HAWESKO
HOLDING AG

Annual report 2010

NUMBER 1 IN THE TRADE WITH PREMIUM WINES

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KEY DATA

Success with premium wines

– substantial, profitable, lasting

COMPLEMENTARY BUSINESS SEGMENTS OPEN UP HIGH-END MARKETS

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. 1.000,000
- Number of outlets:
  Germany: 270, Austria: 4

MAIL ORDER WINE

- Trading names:
  - *Hanseatisches Wein- und Sekt-Kontor*
  - *Carl Tesdorpf – Weinhandel zu Lübeck*
- Target group:
  epicurean, affluent private customers as well as business customers (Christmas gifts)
- Market segment:
  upmarket and premium wines, average price: € 8 per bottle
- Addresses base:
  approx. 1,400,000

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. 13,000

Panquehue, Aconcagua Valley, Chile

FINANCIAL HIGHLIGHTS

	2010	2009	
NET SALES (€ million)	**377.7**	338.5	+11.6%
GROSS PROFIT (€ million)	**150.1**	138.4	+8.5%
CONSOLIDATED EBIT (€ million)	**25.7**	22.4	+15.0%
EARNINGS PER SHARE (€)	**2.24**	1.48	+51.4%
ROCE	**25%**	22%	+3%-points
DIVIDEND YIELD (31/12)	**5.9%**	5.9%	±0%-points
EMPLOYEES	**696**	657	+5.9%

Dear fellow shareholders,

We are able to look back on a good 2010 financial year. Results that may at first glance appear unremarkable actually turn out, on closer scrutiny, to be nothing short of astonishing – above all because they were so unexpected. In fact, business developed even better than originally anticipated by the Board of Management. After the difficult recession-hit 2009 we had not initially expected a swift recovery and believed we would have to wait until 2011 for an improvement. But the global economy recovered well in the course of 2010, and in Europe Germany in fact stepped into the role of economic powerhouse. The Hawesko Group demonstrated its healthy position and thus benefited twofold: from accelerating demand abroad for high-quality Bordeaux wines, and from the economic rebound domestically, which took shape in perfect time to inject momentum into the positive impact of our promotional activities and continuing efforts to acquire new customers.

We had already been systematically building up both areas in previous years – in a deliberately counter-cyclical strategy throughout the economic crisis. And our success resoundingly endorses the course taken: having already welcomed 200,000 new customers in the previous year, the Hawesko Group was able to attract a further 210,000 new customers in the 2010 financial year. An additional positive effect is that the steady influx of so many new customers permanently transformed our customer structure in general.

Overall, net sales climbed by 11.6% to almost € 380 million in 2010. The development of the group's individual segments proved to be a very accurate reflection of the overall economy's performance: wholesale business, which bore the brunt of the recession in 2009, staged a stunning recovery in 2010 with sales soaring by 26.4%. Meanwhile, in the areas that had been only marginally affected by the recession, business continued on an even keel. The specialist wine-shop retail segment *(Jacques' Wein-Depot)* posted growth of 1.5% despite pre-Christmas business being adversely affected by the weather, and mail-order business gained 3.9%. The latter in particular benefited from our successful advertising mail shots and revitalised online business.

All this means that we were able to maintain a long-standing tradition in 2010: our sales in Germany improved on the previous year's figure by 6.1% and consequently yet again outperformed the German market as a whole. In other words, the Hawesko Group again increased its market shares in 2010.

We also have cause to be satisfied with the development in earnings. Last year the company's operating result (EBIT) exceeded the € 25 million mark and therefore once again reached the best-ever level in the company's history. Consolidated earnings rose by € 6.9 million to € 20.0 million. This translated into earnings per share of € 2.24, compared with € 1.48 in the previous year.

In keeping with another noble tradition, the Hawesko Group again showed a net profit in 2010 and generated a free cash flow of € 23.8 million. The consolidated balance sheet thus remains very healthy both in terms of the financial structure and with regard to capital employed and capital commitment. The operating capital commitment, in other words the ratio of working capital to sales, remained stable; our target return on capital employed of 16% was clearly exceeded with an actual return of 25%. The equity ratio remained on a good level in the year under review and there is no net debt – in fact we are in the pleasing position of enjoying net liquidity.

The stock market rewarded this good overall performance. The trading price of Hawesko Holding AG shares rose by 28% in the course of 2010 and easily beat the DAX leading index. Another welcome development was the return of Hawesko shares to the SDAX index from December 20, 2010.

For the current financial year of 2011 we have set ourselves the goal of further growth, focusing in particular on opportunities outside Germany. That is because the market for top wines is by its very nature international, and Germany accounts for only a very small portion of the world market. The wine markets in other countries offer us further opportunities for growth. Germany aside, the Hawesko Group is already active in five neighbouring countries and has gained a foothold in the very dynamic Chinese market for Bordeaux wines. I am firmly convinced that the same values and virtues that have brought us success in Germany can put us on course for success in other countries, too: focusing on the customer, on the top segment, on the long-term trend towards superior wine qualities, and on nurturing relations with the best wine producers in the world.

In mapping out a path towards developing the market more comprehensively, we are aiming for a single-digit percentage rise in sales, while repeating 2010's very good operating result in 2011 – in a year dominated by investment activity. We are then looking to grow again in 2012 and profit royally from the shipping of the much-acclaimed 2009 Bordeaux vintage. The challenges facing the Hawesko Group are great, but there are even greater opportunities for a soundly positioned company that operates internationally but has strong roots in Germany. Precisely that is why I personally am looking forward to the next few years with relish because, together with our excellent team, our long-standing partners and their exciting products, we can achieve a great deal!

We also have a third tradition, and one that is very close to my heart: that I take this opportunity to pass on the thanks of the Board of Management to all employees of the Hawesko Group for yet again working with such exceptional commitment to the good of the company. Our thanks also go to our partners in the wholesale network and our suppliers from all parts of the world that enjoy that blessed status of wine-growing regions. The very special experience of enjoying Hawesko wines is ultimately dependent on the outstanding skill and passion of these people. We promise them all, along with both loyal and new customers, that we will strive to earn their trust every day anew.

Yours sincerely,

A. Margaritoff

Alexander Margaritoff

from left to right: Ulrich Zimmermann, Bernd Hoolmans, Alexander Margaritoff, 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 mail order segment.

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.

Exceptionally well placed
– and with abundant potential

The No. 1 for wine – including in e-commerce

The Hawesko Group's differentiated, finely tuned approach to its clientele along the traditional sales channels is echoed in e-commerce. Hawesko's subsidiaries are gradually stepping up their web presence across the board – through "Wolfs Weinportal" and *CWD* in the wholesale area, through *Château Classic,* which offers older vintages of top Bordeaux wines, through the *Jacques' Wein-Depot* retail outlets or through *Hanseatisches Wein- und Sekt-Kontor. Hanseatisches Wein- und Sekt-Kontor* already registers over one-quarter of its orders through the website www.hawesko.de and is also one of the leading market players in the online wine trade. In addition, Hawesko has a pioneering role in Germany with the video wine shop "TVino"!

Investing in a best-in-century vintage: 2009 Bordeaux

A vintage that had wine experts all over the world swooning, and of which the highly regarded critic Robert Parker even said: "It may turn out to be the finest vintage I have tasted in 32 years of covering Bordeaux". Reason enough for the Hawesko Group to secure as much as possible of this delicious drop for its customers. It has already more or less sold out – and with shipping due in 2012 will have a big impact on the trading figures.

Hawesko tapping new markets

- **GERMANY** Even though it is the market leader in the upmarket segment, its market share has been growing for many years – thanks to high standards of service and a high-calibre range.
- **AUSTRIA** Wholesaler *Wein Wolf* and *Jacques' Wein-Depot* are concentrating on drawing maximum benefit from Austria's rich potential as a wine market.
- **FRANCE** With its deep roots in the Bordeaux region, the wine capital of the world, *Château Classic* capitalises on all the benefits offered by its location and supplies the region's top wines to customers all over the world.
- **CZECH REPUBLIC** *Global Wines* is striving to become the most-important market player in the Czech Republic
- **SWITZERLAND** Since becoming a Hawesko subsidiary in mid-2009, *Globalwine AG* has been building up its market position e.g. through operating as the exclusive outlet for Taittinger champagne in Switzerland.
- **SWEDEN** Exploring market entry through mail order sales from Hamburg since late 2010

Partnerships spurring on business

Tapping new customer groups through marketing partnerships with leading suppliers of lifestyle products and high-calibre services: in the mail-order segment partners include Lufthansa Miles & More, American Express and n-tv, and in the specialist wine-shop retail segment Frankfurter Allgemeine Zeitung as well as several regional newspapers and a large number of specialist suppliers. Such partnerships promote wine appreciation and boost recognition of the group subsidiaries, as well as assuring the partner companies a reliable supply of high-quality, sought-after wines.

Miles & More Lufthansa

AMERICAN EXPRESS

Customers in 2010 – *over 2 million* addresses

1 million active   210,000 new

Strong brands – loyal customers

The Hawesko Group serves its customers through 18 subsidiaries, each one of them focusing very closely on the requirements of their specific customers – and with notable success. For most people in Germany *Jacques' Wein-Depot*, for example, is the quintessence of a wine shop and *Hanseatisches Wein- und Sekt-Kontor* the epitome of a quality range and of reliable service for wine by mail order. The specialist subsidiaries, through which the Hawesko Group's wholesale arm covers all the relevant product areas, are renowned throughout the industry as expert partners to both demanding producers and discerning retailers. Everywhere it operates, the Hawesko Group's differentiated approach treats customer proximity and flexibility as the priorities. This is the many-faceted world of wine that our customers and partners alike value and appreciate.

Germany exclusives

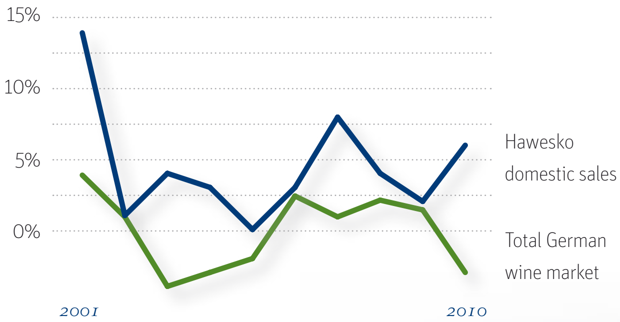
Long-standing relations with the world's best vintners are an important unique selling proposition of the Hawesko Group. They are the reason why the subsidiaries carry over 4,000 products on an exclusive basis in their wine ranges. Because by maintaining a constant dialogue with the producers, Hawesko is able to demonstrate time and again why it is entrusted with the task of distributing some of the world's most coveted wines in Germany – wines that include the products of Marchesi Antinori, Baron Philippe de Rothschild, Domaines Barons de Rothschild (Lafite), Louis Jadot, Penfolds, Taittinger and Torres.

New: Fetzer

The name Fetzer now evokes not only high-quality Californian wines, but also an ecologically responsible way of working with nature. Established in 1968 in Mendocino County, north of San Francisco, Fetzer committed itself to the total sustainable growing of its grapes. The company remains at the vanguard of organic wine producers with its exemplary approach to energy and water conservation, as well as its environment-friendly packaging. Fetzer received distinguished awards for its Cabernet Sauvignon and Merlot in 2010. Thanks to such a persuasive stance, Fetzer is in every respect a welcome addition to the Hawesko Group's range.

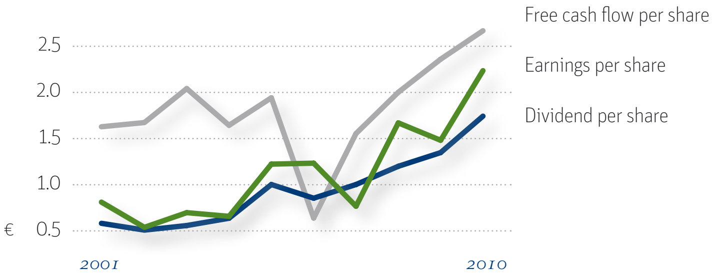
Hawesko shares –
a rewarding investment year after year

The Hawesko Group is proud to offer its customers a product range comprising the best wines in the world, backed up by a very high standard of service – year after year. Hawesko shares, too, have earned the right to keep company with the very best. Read on to find out why this approach has met with the approval of the financial markets.



