	68,349	**61,125**
CURRENT ASSETS		
Receivables and other assets		
Receivables from other affiliated companies	55,530	55,370
Other assets	182	581
	55,712	**55,951**
Securities: Treasury shares	179	1,030
Cash in banking accounts	7,506	5,010
	63,397	**61,991**
PREPAID EXPENSES	65	111
TOTAL ASSETS	**131,811**	**123,227**

SHAREHOLDERS' EQUITY AND LIABILITIES €'000 (Rounding differences possible)	**31/12/2008**	**31/12/2007**
SHAREHOLDERS' EQUITY		
Subscribed capital	13,497	13,249
Capital reserve	61,049	57,697
Revenue reserve		
1. Reserve for treasury shares	179	1,030
2. Other revenue reserve	30,059	25,640
Unappropriated profit for the year	10,954	9,058
	115,739	**106,675**
PROVISIONS		
Provisions for taxation	2,127	14
Other provisions	1,673	976
	3,800	**989**
LIABILITIES		
Due to banks	6,618	10,007
Trade accounts payable	36	51
Due to affiliated companies	55	52
Other liabilities	5,562	5,453
	12,271	**15,563**
TOTAL ASSETS	**131,811**	**123,227**
CONTINGENCIES		
Liabilities arising from guarantees for affiliated companies (of which annual installments in the context of guarantees for continuous obligations € 1,431 thousand)	1,431	1,507

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KEY FINANCIAL DATA OF HAWESKO GROUP

€ million	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net sales	232.4	264.3	267.4	278.8	285.8	287.0	302.6	333.7	338.8
Gross profit	98.3	111.3	114.8	117.1	119.6	119.5	122.2	130.9	135.6
– *as % of net sales*	42.3%	42.1%	42.9%	42.0%	41.9%	41.6%	40.4%	39.2%	40.0%
Operating result before depreciation (EBITDA)	13.7	23.0	20.4	21.4	22.1	23.3	22.9	23.3	30.0
– *as % of net sales*	5.9%	8.7%	7.6%	7.7%	7.7%	8.1%	7.6%	7.0%	8.9%
Depreciation and amortisation	4.6	5.4	5.7	5.7	5.3	4.4	4.3	5.0	4.5
Operating result (EBIT)	9.0	17.6	14.7	15.7	16.8	18.9	18.6	18.3	25.5
– *as % of net sales*	3.9%	6.7%	5.5%	5.6%	5.9%	6.6%	6.1%	5.5%	7.5%
Consolidated earnings *(after taxes and minority interests)*	1.0	6.8	4.4	5.9	5.7	10.7	10.8	6.7	14.6
Cash flow from current operations	9.6	24.2	18.3	24.6	21.4	24.3	12.7	17.9	24.7
Cash flow from investing activities	–5.8	–6.0	–0.4	–3.6	–4.8	–5.2	–5.6	–2.6	–5.8
Free cash flow	0.8	14.0	14.4	17.9	14.4	17.1	5.6	13.6	17.5
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	–10.6
Non-current assets	71.9	70.0	66.5	59.1	58.7	56.6	57.3	48.9	44.7
Current assets	116.9	115.0	114.9	110.7	106.6	106.0	114.5	127.7	125.4
Equity less proposed dividend	54.9	54.9	60.4	61.7	59.9	61.6	64.9	62.6	66.6
– *as % of balance sheet total*	29.1%	29.7%	33.3%	36.3%	36.2%	37.9%	37.8%	35.4%	39.1%
Total assets	188.8	185.0	181.4	169.9	165.3	162.6	171.9	176.6	170.1
Capital employed	111.3	116.6	114.9	115.1	109.8	103.1	106.2	110.8	112.1
Return on total assets	5.0%	9.4%	8.0%	8.9%	10.1%	11.5%	11.1%	10.5%	14.7%
Return on capital employed	8.3%	15.1%	12.8%	13.6%	15.3%	18.4%	17.5%	16.4%	22.7%
Earnings per share (€) [1]	0.11	0.81	0.53	0.69	0.65	1.22	1.23	0.76	1.67
Regular dividend per share (€) [1]	0.42	0.58	0.50	0.55	0.63	0.70	0.85	1.00	1.20
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	1.20
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	8,742
Year-end share price (€) [1]	7.00	8.64	7.69	10.30	12.60	16.75	20.40	22.70	19.43
Market capitalisation at end of year	60.6	73.5	67.8	90.8	111.3	148.0	180.2	200.5	171.7
Total employees *(average for year)*	515	527	558	568	580	566	551	609	614

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

Financial Calendar

29 April 2009	Annual results press conference/Press release to the 3-month interim accounts
29 April 2009	Analyst conference
15 June 2009	Annual general meeting
30 July 2009	Press release to the 6-month interim accounts
29 October 2009	Press release to the 9-month interim accounts
Early February 2010	Press release with preliminary business figures for 2009
End of April 2010	Annual results press conference/Press release to the 3-month interim accounts, Analyst conference