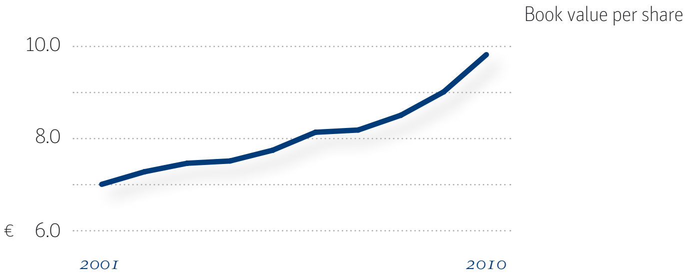
INCREASING MARKET SHARES

Even before going public in 1998, the Hawesko Group's aim was always to grow faster than the market overall. In other words, consistently to keep increasing its market shares. The group has succeeded in doing precisely that for over ten years – proof that Hawesko is very well positioned in its markets and is also intrinsically in excellent shape.



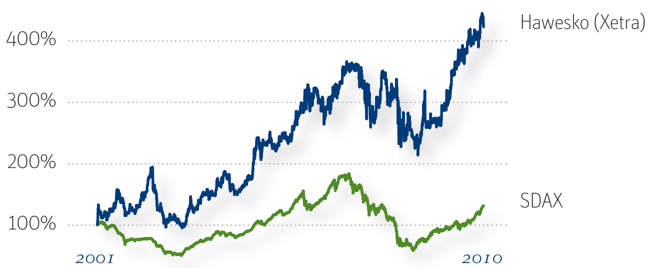
ATTRACTIVE DIVIDEND POLICY

Hawesko can look back on a pattern of steadily rising dividends extending back many years. This development is underpinned by important basic financial indicators such as profit and free cash flow.



SOUND FINANCING

Although the dividend has gradually been increased over the years, the equity capital and book value per share have also grown. Capital has therefore not been eroded. Hawesko is and remains a soundly financed undertaking.



OUTSTRIPPED THE SDAX OVER THE PAST 10 YEARS

Not only have Hawesko shareholders enjoyed a decent dividend and therefore a regular source of income year after year. Over the past decade, the value of a Hawesko share has in fact quadrupled! Meanwhile the SDAX has grown by only 30% over the same period.

Chateau Latour, Pauillac, Bordeaux, France

The *2010* wine vintage

2010 saw production of good quality – but low volumes. The verdict of "Wine Spectator" therefore has echoes of 2009: of 15,000 bottles tasted from 24 countries, 32% were given a score of more than 90 out of a maximum of 100 points – and that is even before considering the 2010 Bordeaux vintage, which promises to be a great one.

GERMANY | 2010's wines taste intense and balanced. "Thanks to the enormous concentration of the juice and the good ripeness, the sensory impression is very good," reported Nik Weis, of St Urbans-Hof. The clean botrytis resulted in outstanding Prädikat wines in the Mosel, Rheingau and Pfalz. The only source of disappointment was that the damp weather led to considerable selective harvesting.

FRANCE | *Bordeaux* Qualities are up there with the 2009 vintage. Dry, warm weather gave the wines intense colour and strong tannins. 2010 has the makings of another classic vintage. "I'd never thought I would see 2009 again in my professional career", commented Paul Pontallier of Château Margaux. The year also turned out well in Sauternes: "The '10s are rich, deep and very concentrated," said Olivier Casteja of Château Doisy-Védrine.

Bourgogne Some terroirs were threatened by rain, hail and early frost, in some cases slashing the yield by almost 50%. Wherever the conditions in the vineyard were right and strict selection was practised, good qualities were harvested. Bruce Saunderson wrote in "Wine Spectator": "The whites are fruity and balanced... the reds show plenty of fruit and good colours, with balanced acidity."

Loire After a late start to the season the vines caught up fast and matured well thanks to the warm conditions and the right amount of rain. "Wine Spectator" expects outstanding wines from a plentiful harvest.

Rhône "2010 will be an exceptional vintage for the quality, which could be the highest ever made," declared Christophe Delorme of Domaine de la Mordorée: the cool, wet spring hampered flowering in the Northern Rhône, leading to lower yields. The components are concentrated in fewer, highly aromatic grapes, making the wines dense and intense. The Southern Rhône, too, produced wonderful wines thanks to the even, lengthy ripening period.

ITALY | The ’10s from Northern Italy turned out fresh and clean. The year offered good conditions, permitting a late harvest. “The 2010 white wines are fresher, with a floral sensation thanks to the good acidity,” remarked Nadia Zenato. Central and Southern Italy suffered from damp weather. “Where it was possible to get ripe fruit and healthy fruit, we had an excellent result,” explained Renzo Cotarella of Marchesi Antinori.

SPAIN | According to Mitch Frank (“Wine Spectator”), the growing season in 2010 was relatively cool but in absolute terms the temperatures were moderate. The grapes ripened perfectly and the wines show elegant, mature fruitiness. “This harvest has the potential to be an iconic one in Ribera. We are expecting great intensity, acidity and lower than average alcohol levels,” reported José Manuel Ortega.

PORTUGAL | An exceptionally hot year brought forth powerful, full-bodied wines. This was a year for red wines, while the higher alcohol level was problematic for Port. The quality of the white wines is highly dependent on harvesting at the right time – wines harvested at just the right moment are wonderfully fruity and rounded.

AUSTRIA | The early part of the year was cool and damp, the weather only improving from July on. A rainy September reduced the harvest. Because the 2009 vintage sold well, there are concerns about the quantity of ’10s. The quality of the grapes brought in was nevertheless high: Willi Klinger, head of the Austrian Wine Marketing Board, promised “outstanding fruitiness and pure aromas”.

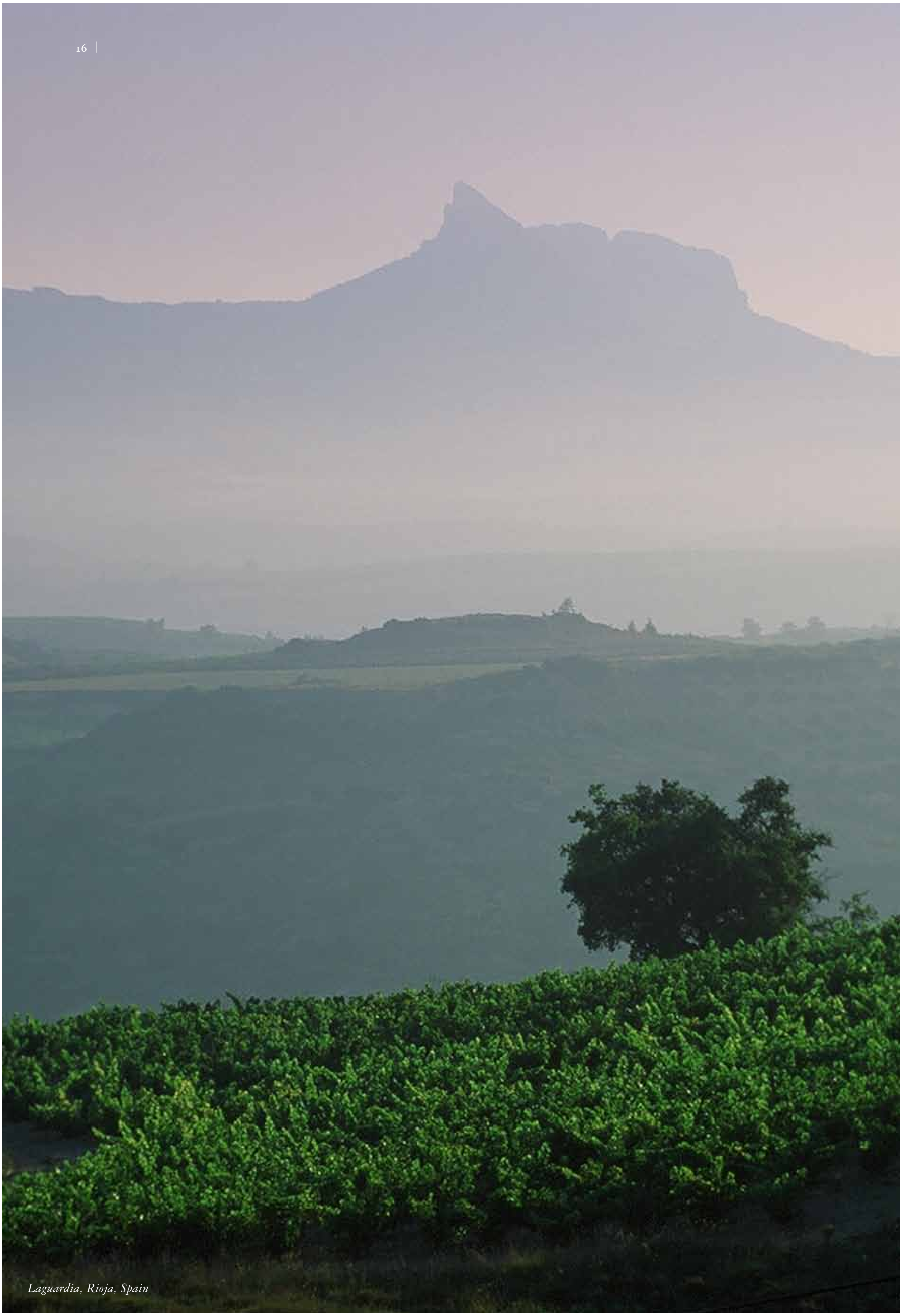
SOUTH AFRICA | South Africa, too, suffered from a lower yield due to the cool start to the grapes’ growing season. The weather was nevertheless good during the harvest and especially the late-ripening varieties such as Cabernet and Syrah achieved high ripeness.

AUSTRALIA | 2010 was a pleasant, very good year in Australia. Consistently warm temperatures during ripening produced mild and balanced tannins, and red wine fruits were well developed. The white wines are agreeably fresh and lively.

USA | The harvest in California experienced first cold, then a temperature spike followed by rain. The grapes harvested after thorough selection were aromatic and fruity, and the tannins had time to mature. In the north the season got off to a cool start, but the summer and autumn were pleasant, leading to elegant wines. “We will have lower alcohol but very flavourful wines,” said Dick Shea (Shea Vineyards), comparing the wines to ’08, a year with similar conditions.

ARGENTINA | In Argentina yields were below average due to the cool start to the growing season. This was not to the detriment of quality. In “Wine Spectator” Laura Catena commented: “It is hard to complain about the yields when you taste the concentration and richness of the wines in barrel”.

CHILE | The 2010 season was overshadowed by the earthquake on 27 February. Wineries were damaged and wine-growing areas destroyed in the heart of the country’s wine industry. The cool season in March and April nevertheless delayed ripening of the grapes sufficiently, allowing wineries to continue making up for lost ground until May. A long ripening period favoured the development of aromas in the grapes, and the qualities harvested were very good.



Laguardia, Rioja, Spain

2010: a vintage financial year

The Hawesko Group performed even better than originally expected in 2010. It profited in particular from the recovery in business outside Germany for older vintages of high-quality Bordeaux wines, and from the economic upturn domestically. EBIT was towards the upper end of the anticipated bandwidth and thus achieved the highest ever level in the history of the company.

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COMBINED GROUP MANAGEMENT REPORT

of Hawesko Holding AG for the 2010 financial year

Henderson, Auckland, New Zealand

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 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 this shareholding was increased to 100% in 2008. 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 2010, approx. 88% (previous year: 93%) 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). *Jacques' Wein-Depot* has sales outlets throughout Germany. There moreover exist international subsidiaries for wholesale trade (Czech republic, Austria, France, Switzerland) and of *Jacques' Wein-Depot* (Austria); trading under the name of *The Wine Company*, the mail-order segment has been serving the Swedish market on a pilot basis since November 2010 from its centre in Hamburg.

GENERAL SITUATION

GERMAN ECONOMY IN 2010 – VIGOROUS UPTURN AFTER THE CRISIS

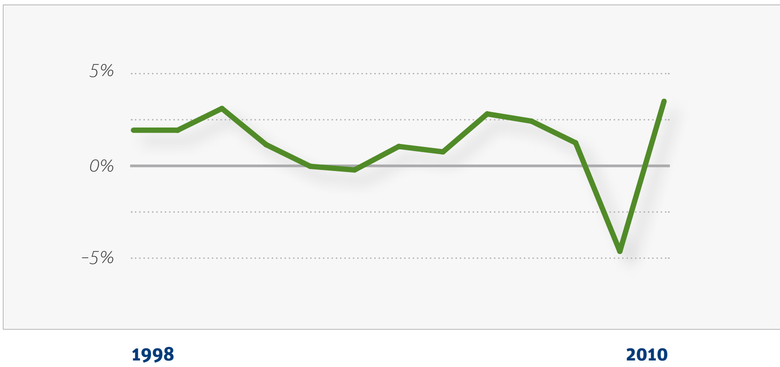
After a crisis-hit 2009, the year 2010 brought the German economy its strongest growth since reunification. According to initial estimates by the Federal Statistical Office, gross domestic product (GDP) climbed by 3.6% compared with 2009. This contrasted with a 4.7% fall in GDP in 2009 – the deepest recession since the Second World War. The preceding years had each yielded year-on-year rises in GDP of 1.0% (2008) and 2.7% (2007). According to the Federal Statistical Office, the economic recovery occurred mainly in the spring and summer of 2010. As so often in the history of the Federal Republic of Germany, export trade was again the main growth driver in 2010. There was also impetus for growth from the domestic market, in the form of increased investment in equipment and construction. Spending by both the state (+2.2%) and consumers (+0.5%) rose. Among the latter, spending on transport and telecommunications fell sharply in 2010 mainly due to the expiry of the "cash-for-clunkers bonus" to promote sales of new cars. By contrast, spending in virtually every other area was higher than in 2009.

The consumer climate index compiled by Gesellschaft für Konsumforschung (GfK) has risen markedly since summer 2010. In parallel with this development, the unemployment total fell to an all-time low of under three million in autumn 2010. November 2010 saw the GfK consumer climate index reach its highest level since 2007. According to GfK's experts, the current boom in consumption could develop into a lasting, reliable mainstay of the domestic economy.

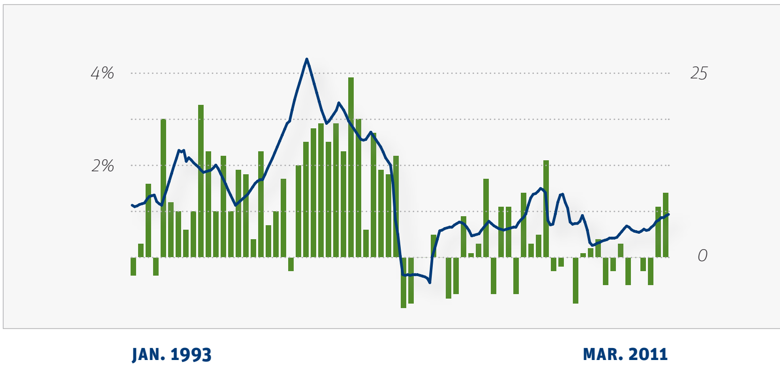
GERMAN WINE MARKET

According to GfK figures, in 2010 the German wine market overall shrank by 2.9% in terms of value and by 0.7% in terms of sales volume. The Hawesko Board of Management believes that the market research data collected by GfK reflects particularly the strong position of supermarket discounters for entry-level grades of wine.

GDP GROWTH (in %)



PRIVATE CONSUMPTION EXPENDITURE/CONSUMER CLIMATE



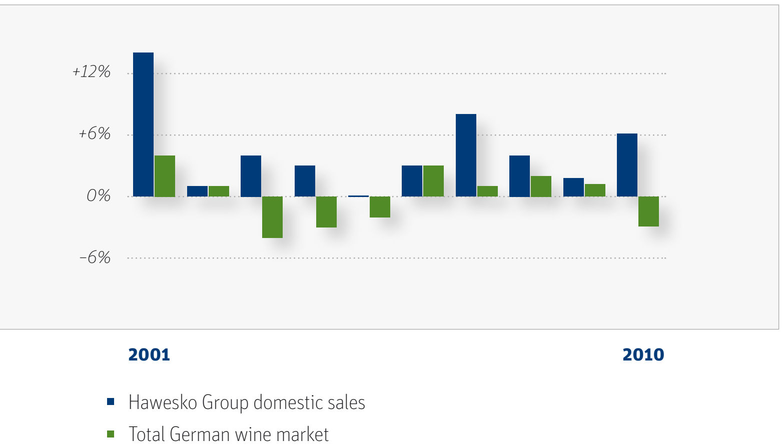
- Consumption expenditure of private domestic households, seasonally adjusted, change against the same quarter of the previous year (in %)
- GfK consumer climate

(Source: Frankfurter Allgemeine Zeitung, 31 March 2005, supplemented by data from GfK and Destatis)

According to the GfK data, the average price per bottle actually fell: within the grocery retailing trade, including discounters, it was € 2.52 per litre in 2010 as against € 2.55 in the previous year – meaning that the customary 0.75 l bottle still cost well under € 2.00, at € 1.89 (previous year: € 1.91). These figures do not tally with the findings of the Hawesko Group, which registered a year-on-year rise in the revenue, the sales volume and the average price per bottle sold in Germany.

In the crisis year of 2009 the German wine market had experienced moderate expansion. Prior to that, over the period from 2006 to the first half of 2008, the environment was generally favourable for the wine market. Looking back still further, for example to the difficult period from 2003 to 2005, the overall value of the market had actually fallen then: by –4% (2003), –3% (2004) and –2% (2005). It is therefore all the more satisfying to note that the upper market segments that the Hawesko Group mainly serves nevertheless continued to mirror the long-term trends: wine's continued appreciation as a simple or refined everyday pleasure, as an accompaniment to good food and as an expression of sophisticated table culture.

DOMESTIC SALES DEVELOPMENT HAWESKO GROUP



According to estimates by the Hawesko Board of Management, the upmarket segment of the German wine market (from € 4.00 per bottle) showed distinctly more activity in 2010 than in the previous year. While a marked reluctance to buy top-class wines had been detected in 2009, under the cloud of the economic crisis, 2010 brought growth in both wines in more affordable price brackets in the upmarket segment and in top-class wines. The market as a whole is still dominated by the encroachment of grocery discounters. Over the five-year period from 2001 to 2005 they succeeded in increasing their share of the market's volume to approximately half and have since maintained their share at around that level.

The Hawesko Management Board puts the value of the German market at around € 6 billion, of which the upmarket segment (from € 4.00 per bottle) accounts for around € 1 billion. Market data from the Geisenheim Research Institute for Wine gathered at the start of 2010 confirm this assessment of the overall wine market and suggest that the upmarket segment could actually be worth significantly more than € 1 billion. According to this study, a group of approx. 20% of all wine drinkers accounts for the lion's share of wine revenue in the upmarket segment. The consequence of this for the strategy of the Hawesko Group in Germany is, first, that it must know the requirements of that group of customers very accurately in order to respond to that demand, and second, that should promote interest in superior and high-quality wine among the wider population, as well as knowledge of wine and how to enjoy it responsibly.

In 2010 the Hawesko Group generated almost 12% of its revenue outside Germany. The markets for top wines outside Germany are therefore relevant. The group is already active in certain ones via subsidiaries, and Hawesko's Board of Management is increasingly turning the focus of its strategy to international potential for revenue. The market for top wines is by its very nature international, and Germany accounts for only a very small portion of the world market. The wine market in other countries offers further opportunities for growth. Particularly the French subsidiary *Château Classic – Le Monde des Grands Bordeaux* generates over half its revenue of € 21 million from customers in the Far East, and above all China: According to expert opinion the Chinese wine market is the eighth-biggest in the world and has grown by an average of 18% annually since 2003, with exceptional growth rates for top Bordeaux wines. The Hawesko Group is also active in the wholesale trade in Switzerland through its subsidiary *Global Wine* and generated around € 9 million in revenue there in 2010; the Swiss market is estimated to be worth around € 1.0 to 1.5 billion, with steady potential to develop – in contrast to the general tendency in the upmarket segment (over € 4.00 per bottle) in Germany.

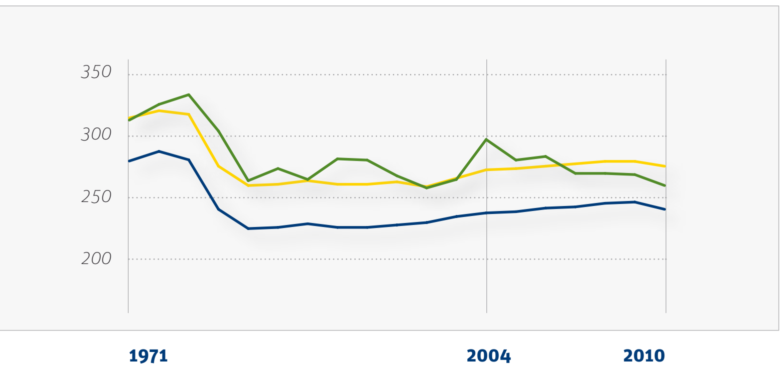
The Austrian market is estimated to be worth around € 1.5 billion and is served by the subsidiaries *Jacques' Wein-Depot* (specialty wine-shop retailer) and *Wein Wolf* (wholesaler), which together achieved revenue of around € 11 million in 2010; this market, too, is developing steadily. The Swedish market has a total volume of approx. € 2 billion and is controlled by a state monopoly; in accordance with the relevant European Union regulations, the Hawesko subsidiary *The Wine Company* is currently supplying wine to addresses in Sweden on a pilot basis from its Hamburg centre. All in all, it is a fair assessment of the worldwide wine market that wine is becoming increasingly popular as an expression of a sophisticated lifestyle and that quality is making further inroads.

Buying market characterised by oversupply, 2010 sees lowest production volume for eight years

The wine market worldwide has been characterised by an oversupply for many years. According to estimates by the International Organisation of Vine and Wine (OIV) for 2010, worldwide wine production again fell from the ten-year peak in 2004 but there remains a considerable gap between the consumption and production volumes. The sharpest falls in production volumes in 2010 were in Australia, the European Union and the USA. It is assumed that worldwide production will reach approx. 259 million hectolitres, compared with 268 million hectolitres in 2009. The OIV was reluctant to predict at the end of 2010 whether the falling production volumes would affect prices; according to OIV estimates worldwide consumption fell from 246 million hectolitres in 2009 to 240 million hectolitres in 2010.

The oversupply 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.

WORLD WINE PRODUCTION AND CONSUMPTION (in mill. of hectolitres)



- Comsumption
- Production
- Total use incl. distillation

(Sources: OIV, Das Deutsche Weinmagazin, 12.1.2010; OIV's review on Global Wine Situation in 2010, 22 Nov 2010 (retrieved 15 Feb 2011))

When one considers the market from the vantage point of the top wines in the upper market segment, it becomes clear that another Bordeaux boom started in 2010, after this market had virtually ground to a halt in 2009. Demand for many other top wines in higher price brackets likewise recovered palpably, whereas it had been only faltering in 2009 against a backdrop of worldwide fears about the recession.

There will always be a market for top-class wines in the top segment because it is fundamentally not possible to expand the world's choice locations; their products are accordingly usually in short supply. Tradition, the people behind the wines, their philosophy, their vintner's art, the weather and the quality of the harvest are the factors that determine the price a vintage commands.

At the start of 2011 the Hawesko Board of Management detects further a recovery in the market, with procurement prices remaining attractive.

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. On the other hand 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 the first half of 2008 then enabled the Hawesko Group to accelerate its growth and gain access to new customer groups. Despite the difficult consumer environment that dominated events in 2009, that year saw the Hawesko Group make even further progress with the acquisition of new customers in the over-the-counter specialist retail *(Jacques')* and mail-order segments, while there was a decline in wholesale trade due to the recession. In 2010 the wholesale segment was then a major beneficiary of the economic recovery; all three segments together succeeded in further increasing the market share of the Hawesko Group.

Riebeeck West, Swartland, South Africa

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 efforts to provide quality and define the benchmark in the trade have also been acknowledged in the form of numerous awards.
- *Focus on the German market:* The German wine market is one of the biggest in the world in the price categories above € 4.00 per bottle. Recent estimates, e.g. by the International Wine and Spirit Record, envisage its growth continuing for the next few 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 more than two million wine-loving customers have been established and nurtured over many years. Hawesko consequently now acts as the producers' principal route for channelling high-quality wines to consumers in Germany. Notwithstanding its strong position in 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 distribution and marketing concepts.

THREE INDEPENDENT BUSINESS SEGMENTS

The Hawesko Group has a structure comprising three operating segments: specialist wine-shop retail, wholesale/distribution, and mail order; there in addition exists a "miscellaneous" segment. The Segment Report in section 40 of the Notes to the consolidated financial statements provides further information. Being active in three segments of the wine trade gives the group a degree of risk diversification and makes its business model correspondingly robust.

The Hawesko Group is organised non-centrally. 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 in situ independently run the *Jacques' Wein-Depots* outlets that are rented from and fitted out by the group. 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 building up the online shop and interlinking it with the wine-shop concept in order to promote its development into a multichannel concept encompassing communication and sales, 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, and with older vintages of Bordeaux wines).

Mail order

The mail-order segment comprises the subsidiaries *Carl Tesdorpf – Weinhandel zu Lübeck, Hanseatisches Wein- und Sekt-Kontor* and *The Wine Company,* which has been serving the Swedish market since autumn 2010 on a trial basis from Hamburg.

- *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.

Wine cellar in Mendoza, Argentinia

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%.

Internal steering system and ratios

Financial steering within the Hawesko Group is based on the fundamental principle of profitable growth coupled with a systematic, permanent increase in the value of the company. The sales and earnings performance therefore serves as an important benchmark for the internal steering system. The strategic control parameters for the group's earnings performance are EBIT (earnings before interest and taxes) and the EBIT margin, along with their development; they gauge the short-term operating performance of the group and the individual segments. The group uses the ratio of return on capital employed (ROCE) as a regular benchmark of how profitably its business is performing in relation to the capital required to run it. The aim of the Hawesko Group is to earn the costs of capital derived from the capital market (cf. "Financial position" below, page 36) in every segment of the group. The group is thus reasserting its objective of investing only in areas of business that generate value and therefore exceed their costs of capital 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, provisions and cash and cash equivalents.

Groot Drakenstein, Franschhoek, South Africa

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

ROCE

	2007	2008	2009	2010	*Anticipated minimum return*
Specialist wine-shop retail	39%	47%	42%	41%	> 27%
Wholesale/distribution	24%	25%	14%	24%	> 17%
Mail order	7%	18%	26%	27%	> 22%
Group	18%	25%	22%	25%	> 16%

Notes: in a departure from previous years, cash and cash equivalents have been deducted from the capital employed. The new reporting approach results in higher figures.

In addition to this value-oriented ratio, the free cash flow serves as a liquidity-oriented indicator in order to continue assuring adequate financial resources for ongoing business operations and future growth, as well as payment of a dividend that is in line with earnings per share.

The sustained optimisation of working capital and effective investment management will perform a crucial role here (cf. “Management and control“ below, page 46). The group’s objective is to secure a long-term capital structure and ratio of net financial liabilities to EBITDA, each corresponding to a bank rating of “investment grade”.

The following targets and long-term rate of return targets, as communicated for 2010 and revised upwards in the Half-year Financial Report on 30 July 2010, were achieved or not achieved as indicated:

	Objective	2010	*Attained*
Sales	Increase on prior-year sales (€ 339 million) by a higher single-digit percent; stronger growth than the market (2010: –2.9%)	€ 377.7 million (+11.6%, in Germany +6.1%)	✔
EBIT	Exceeding previous year’s figure by more than € 2 million (previous year: € 22.4 million)	€ 25.7 million (+15.0%)	✔
EBIT margin	Long-term margin of 7% of sales	6.8%	–
Capital turnover	Permanently exceeding a factor of 1.3	1.9	✔
ROCE	Achieving the long-term minimum target return (16%)	25%	✔
Free cash flow	Free cash flow of € 22 million (previous year: € 20.8 million)	€ 23.8 million	✔

The targets originally communicated for 2010 envisaged moderate sales growth, EBIT on a par with the previous year and a free cash flow of approx. € 15 million.

OVERVIEW OF BUSINESS PERFORMANCE IN 2010

The Hawesko Group performed even better than originally planned in 2010. While the Board of Management had initially expected 2010 to be a difficult year, with the economy only improving from 2011 on, an upswing in the business cycle did in fact begin in 2010. Economic activity gathered increasing momentum as the year progressed. The group profited in particular from the recovery in business outside Germany for older vintages of high-quality Bordeaux wines, and from the economic upturn domestically. The ongoing acquisition of new customers and promotional activities provided added impetus; both areas had made further headway in the preceding years, even bucking the trend during the economic crisis. The development of the group's individual segments virtually mirrored the general trend in the economy. In those areas that had suffered particularly acutely from the recession, the recovery was especially strong; where the consequences of the recession had been less severe, business progressed on an even keel. The wholesale segment grew by 26.4% in the year under review, specialist wine-shop retail *(Jacques')* achieved 1.5% growth and mail order even expanded by 3.9%. This latter sales channel again received a boost from the high response rate on advertising mail shots and the growth in online business. The Hawesko Group ultimately ended 2010 with net sales of € 377.7 million, up 11.6% on the performance of the previous reporting period (€ 338.8 million). Sales in Germany were 6.1% up on the prior-year reference figure and therefore also exceeded the development of the wine market as a whole; international sales, which also include business for older vintages of high-quality Bordeaux wines, forged ahead even more strongly.

The Hawesko Group's revenue growth was the main factor behind the rise in the operating result (EBIT) to € 25.7 million – and therefore € 3.4 million up on the prior-year total (€ 22.4 million). Further operating improvements were achieved in the year under review, in particular higher gross profit margins for mail-order and specialist wine-shop retail business. In contrast to this development for the group as a whole, there was an increased revenue share for the wholesale segment – which because of the nature of its business operates with lower trading margins – with the result that the overall trading margin for the group fell. EBIT was towards the upper end of the anticipated bandwidth and thus achieved the highest ever level in the history of the company. The EBIT margin of 6.8% of sales nevertheless fell just short of the long-term target for the rate of return (7%). There were two reasons for this: on the one hand higher advertising expenses for acquiring new customers and reactivating former customers, and on the other hand higher personnel costs as a result of the increased number of employees needed to operate on the scale achieved, especially in the wholesale segment.

The financial result showed a net income of € 1.8 million (previous year: net expense of € 2.6 million). The figure for the 2010 reporting period included one-off cash income of € 3.3 million from the disposal of the interest in the UK company *Majestic Wine PLC* as well as costs incurred from the conversion of borrowed capital into equity capital for the capital increase. The effective tax rate fell from 34% in the previous year to 26% in the year under review. The consolidated net income excluding non-controlling interests (after taxes and minority interest) was thus € 20.0 million or € 2.24 per share (previous year: € 13.1 million or € 1.48 per share).

The consolidated balance sheet shows a stable level of working capital relative to sales. The higher EBIT meant that the target ROCE figure of 16% was easily exceeded, coming in at 25%.

The Hawesko Group generated a free cash flow of € 23.8 million in the year under review. This improvement year on year resulted from the increased earnings and the proceeds from the disposal of the investment in *Majestic Wine PLC*.

SHARE PRICE DEVELOPMENT AND CAPITAL MEASURES

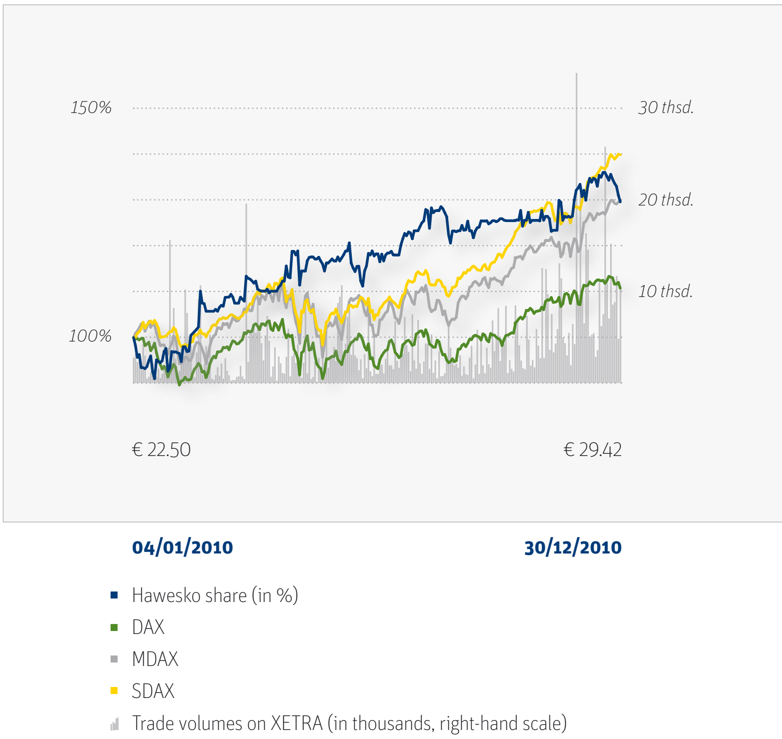
After the financial crisis, stock markets in Germany put in a very positive performance in 2010. The German share index DAX ended the year on 6,914 points, up 16% on the corresponding point of the previous year – and at a very high level compared with international indices: the eurozone's leading index, the EURO STOXX 50, shed 4% over the same period. German small-cap indices performed even better. The MDAX closed the year on 10,128 points, having gained 35% year on year, and the SDAX was all of 46% up, ending 2010 on 5,174 points.

The trading price of Hawesko Holding AG's shares was quoted at € 23.00 on the last day of trading in 2009 and closed 2010 on € 29.42. This 28% rise over the year under review meant that the shares outperformed the DAX. Over a longer time horizon, Hawesko shares have in fact performed even better compared with the leading index. Hawesko shareholders furthermore received a dividend of € 1.35 per share in 2010 and consequently enjoyed an income from their investment – as has been the case every year since the IPO in 1998.

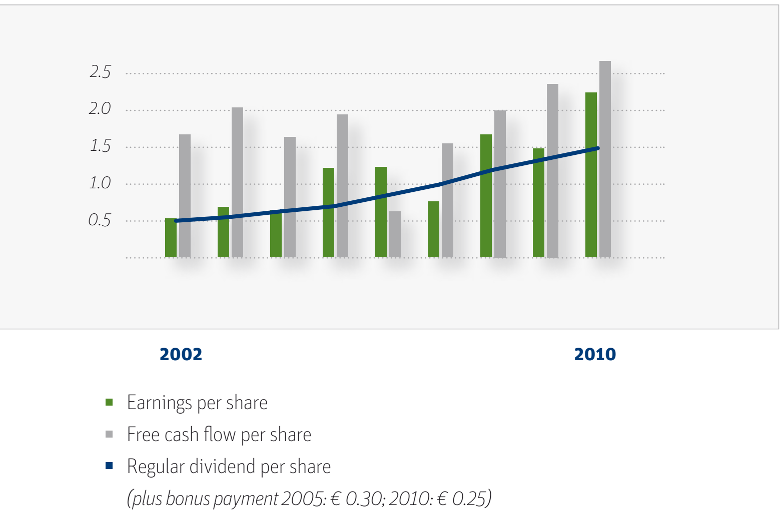
On 20 December 2010 Hawesko shares were admitted to the German selective index for small caps (SDAX).

No share buy-backs took place in the 2010 financial year; no authorisation to buy back treasury shares exists. The holding of 9,902 treasury shares as at the previous year's reporting date were sold on the market in the year under review. By way of a capital increase for contribution in kind, 138,667 new Hawesko shares were issued in exchange for the limited partner's (minority) interest of 15% in the wholesale subsidiary *Weinland Ariane Abayan GmbH & Co. KG,* Hamburg, and its personally liable partner *Weinland Ariane Abayan Verwaltungs GmbH,* Hamburg.

PRICE DEVELOPMENT OF THE HAWESKO SHARE/TRADING VOLUMES



KEY DATA PER SHARE (in €)



KEY SHARE FIGURES

Year-opening price (€)	22.50
Market capitalisation (year-opening, € million)	199.0
Year-end price (€)	29.42
Market capitalisation (year-end, € million)	264.3
Highest price (15 December, €)	31.05
Lowest price (13 January, €)	20.54
Average daily trading (shares)	4,674
German securities code	604270
ISIN	DE0006042708
Ticker symbol	HAW
Stock exchanges	Frankfurt (Xetra), Hamburg
Marktet segment	Prime Standard
Reuters	HAWG.de
Bloomberg	HAW:GR
Indices	SDAX

The capital increase for contribution in kind was entered on the Commercial Register on 9 June 2010. The total number of shares thus increased overall by 138,667 to 8,983,403. This likewise corresponds to the position at year-end; the average number of shares outstanding was 8,915,309 (previous year: 8,834,834).

INVESTOR RELATIONS

The investor relations activities of the Hawesko Group are designed to maintain an 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, Scandinavia and Spain. A total of 75 individual meetings (previous year: 60) were held with shareholders and their representatives in 2010, both at the group's headquarters and at roadshows; a member of the Board of Management attended 40 (previous year: 35) of these meetings. Hawesko in addition held eleven (previous year: seven) company presentations in Baden-Baden, Frankfurt am Main, Hamburg, Munich and Zurich as well as at the equity forums of the German Association for Private Shareholders (DSW) in Augsburg, Hamburg and Hanover, and introduced itself to investors at roadshows in Chicago, Frankfurt, London, New York, Paris and Zurich. The development of Hawesko Holding AG is regularly covered by a number of leading banks, including Bankhaus Lampe, CB Seydler Research, Commerzbank, Deutsche Bank, DZ BANK, GSC Research, M.M.Warburg and Silvia Quandt & Cie.

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

FINANCIAL PERFORMANCE

Strong recovery in demand for Bordeaux wines internationally – market shares in Germany again rise thanks to rising domestic demand

The net sales of the Hawesko Group climbed by 11.6% in 2010, from € 338.5 million to € 377.7 million. The sales volume amounted to 58 million bottles or units (previous year: 54 million). The German market generated around 88% of sales. Wines from France accounted for around 36% of the total, Italian wines for approximately 30% and wines from Spain for some 10% and German products for around 8%.

The wholesale segment achieved particularly high growth of 26.4% as the market for high-quality wines and champagnes returned to normal after the upheaval of the financial crisis. The specialist wine-shop retail segment *(Jacques' Wein-Depot)* increased its sales by 1.5% from a high prior-year base level, despite the disruption to Christmas business caused by bad weather. In the mail-order segment, sales were increased by 3.9% thanks to continuing intensive and successful efforts to acquire new customers and to strengthen loyalty among existing customers.

Despite the higher sales proceeds of the end customer segments mail order and specialist wine-shop retail, both segments' share of total sales fell because the wholesale segment increased its sales particularly sharply. The gross profit margin of the Hawesko Group consequently fell from 40.9% in the previous year to 39.7% in the year under review.

Personnel costs comprise wages and salaries, as well as statutory, collectively negotiated and voluntary social contributions. This line item rose from € 33.3 million to € 37.2 million in the year under review, first and foremost because of the higher number of employees. The personnel cost ratio remained unchanged from the previous year at 9.9% of sales.

Advertising expenses climbed year on year by € 3.0 million to € 30.8 million following increased efforts to acquire new customers and reactivate former customers. As a percentage of sales it remained unchanged from the previous year at 8.2%. The above increased costs were ultimately recouped through increased sales throughout the group. Meanwhile the customer structure was permanently improved thanks to the broader new customer base. The group acquired around 210,000 new customers in 2010 (previous year: 200,000). Delivery costs for the Hawesko Group rose by € 1.4 million to € 12.8 million as a result of increased sales, and as in the previous year represented 3.4% of sales.

Group EBIT at record level

The operating result (EBIT) of the Hawesko Group reached € 25.7 million (previous year: € 22.4 million) in the year under review. This represents an operating margin of 6.8% of sales (2009: 6.6%). The long-term target rate of return of 7% was consequently narrowly missed. There were positive effects from increased sales in the wholesale and mail-order segments. On the other hand there were higher costs for customer acquisition activities – though their benefit to the group of course extends beyond the horizon of the year under review – and for the reactivation of former customers in the end customer segments.

DEVELOPMENT IN EARNINGS

€ million	2007	2008	2009	2010
EBITDA	**23.3**	**30.0**	**27.1**	**31.3**
– Year-on-year change	+1.8%	+28.9%	–9.6%	+15.4%
– EBITDA margin	7.0%	8.9%	8.0%	8.3%
EBIT	**18.3**	**25.5**	**22.4**	**25.7**
– Year-on-year change	–1.8%	+39.5%	–12.2%	+15.0%
– EBIT margin	5.5%	7.5%	6.6%	6.8%
EBT	**15.7**	**22.2**	**19.8**	**27.5**
– Year-on-year change	–9.6%	+41.9%	–11.0%	+39.1%
– EBT margin	4.7%	6.6%	5.8%	7.3%
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**6.7**	**14.6**	**13.1**	**20.0**
– Year-on-year change	–38.4%	+119.4%	–10.3%	+52.5%
– Net margin	2.0%	4.3%	3.9%	5.3%

COST STRUCTURE

as % of sales	2007	2008	2009	2010
Personnel costs	–9.3%	–9.2%	–9.9%	–9.9%
Advertising costs	–8.1%	–7.7%	–8.2%	–8.2%
Delivery costs	–3.5%	–3.2%	–3.4%	–3.4%
Other operating income and expenses (balance)	–11.3%	–11.1%	–11.4%	–9.9%
Depreciation and amortisation	–1.5%	–1.3%	–1.4%	–1.5%
TOTAL	**–33.7%**	**–32.5%**	**–34.3%**	**–32.9%**

EBIT MARGINS

as % of sales	2007	2008	2009	2010
Specialist wine-shop retailing	11.6%	13.3%	12.1%	11.8%
Wholesale	6.2%	6.4%	4.2%	5.8%
Mail order	2.4%	6.5%	8.0%	7.1%

Specialist wine-shop retail: Measures to retain existing and acquire new customers produced more active customers – interruption to Christmas business by winter weather prevented higher growth

Net sales for the specialist wine-shop retail business segment *(Jacques' Wein-Depot)* were increased by 1.5% in the year under review to € 115.8 million. Like for like, the rise in sales was 1.3%. Measures to retain existing and acquire new customers produced more active customers, but the rate of growth did not match the previous year's level due to the high basis for comparison. In 2009 sales had risen by 3.6% on 2008, and in 2008 by 4.8% on 2007. Ice and snow in many parts of Germany disrupted business for Christmas 2010.

Growth was driven by the rise in the number of purchase transactions. Despite the previous year's high basis for comparison – *Jacques'* had celebrated its 35th anniversary with an array of attractive offers – the number of purchase transactions was increased by one percentage point. The successful efforts to acquire new customers and reactivate former customers also helped. The average spend was maintained at the previous year's healthy level.

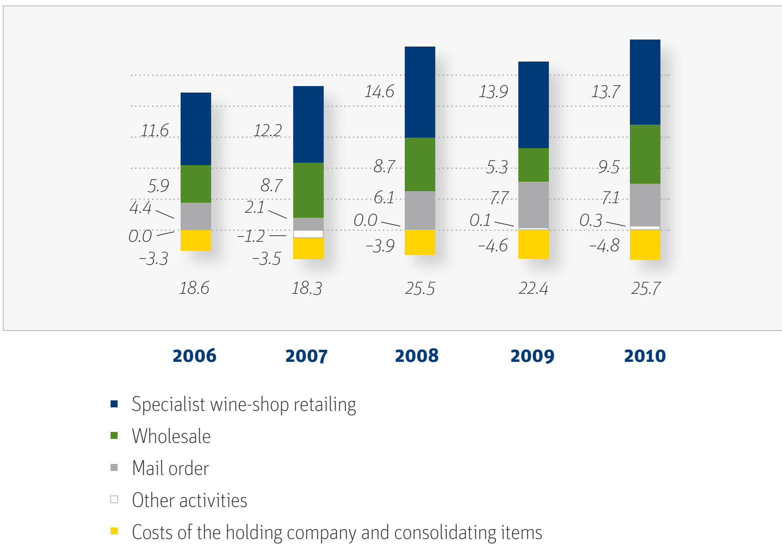
In 2010 *Jacques' Wein-Depot* acquired 92,000 new customers (previous year: 97,000). A major campaign staged for that purpose at the end of the year was hit by the difficult driving conditions caused by widespread snow and ice. The number of active customers in the year under review was nevertheless increased by almost 3% to 637,000.

At the end of the year under review there were 274 *Jacques' Wein-Depot* outlets, including four in Austria (end of previous year: 272, including four in Austria). At 31 December 2010, rental agreements for a further four outlets had been taken out.

The operating result (EBIT) for specialty wine-shop trade fell from € 13.9 million to € 13.7 million in the reporting period, or by 1.2%. The decline in EBIT is largely attributable to the increased expenditure for acquiring and reactivating customers in 2010. The training activities of *Viniversitaet Die Weinschule GmbH* again yielded a positive result of € 0.1 million). The market presence in Austria under the name of *Jacques' Wein-Depot* repeated the previous period's EBIT of € 0.1 million in 2010.

SALES BY SEGMENT (€ million)

EBIT BY SEGMENT (€ million)



Economic recovery provides sales boost for wholesale/distribution – EBIT margin increased as demand for Bordeaux wine market returns to normal

The net sales of the wholesale/distribution segment were up 26.4% on the previous year, at € 161.8 million. This rise in sales is by and large attributable to the Bordeaux-based subsidiary *Château Classic – Le Monde des Grands Bordeaux,* which specialises in trading in top-class wines from that region. There was a surge in demand for its products from early 2010 onward, following on from the abrupt slump in business from the second half of 2008 as a result of the financial and economic crisis. In a vast improvement from the prior-year sales total of € 8.7 million, this subsidiary achieved sales of € 21.2 million in the year under review. Other reasons for the increased sales along this channel were the first-time consolidation of the Swiss company *Global Wine AG* for a full year (previous year: consolidated from 1 July to 31 December 2009) and the increased range of products carried by the *Wein Wolf* Group featuring the wines of newly recruited vintners. In addition the subsidiary *Deutschwein Classics,* established in 2006 and specialising in sales of German wines, again reported a healthy business performance. *Wein Wolf* in Austria furthermore benefited from an extended skiing season and tourist spending as a result of the exceptionally cold weather at the start of the year and from the expansion of its sales force, producing sales growth in low double figures. In the Czech Republic the recovery in the economy had a positive impact.

The operating result (EBIT) for the wholesale segment was increased by resurgent sales and by the fact that fixed costs were consequently covered better: € 9.5 million, compared with € 5.3 million in the previous year. For the same reason the EBIT margin for this sales channel improved by 1.6 percentage points compared with the previous year to 5.8% in the year under review (previous year: 4.2%).

Mail order: More active customers and better response rates to advertising mail shots produce renewed rise in sales and EBIT

Although the basis for comparison in the previous year was already high because of the stimulus provided by the 45th anniversary of the founding of *Hanseatisches Wein- und Sekt-Kontor,* net sales for 2010 in the mail-order segment improved by 3.9% to € 100.0 million. This increase was achieved mainly thanks to a renewed rise in the number of active customers and a higher response rate to individual advertising mail shots. The measures to acquire new customers, especially in the form of advertising in newspapers and magazines, proved even more successful than in the previous year. With around 105,000 new customers having been generated in 2009, the number of first-time customers in the year under review rose markedly to 120,000 (figures in each case excluding the normal annual attrition). The costs per new customer remained constant. As at 31 December 2010 the mail-order segment had 420,000 active customers on its books; for this purpose, an active customer is defined as someone who has placed at least one order in the past 24 months (previous year: 390,000).

The special sales channels in the mail-order segment include gifts business, subscription business and the "VinoSelect!" wine club. Sales proceeds for gifts business were down on the previous year due to a lower total number of orders from both corporate and private customers. Sales from gifts mainly in the run-up to Christmas totalled € 10.7 million, compared with € 12.3 million in the previous year. Subscription business relates almost exclusively to top-class Bordeaux wines. These are pre-sold shortly after the harvest and delivered approximately two years later, once the producer has bottled the wine. In the year under review the mail-order segment realised sales of € 0.8 million upon shipping of the 2007 vintage (previous year: € 2.2 million for the 2006 vintage). The "VinoSelect!" wine club concept that is gradually being refined brought a renewed rise in sales from € 10.5 million in the previous year to € 11.5 million in the year under review. Under this concept, each quarter members receive a carefully selected assortment of high-quality wines at a special price.

The subsidiary *Carl Tesdorpf – Weinhandel zu Lübeck* focuses on the top-end segment of the wine market and will further raise this market profile by refocusing its activities to concentrate on even higher-quality wines and rarities in its range, addressing the customer target group of particularly discerning wine connoisseurs. Throughout this phase of reorientation it was able to maintain sales at the previous year's high level, even though the conventional advertising activities were scaled back in the course of its refocusing.

There was once again substantial growth in the proportion of sales handled over the internet in the mail-order segment: This ratio climbed from 17% in the previous year to over 20% in 2010, representing a rise of 24%.

There was a decrease in both the average number of bottles per order and the average order value – by 2% and 6% respectively – mainly on account of weaker gifts and subscription business coupled with increased acquisition of customers. The ordering frequency rose as expected.

The operating result (EBIT) for the mail-order segment fell to € 7.1 million from € 7.7 in the previous year, despite the increase in sales and an improved gross profit margin. There were two main causes of this development: on the one hand the start-up losses (amounting to € 0.5 million) of the pilot market entry in Sweden launched in November 2010 under the trading name of *The Wine Company,* and on the other hand special goodwill amortisation for the company *Carl Tesdorpf – Weinhandel zu Lübeck,* which resulted in a one-off charge (€ 0.3 million). The latter resulted from an impairment test to IAS 36, because the refocusing will initially entail lower cash inflows until the new marketing structure at *Carl Tesdorpf* begins to bear fruit.

Improved 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 an economically negligible extent it also performs logistics services on behalf of customers outside the group. There was an improvement in *IWL's* operating efficiency year on year, thus resulting in an increased operating result (EBIT) of € 0.3 million, compared with € 0.1 million in the previous year.

At group level the costs for the holding company and consolidating items amounted to € 4.8 million in the year under review, compared with € 4.6 million in the previous year.

Consolidated net income

The consolidated earnings before taxes for the 2010 financial year totalled € 27.5 million, up € 7.7 million on the prior-year figure. The financial result showed a net income of € 1.8 million (previous year: net expense of € 2.6 million). The financial result for 2010 includes mainly the proceeds of € 3.3 million from the disposal of the investment in *Majestic Wine PLC* less the costs incurred from the conversion of borrowed capital into equity capital for the capital increase. The effective tax rate fell from 33.5% in the previous year to 26.3% in 2010 (cf. No. 14 of the Notes to the consolidated financial statements). This, together with higher earnings before taxes, produced earnings after taxes of € 20.3 million (previous year: € 13.2 million).

Consolidated net income excluding non-controlling interests amounted to € 20.0 million for the year under review. The prior-year figure was € 13.1 million.

Earnings per share were € 2.24, calculated on the basis of an average of 8,915,309 shares (2009: € 1.48, basis for calculation: 8,834,834 shares).

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 higher overall earnings of the subsidiaries meant that the investment result improved from € 24.5 million in the previous year to € 26.1 million in the year under review. A reversal of a € 10.0 million write-down on the carrying amount of *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* was applied as at 31 December 2010, following the write-down for impairment of the same amount as at 31 December 2006, as the cash inflows originally expected are now once more considered to be achievable. After deduction of expenses and taxes, there remained net income of € 31.3 million (previous year: € 17.5 million). Taking account of the profit carryforward of € 0.4 million from the previous year, after the withdrawal of € 0.2 million from the reserve for treasury shares and after allocation of € 15.2 million to other revenue reserves, there remains an unappropriated profit of € 16.8 million (previous year: € 12.4 million).

FINANCIAL POSITION

Principles and aims of financial management

The principles and aims of financial management were explained on pages 26–27 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 2010 the cash resources of the group comprised cash amounting to € 24.7 million (previous year: € 13.0 million). There exist unlimited credit facilities with a volume totalling € 23.0 million, of which € 2.0 million is available seasonally to finance Christmas business. At 31 December 2010 these credit facilities were only drawn on to a level of around 1%. Overall, the Hawesko Group reported short-term and long-term borrowings amounting to € 7.9 million at that reporting date. Of this total, € 4.0 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 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 only finance lease liabilities of € 3.9 million.

According to group calculations, the costs of the equity and borrowed capital made available to the group are currently 6.6%. They comprise the weighted costs of the equity capital of 7.4% on the one hand, and of the borrowed capital of 4.1% on the other. In calculating the cost of equity, the group works on the basis of a long-term risk-free interest rate of 3.4% and a risk premium of 5.0% at beta = 0.79.

Groot Drakenstein, Franschhoek, South Africa

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2010

Rounding differences are possible	*Short-term* € million	*Short-term* in %	*Long-term* € million	*Long-term* in %	*Total* € million
Due to banks	3.3	100.0	–	0.0	3.3
Finance lease	0.7	15.2	3.9	84.8	4.6
TOTAL	**4.0**	**50.6**	**3.9**	**49.4**	**7.9**

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2009

Rounding differences are possible	*Short-term* € million	*Short-term* in %	*Long-term* € million	*Long-term* in %	*Total* € million
Due to banks	1.2	100.0	–	0.0	1.2
Finance lease	1.2	17.1	5.8	82.9	7.0
TOTAL	**2.5**	**30.5**	**5.8**	**69.5**	**8.2**

The short-term loans are rolling borrowings denominated in Swiss francs, in each case with a maturity of between one and three months. Please refer to the Notes to the consolidated financial statements from page 88 for the terms of the borrowings and details of the finance leases.

In the year under review of 2010, net liquidity rose by € 12.0 million to € 16.2 million. This development was largely attributable to the increase in cash of € 11.7 million.

San Rafael Mountains, Santa Barbara, California, USA

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

€ million	2010	2009
Due to banks	3.3	1.2
+ Finance leases	4.6	7.0
+ Provisions for pensions	0.6	0.6
= GROSS DEBT OWED	**8.5**	**8.8**
– Cash	–24.7	–13.0
= NET LIQUIDITY	**–16.2**	**–4.2**

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

Liquidity analysis

CONSOLIDATED CASH FLOW

€ million	2010	2009
Cash flow from current operations	+21.8	+28.8
Cash flow from investing activities	+2.5	–7.1
Cash flow from financing activities	–12.7	–16.1

The consolidated cash flow from current operations fell by € 7.0 million to € 21.8 million. This year-on-year fall, despite the increased result, was attributable to a marked rise in inventories. Trade receivables were likewise up. Trade payables, too, rose in parallel with the trade receivables, with the result that the rise in receivables was virtually cancelled out.

The cash flow from investing activities includes on the one hand cash outflows for property, plant and equipment as well as intangible assets amounting to € 5.1 million, and on the other hand a cash inflow of € 7.3 million from the disposal of the investment in *Majestic Wine PLC.* The investments in intangible assets (€ 1.4 million) concern mainly capital expenditure on new financial and goods management software for the wholesale segment. Capital expenditure on property, plant and equipment (€ 3.7 million) mainly comprised the expansion and modernisation of retail outlets in the specialist wine-shop retail segment, and expansion and replacement investment.

The free cash flow (total of cash flows from current operations and investing activities less interest paid), an important indicator within the Hawesko Group, rose by € 3.0 million to € 23.8 million.

The cash flow from financing activities mainly reflects the payment of the dividend (€ 11.9 million).

Investment analysis

The Hawesko Group invested € 5.1 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 7.5 million). In relation to sales, the investment ratio was thus approximately 1.3% (previous year: 2.2%).

Capital expenditure on property, plant and equipment totalled € 3.7 million (previous year: € 3.2 million), the bulk of which, € 1.8 million, was used for the modernisation of the specialist wine-shop retail segment *(Jacques' Wein-Depot)*, as well as for replacement and expansion investment in the wholesale segment (€ 1.2 million) and mail-order segment (€ 0.9 million).

INVESTMENTS/DEPRECIATION/CASH FLOW (€ million)

FINANCIAL POSITION

The consolidated balance sheet total grew significantly from € 173.6 million in the previous year to € 201.8 million in the year under review. This represents a rise of 16.3%.

The non-current assets rose in particular as a result of the long-term advance payments for inventories of € 13.4 million for the much sought-after 2009 Bordeaux vintage, reported under the "Other" item. There was an opposite trend in financial assets, which decreased by € 5.1 million as a result of the sale of the shares held in the British company *Majestic Wine PLC*. The deferred tax assets item fell by a total of € 1.7 million.

Current assets overall also climbed sharply from € 127.1 million to € 149.2 million. The items "Inventories" and "Trade receivables" increased largely as a result of sales growth, which they more or less tracked. The remaining increase is attributable to the substantial rise in cash of € 11.7 million.

Consolidated equity rose year on year by € 11.4 million to € 93.5 million. More than half of the change is attributable to the increased retained earnings. The equity ratio (prior to the distribution of profit) therefore remains virtually unchanged at 46% of the balance sheet total. The capital reserve rose mainly as a result of the capital increase for contribution in kind in the year under review, by way of contribution of the remaining 15% of the capital of the unincorporated subsidiary *Weinland Ariane Abayan GmbH & Co. KG* amounting to € 3.6 million. The € 6.3 million rise in the retained earnings to € 47.3 million is principally the result of the creation of provisions from the previous year's unappropriated profit.

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2010		2009	
Rounding differences possible	€ million	*as % of balance sheet total*	€ million	*as % of balance sheet total*
NON-CURRENT ASSETS				
Intangible assets	11.4	6%	11.6	7%
Property, plant and equipment	20.1	10%	20.4	12%
Other financial assets	0.3	0%	5.4	3%
Deferred tax liabilities	3.9	2%	5.6	3%
Other	17.0	8%	3.5	2%
	52.6	**26%**	**46.5**	**27%**
CURRENT ASSETS				
Inventories	74.3	37%	68.6	40%
Trade receivables	46.7	23%	43.0	25%
Cash and other current assets	28.2	14%	15.5	9%
	149.2	**74%**	**127.1**	**73%**
BALANCE SHEET TOTAL	**201.8**	**100%**	**173.6**	**100%**

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES	2010		2009	
Rounding differences possible	€ million	*as % of balance sheet total*	€ million	*as % of balance sheet total*
SHAREHOLDERS' EQUITY				
Subscribed capital	13.7	7%	13.5	8%
Capital reserve	10.1	5%	6.5	4%
Retained earnings	47.3	23%	41.0	24%
Accumulated other equity	0.1	0%	1.0	1%
Unappropriated group profit	21.6	11%	19.7	11%
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG	**92.8**	**46%**	**81.7**	**47%**
Non-controlling interests	0.8	0%	0.5	0%
	93.5	**46%**	**82.2**	**47%**
LONG-TERM DEBT				
Provisions	0.9	0%	0.8	0%
Borrowings	3.9	2%	5.8	3%
Other non-current liabilities and deferred tax liabilities	16.8	8%	2.5	1%
	21.6	**11%**	**9.1**	**5%**
SHORT-TERM PROVISIONS AND LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	0.0	0%	2.6	2%
Borrowings	4.0	2%	2.5	1%
Advances received	5.1	3%	3.7	2%
Trade payables	53.0	26%	49.0	28%
Other liabilities	24.6	12%	24.5	14%
	86.7	**43%**	**82.3**	**47%**
BALANCE SHEET TOTAL	**201.8**	**100%**	**173.6**	**100%**

Long-term debt amounted to € 21.6 million, having risen substantially by € 12.5 million. Borrowings were down € 1.9 million in the year under review, at € 3.9 million. As there were no new long-term borrowings, this item fell as a result of the scheduled repayments and the early buy-back of an office building reported under finance leases. The advance payments received for Bordeaux subscriptions rose steeply in the year under review; there was much greater demand for the 2009 vintage than for the 2008 vintage, which was reported under this item in the previous year.

The minority interest in the capital of unincorporated subsidiaries was down substantially compared with the previous year. This item mainly comprises the settlement obligation for the 15% limited partner's share of the subsidiary *Weinland Ariane Abayan,* which was acquired in the year under review by way of a capital increase for contribution in kind.

Other short-term provisions and liabilities rose by € 7.0 million. Trade payables in particular were up as a result of sales growth in the year under review.

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 reached 1.9 (previous year: 2.0).

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 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 served approximately one million end customers in Germany and Austria, slightly more than in the previous year. The average spend of these customers in the past year was just under € 204 (previous year: € 210) net. The customer base of the wholesale segment comprises around 13,000 customers, predominantly in Germany; they are made up of grocery retailers, specialist wine retailers and the restaurant/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), Louis Jadot, Penfolds, Taittinger and Torres, among others.

Hawesko is able to capitalise on a major advantage thanks to its special logistics arrangements, in other words the warehousing, handling and dispatching of its wines to customers in a manner that befits such a sensitive, high-quality product. For 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 from there. 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 in this instance the processes are more in line with the established norm in logistics.

EMPLOYEES

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

The group employed an average of 696 people in the 2010 financial year, predominantly in Germany; this compares with 657 in the previous year (joint ventures included pro rata). Women make up 50% of the group's workforce, and 22% of its management. The number of employees in the year under review rose in the wholesale segment and at the subsidiary that takes charge of mail-order and wholesale logistics, *IWL Internationale Wein Logistik*. The employee total in the remaining areas of the Hawesko Group remained on a par with the previous year. The employee structure for the year under review, by 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 24 apprentices (previous year: 23). Traineeships are predominantly in commercial vocations such as wholesale or retail clerks, or dialogue marketing clerks. Those at the start of their career can also train in information technology and warehouse logistics.

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

The further training measures available within the Hawesko Group are based on courses designed to develop the personal performance profiles 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, as in the previous year.

TOTAL EMPLOYEES

Constantia, South Africa

Social responsibility

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

Examples of how the company helps to promote the health of its employees include the offer of influenza vaccinations, the provision of fresh fruit during winter, and back training courses held in partnership with a major statutory health insurance provider.

The compatibility of professional and family life is an important concern for the Hawesko Group. The group head office in Tornesch received the "Hamburg Family-Friendly Seal" in 2010 for its family-friendly human resources policy. This seal is awarded by the "Hamburg Alliance for Families", a joint initiative of the Hamburg Senate and the Hamburg Chamber of Crafts. The human resources policy also includes giving employees personal advice on the topics maternity leave, parental leave and parental benefit payments. Parents are offered flexible working hours, part-time and home-based work, as well as assistance with the financing of childcare arrangements; events aimed at all the family are also held.

There is a wide range of fringe and welfare benefits available to the Hawesko Group's employees. These include most notably retirement benefit 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 contributions. At 31 December 2010, 322 employees (prior-year reporting date: 291) of the group belonged to this pension fund. As in the previous year, collectively negotiated employer subsidies amounted to € 0.1 million in the year under review.

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 € 0.1 thousand per year.

OVERALL STATEMENT ON THE ECONOMIC SITUATION

The Board of Management of Hawesko Holding AG is satisfied with the business performance in the year under review. Business in the wholesale segment returned to normal very shortly after the economic crisis and benefited from the general economic recovery in Germany; the specialist wine-shop retail and above all mail-order segments succeeded in expanding their business yet again. The group's domestic sales bettered the previous year's figure by 6.1% and therefore achieved stronger growth than the German wine market which, according to GfK's findings, contracted (by 2.9% in terms of value). The recovery of the market for Bordeaux wines in the Far East and the welcome development in operations in Switzerland brought the group yet further growth. The operating result reached € 25.7 million, putting it at the level of the best in the history of the company. The financial situation again improved in the year under review, and the increased net liquidity provides a sound basis for future growth. At the start of 2011 the Board of Management considers the group to be in robust health.

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 at the 2010 reporting date amounting to € 13,708,934.14 is divided into 8,983,403 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 € 6,140,553.86, by issuing new no par value bearer shares. No authorisation to acquire treasury shares pursuant to Section 71 Para. 1 No. 8 of German Stock Corporation Law 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 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 30.0% of the shares via Alexander Margaritoff Holding GmbH. He is followed by Detlev Meyer with a shareholding of 29.5% via Tocos Beteiligung GmbH, and Michael Schiemann, with a 5.0% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 35.5% 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.

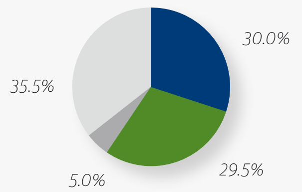
The parent company Hawesko Holding AG and a majority of the subsidiaries (26) have their place of incorporation in the Federal Republic of Germany; they are consequently subject to the laws of that country, which decisively influence the framework conditions for their business operations. The subsidiaries not based in Germany or Switzerland all have their place of incorporation within the European Union. No substantial factors influencing business need be mentioned.

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Strategy", page 24–25).

MANAGEMENT AND CONTROL

Independent responsibility for the running of the company and for the appointment of representatives for transactions with third parties rests with the Board of Management of Hawesko Holding AG. It comprises 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.

SHAREHOLDER STRUCTURE (in %)



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

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

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

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

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

The Board of Management uses 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 289a of German Commercial Code, publicly listed companies are to prepare a corporate governance declaration and incorporate it into their management report as a separate section. It may also be made publicly accessible on the company's website. This declaration, which contains the declaration pursuant to Section 161 of German Stock Corporation Law as well as relevant disclosures on corporate management practices implemented over and above the statutory requirements, a description of the modus operandi of the Board of Management and Supervisory Board, and the composition and modus operandi of their committees, is published in the Annual Report (page 111) and can also be accessed on the internet at http://www.hawesko-holding.com → Investor Relations → Corporate Governance.

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 not yet any component with a long-term incentivising effect. However the Supervisory Board will, at the earliest possible opportunity when the contracts of Board of Management members expire, reach a new remuneration agreement that complies with the new German Stock Corporation Law and reflects long-term corporate results and personal performance.

The current remuneration of the Board of Management is show in the following table:

€ '000	*Fixed*	*Variable*	*Total*
Alexander Margaritoff	982	958	1,940
Bernd Hoolmans	550	426	976
Bernd G. Siebdrat	254	554	808
Ulrich Zimmermann	190	107	297
TOTAL	**1,976**	**2,045**	**4,021**

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 € 126 thousand (previous year: € 117 thousand) was recognised for this commitment at 31 December 2010. The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay, having reached the age of 65.

The company made a payment of € 10 thousand into a benevolent fund for this commitment during the year under review.

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 their 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.

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 of the Supervisory Board is show in the following table:

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Prof. Dr. Dr. Dr. Franz Jürgen Säcker	44	8	28	7	87
Gunnar Heinemann	32	6	9	–	47
Thomas R. Fischer	25	4	8	–	37
Jacques Héon	25	4	12	–	41
Angelika Jahr-Stilcken (until 19/08/2010)	14	2	3	–	19
Detlev Meyer (from 28/09/2010)	6	1	3	–	10
Manfred Middendorff (until 14/05/2010)	20	4	8	–	32
TOTAL	**166**	**29**	**71**	**7**	**273**

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.

Samaniego, Rioja, Spain

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. The subsidiaries of the Hawesko Group that deal with such products are certified to DE-ÖKO-006 for the sale of organically grown products.

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. 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. Environmentally friendly printing processes ideally on recycled paper or paper manufactured according to Forest Stewardship Council standards are used for the production of advertising media.

Lighting systems with a particularly high energy consumption are being identified and replaced at individual *Jacques' Wein-Depot* outlets. 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 again collected at the outlets during the year under review, and passed on to specialist recyclers. *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.

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. Risks are defined as events or possible developments within and outside the group that can adversely affect the companies and the attainment of the corporate targets, and/or restrict the entrepreneurial leeway of Board of Management members and managing directors. The Board of Management has established a modern, comprehensive risk management system (RMS) that is continually being refined. The early identification of risks is of major significance and is normally achieved by means of an early warning system implemented group-wide. The binding principles are enshrined in a risk management guideline.

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

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. 88% 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.

Simonsberg, Paarl, South Africa

Just under 12% of consolidated sales were achieved outside Germany in the year under review. Of that portion, around half came from sales of Bordeaux wines by the subsidiary *Château Classic – Le Monde des Grands Bordeaux.* The largest sales region for *Château Classic* by some distance is China. Particularly that market could be exposed to major fluctuations in sales of absolutely top-class Bordeaux wines. A marked cooling-down of the economy could thus prompt a disproportionately sharp drop in sales. To counter this risk, a sales platform designed to improve the market position still further is being set up specifically for that market.

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 pride themselves in 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*

The wine market is characterised by growing competition, 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. Adverse weather conditions at that time of year may put pressure on sales and earnings. Gifts business in the run-up to Christmas generally accounts for around 3% 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. The Act in essence addresses the transparency of the "list privilege", which 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. An amendment to the Federal Data Protection Act was passed in early 2009. The statutory requirements were adopted by the Hawesko Group and implemented in its business operations. All future statutory requirements of the Act will be swiftly implemented. 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 customer data that goes beyond the statutory requirements.

- *Deposit on drinks containers*

A deposit on disposable drinks containers was introduced in Germany in January 2003. Following the review of the Packaging Ordinance in 2004, as matters stand it is no longer expected that a deposit 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.

The subsidiaries of the Hawesko Group are importers of wines traded internationally, and as such are to a limited extent affected by exchange rate movements outside the eurozone. However, imports are overwhelmingly from within the eurozone. To a minor extent the refinancing of the Hawesko Group's capital requirements takes the form of loans which are taken out at current interest rates. Dependence on interest rate movements is thus low.

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, risks of IT failures are largely excluded by means of redundant hardware and back-up systems. Appropriate technical methods of protection and monitoring are installed to regulate external and remote access.

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 implementation of a new IT system based on SAP started in the previous year. Completion of the changeover process is scheduled for the start of 2012. As matters stand, the risks to business from the introduction of the new systems are rated as manageable.

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.

DESCRIPTION OF THE KEY FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR FINANCIAL REPORTING PURPOSES FOR THE GROUP PARENT AND GROUP

The internal system of control for the group companies and for group financial reporting is a key component of the reporting system and therefore of the internal management and control system. It moreover serves as the basis for compliance with both internal and external requirements.

As part of the internal system of control, the risk management system methodically records and evaluates the risks identified as part of the risk inventory, which is conducted twice a year. In respect of group financial reporting, the aim of the risk management system is to reflect the risks appropriately in the consolidated financial statements (e.g. through the creation of provisions) and thus to limit the risk of incomplete presentation of the net worth, financial position and financial performance. Further notes on the risk management system are given in the Risk Report on page 50.

The Supervisory Board, in this context specifically the Audit and Investment Committee of Hawesko Holding AG, is involved in the financial reporting process for the group parent and group and deals with such matters as key questions of financial reporting, risk management as well as the audit mandate and its priorities.

The internal system of control in respect of the financial reporting process

The clear structures of organisation, control and monitoring installed within the Hawesko Group focus on the complete and accurate recording of all business transactions that are relevant for financial reporting purposes. The application of uniform recognition and measurement principles for the companies included in the consolidated financial statements, taking account of the requirements of the International Financial Reporting Standards (IFRS), is assured by the specifications in the accounting guidelines of the Hawesko Group.

The general organisation of accounting within the Hawesko Group and the involvement of the divisions participating in the processes that are relevant for financial reporting purposes are handled in such a way that there is an appropriate degree of separation between approval, executive, invoicing and controlling functions for a company of this size and sphere of activity. This separation of functions permits extensive preventive and disclosing controls in all material business processes throughout the group that have been implemented by the management, based on an assessment of the inherent risk of the individual processes and the controlled environment in question. The manual controls are supplemented by corresponding IT process controls and suitable IT authorisation concepts.

Complex questions of measurement such as are needed e.g. for measuring provisions for pension or derivative financial instruments, or for performing purchase price allocation, are dealt with in consultation with external independent specialists.

The internal system of control in respect of the consolidation process

The processes that are relevant for financial reporting purposes are recorded in local standard bookkeeping systems for the separate financial statements of the subsidiaries. For preparation of the consolidated financial statements, the separate financial statements as well as supplementary standardised information are fed into the consolidation software COGNOS, using a corresponding authorisation concept, and examined by the central department "Group Accounting and Investment Controlling". The internal control and risk management system of Hawesko Holding AG is designed to ensure that financial reporting by the company and by all companies included in the consolidated financial statements is uniform and in agreement with the legal and statutory requirements as well as internal guidelines.

All consolidation processes as well as the reconciliation of the local separate financial statements with IFRS accounting standards are carried out and documented by the Group Accounting and Investment Controlling department. The internal and external data required for the notes to the consolidated financial statements and management report are also evaluated and consolidated at group level.

The effectiveness and adequacy of accounting within the Hawesko Group in preparing the final accounts are overseen directly by the Finance Director and the individuals appointed by him to perform that task within Group Accounting and Investment Controlling.

Leeuwin Estate, Margaret River, Western Australia

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 envisaged in the next two years; there will merely be shifts in emphasis in individual areas. The Hawesko Group will continue to maintain and build on its already strong market position in Germany, but the Board of Management will increasingly look to expand its international activities. It will place the focus here on the one hand on markets in nearby European countries and on the other hand on serving the high-growth Far East markets from Europe. With regard to activities in Germany, the group is continually examining how the individual subsidiaries can work together even more effectively and seize any new opportunities that present themselves. No acquisition plans have taken on sufficiently firm contours to merit reporting. No fundamental change to business processes or the type of business is envisaged.

GENERAL ECONOMIC SITUATION

Anticipated future developments in economy as a whole

With 2010 dominated by the rapid recovery from the consequences of the financial crisis, most experts forecast that the healthy economic development in Germany will continue in 2011 at a slower pace. In its “Economy and Capital Markets” circular published at the end of February, DZ Bank anticipates a further rise of 2.5% in gross domestic product (GDP) in 2011, alongside 1.7% growth in consumer spending. Both GDP and consumer spending are expected to rise by 1.8% in 2012.

The Hawesko Board of Management echoes this economic forecast and expects to see a weakening of economic momentum in 2011 and 2012 compared to 2010. On the other hand consumer spending should develop positively and thus provide a boost for the wine market.

Future situation in the trade

On the basis of this encouraging consumer environment, trade experts are confident about the prospects for 2011. According to estimates by the Board of Management of Hawesko Holding AG, the wine trade in Germany will develop positively though not to the extent that is forecast for consumer spending overall, which increased by 0.5% between 2009 and 2010 and is likely to grow by 1.7% between 2010 and 2011. This is because the wine market in Germany is developing steadily rather than being directly dependent on the business cycle.

Vineyards near Caltabellotta, Sicily, Italy

On the other hand its development outside Germany – especially among customers of Bordeaux wines in the Far East and China – involves more leaps and bounds; in 2010 the recovery in demand in those countries paved the way for around half of the Hawesko Group's annual growth. As matters stand the Hawesko Group assumes that this demand will continue in the future, too.

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 will in all probability continue to dominate the wine trade in 2011 and 2012. 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

For the 2011 financial year, the Hawesko Board of Management expects to see a year-on-year percentage rise in sales in low to mid-range single figures. The Hawesko Group sees no alternative to the course for growth. With regard to the development of the wholesale segment it is assumed that, following the market's return to normal in 2010, domestic activities will be on a par with the previous year's level and international activities will deliver double-digit percentage growth. At present the specialist wine-shop retail *(Jacques' Wein-Depot)* and wholesale segments are forecast to achieve percentage sales growth in the middle single figures. This is based on the assumption that a greater number of new *Jacques'* outlets will be opened (net growth of two locations in 2010), that progress will be made with interlinking e-commerce and the wine-shop concept and that the mail-order segment will be able to build on its partnerships (above all with Lufthansa Miles & More) and its pilot operations in Sweden. An even more vigorous rise in sales is expected for the 2012 financial year as a result of the shipping of the much-vaunted 2009 Bordeaux vintage and continuing expansion.

In terms of the consolidated operating result for 2011, as matters stand the Board of Management anticipates that EBIT will be broadly in line with the previous year (i.e. between € 24 and 26 million). This takes account especially of the up-front costs for continuing the pilot operations in Sweden, and of the costs in the wholesale segment of bringing the structures in line with the scale of operations achieved in recent years. The financial result is expected to be a net expense of less than € 0.5 million (2010: net income of € 1.8 million following an extraordinary financial profit), therefore yielding a consolidated net profit that will be down on 2010. For 2012, the Board of Management expects to see a rise in EBIT and consolidated net income. It anticipates a free cash flow in the order of approx. € 15 million for 2011 and of € 20 million for 2012. The company's ability to pay a dividend is to be preserved. As usual, Hawesko's Board of Management will promptly communicate its expectations and outlook for the future in the next interim reports.

The separate financial statements of the parent company Hawesko Holding AG were substantially affected by two extraordinary effects in the year under review: first, an extraordinary financial profit of € 3.3 million from the disposal of the investment in *Majestic Wine PLC,* and second, the reversal of a € 10.0 million write-down on the carrying amount of the investment in the subsidiary *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH.* As these effects will not be repeated, the Board of Management expects that the net income of the holding company will decrease by an amount in the low double-digit millions of euros in 2011 compared with 2010 (€ 31.3 million). It will then probably rise again in 2012.

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 matters stand the positive net debt position (net liquidity) of the group will improve and create a reserve for potential acquisitions.

Capital expenditure on property, plant and equipment and intangible assets in the 2011 financial year is likely to be rather more than € 4 million. The emphasis of the investment measures planned will be on IT investments in the wholesale segment and on opening retail outlets.

The current plans do not incorporate either long-term financial investments or acquisitions, because the relatively short-term nature of such commitments makes it inadvisable to build them into the basic scenario as fixed components. The Hawesko Group has adequate financial leeway for handling a potential acquisition in accounting terms.

OPPORTUNITIES AND RISKS

The currently discernible risks to the further development of the Hawesko Group are comprehensively described in the above "Risk Report" section.

At present the Hawesko Board of Management does not expect to see any pronounced opportunities in the prevailing economic environment. The general economic development and the recovery of the Bordeaux market in 2010 already exceeded the planning expectations which served as the Board of Management's basis for its outlook one year ago. Particularly the labour market, and along with it consumer confidence, made distinctly healthy progress in Germany in the second half of 2010. The Board of Management is of the opinion that there is unlikely to be much leeway for positive surprises, given the already very healthy basis for the Hawesko Group's domestic business activities. Several experts believe that consumption in Germany, which remained flat for several years in contrast to elsewhere, might not be exposed to the same level of fluctuation as in other countries. The Hawesko Board of Management is currently inclined to predict that wine consumption will remain stable over the year as a whole.

The international markets – and above all those with major customers for Bordeaux wines – are a different matter. At the start of 2011, major wine auctions in Hong Kong brought record prices and takings. If this development turns out to be representative of the year as a whole, it could bring the group extra sales growth of 1 to 2 percentage points.

The Hawesko Group enjoyed very healthy balance sheet ratios at the reporting date of 31 December 2010, marking a further improvement on previous years; for example an equity ratio of 46% (previous year: 47%) and net liquidity of € 16.2 million (previous year: € 4.2 million). Another very strong key figure of the group is its free cash flow of € 23.8 million (previous year € 20.8 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. Marketing partnerships are moreover conducted with renowned companies; if the group or individual segments succeed in extending these activities to other companies with suitable clientele, business performance could receive a boost.

Finally, the Board of Management is convinced that the Hawesko Group's many years of management experience specifically in the wine industry provides a very sound basis for the group's continuing successful performance over the next two years.

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.

OVERALL STATEMENT ON THE ANTICIPATED DEVELOPMENT OF THE GROUP

In light of the above individual factors and the assessment of the wine market's development, the Board of Management considers a steady upward development in the Hawesko Group over the next two years to be realistic. It is increasingly placing the spotlight on growth, above all outside Germany. The Hawesko Board of Management continues to aim for profitable growth with a return on sales of around 7%. Consistently achieving a return on capital employed (ROCE) of at least 16% remains an important target. The attainment of financial targets is merely the outward manifestation of an effective business model and will only succeed if the human dimension of economic activity is likewise 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 2010 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2010

	Notes	2010	2009
		€ '000	€ '000
SALES REVENUES	8.	**377,712**	**338,501**
Increase/decrease in finished goods inventories		–125	16
Other production for own assets capitalised		79	–
Other operating income	9.	18,049	15,324
Cost of purchased goods		–227,578	–200,117
Personnel expenses	10.	–37,232	–33,345
Depreciation and amortisation	11.	–5,560	–4,730
Other operating expenses	12.	–99,500	–93,160
Other taxes		–106	–110
RESULT FROM OPERATIONS		**25,739**	**22,379**
Financial result	13.	1,785	–2,590
RESULT FROM ORDINARY ACTIVITIES		**27,524**	**19,789**
Taxes on income and deferred tax expenses	14.	–7,228	–6,632
CONSOLIDATED NET INCOME		**20,296**	**13,157**
Profit due to non-controlling interests		–309	–54
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS		**19,987**	**13,103**
Earnings per share (basic) in €	15.	2.24	1.48

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2010

	2010	2009
	€ '000	€ '000
CONSOLIDATED NET INCOME	**20,296**	**13,157**
Result from financial instruments available for sale	–	2,592
Amount transferred to income statement	–978	–
Currency translation differences	103	–1
AMOUNTS RECOGNISED DIRECTLY IN EQUITY	**–875**	**2,591**
OVERALL RESULT	**19,421**	**15,748**
of which		
– allocable to the shareholders of Hawesko Holding AG	19,082	15,697
– allocable to non-controlling interests	339	51

CONSOLIDATED BALANCE SHEET

at 31 December 2010 (IFRS)

ASSETS	Notes	31/12/2010	31/12/2009
		€ '000	€ '000
NON-CURRENT ASSETS			
Intangible assets	16.	11,379	11,625
Property, plant and equipment	17.	20,110	20,407
Other financial assets	18.	265	5,410
Advance payments for inventories	20.	15,908	2,524
Receivables and other assets		1,066	934
Deferred tax liabilities	19.	3,877	5,562
		52,605	**46,462**
CURRENT ASSETS			
Inventories	20.	74,297	68,598
Trade receivables	21.	46,682	43,044
Other assets	21.	2,666	1,716
Accounts receivable from taxes on income		828	743
Cash in banking accounts and cash on hand	22.	24,705	13,001
		149,178	**127,102**
		201,783	**173,564**

SHAREHOLDERS' EQUITY AND LIABILITIES	*Notes*	31/12/2010	31/12/2009
		€ '000	€ '000
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	23.	13,709	13,497
Capital reserve	24.	10,061	6,491
Retained earnings	25.	47,299	41,022
Accumulated other equity	26.	70	975
Unappropriated group profit	27.	21,649	19,691
SHAREHOLDERS' EQUITY IN HAWESKO HOLDING AG		**92,788**	**81,676**
Non-controlling interests	28.	751	495
		93,539	**82,171**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	29.	648	617
Other long-term provisions	30.	269	222
Borrowings	31.	3,863	5,755
Advances received	32.	16,355	2,198
Other liabilities	32.	138	48
Deferred tax liabilities	33.	293	276
		21,566	**9,116**
SHORT-TERM PROVISIONS AND LIABILITIES			
Minority interest in the capital of unincorporated subsidiaries	32.	4	2,605
Borrowings	31.	4,028	2,450
Advances received	32.	5,068	3,673
Trade payables	32.	52,996	49,041
Income taxes payable	32.	2,829	3,366
Other liabilities	32.	21,753	21,142
		86,678	**82,277**
		201,783	**173,564**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2010

		Notes	2010	2009
			€ '000	€ '000
	Result from ordinary activities	39.	27,524	19,789
+	Depreciation of intangible and tangible assets		5,560	4,730
+/–	Other non-cash expenses and income		–311	–
+	Interest result	39.	–1,785	2,590
+/–	Result from the disposal of intangible and tangible assets		–56	39
+/–	Change in inventories		–19,082	6,263
+/–	Change in receivables and other assets		–4,786	–2,032
+/–	Change in provisions		78	–112
+/–	Change in liabilities (excluding borrowings)		20,780	1,317
–	Taxes on income paid out	39.	–6,096	–3,797
=	**NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS**		**21,826**	**28,787**
–	Acquisition of subsidiaries		–	–992
–	Outpayments for tangible assets and intangible assets		–5,055	–5,982
–	Outpayments for the acquisition of other financial assets		–	–477
+	Inpayments/outpayments from the disposal of intangible and tangible assets		197	49
+	Dividend payments received		65	294
+	Inpayments from the disposal of financial assets		7,329	11
=	**NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES**		**2,536**	**–7,097**
–	Outpayments for dividend		–11,927	–10,602
–	Outpayments to minority interests*		–451	–472
+	Inpayments from the sale of treasury shares		260	–
–	Outpayments for the acquisition of treasury shares		–	–
–	Payment of finance lease liabilities		–2,041	–1,133
+/–	Change in borrowings		2,037	–3,050
–	Interest paid out and received	39.	–536	–861
=	**OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES**		**–12,658**	**–16,118**
=	**NET DECREASE/INCREASE OF FUNDS**		**11,704**	**5,572**
+	Funds at start of period		13,001	7,429
=	**FUNDS AT END OF PERIOD**	39.	**24,705**	**13,001**

* *Including outpayments to minority interests in unincorporated firms*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2008 to 31 December 2009

€ '000	*Subscribed capital*	*Capital reserve*	*Retained earnings*	*Balancing item from currency translation*	*Accumu-lated other equity*	*Unap-propriated group profit*	*Ownership interest of Hawesko Holding AG share-holders*	*Non-controlling interests*	*Share-holders' equity*
31/12/2008	**13,497**	**6,491**	**33,822**	**–5**	**–1,614**	**24,390**	**76,581**	**587**	**77,168**
Change in consolidated companies	–	–	–	–	–	–	–	34	34
Appropriation to retained earnings	–	–	7,200	–	–	–7,200	–	–	–
Dividends	–	–	–	–	–	–10,602	–10,602	–177	–10,779
Deferred taxes on operations within equity	–	–	–	–	–51	–	–51	–	–51
Overall result	–	–	–	2	2,643	13,103	15,748	51	15,799
31/12/2009	**13,497**	**6,491**	**41,022**	**–3**	**978**	**19,691**	**81,676**	**495**	**82,171**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2009 to 31 December 2010

€ '000	*Subscribed capital*	*Capital reserve*	*Retained earnings*	*Balancing item from currency translation*	*Accumu-lated other equity*	*Unap-propriated group profit*	*Ownership interest of Hawesko Holding AG share-holders*	*Non-controlling interests*	*Share-holders' equity*
31/12/2009	**13,497**	**6,491**	**41,022**	**–3**	**978**	**19,691**	**81,676**	**495**	**82,171**
Appropriation to retained earnings	–	–	6,102	–	–	–6,102	–	–	–
Capital increase for contribution in kind	212	3,531	–	–	–	–	3,743	–	3,743
Treasury shares	–	39	221	–	–	–	260	–	260
Partial disposals	–	–	31	–	–	–	31	73	104
Successive acquisition	–	–	–77	–	–	–	–77	–	–77
Dividends	–	–	–	–	–	–11,927	–11,927	–156	–12,083
Overall result	–	–	–	73	–978	19,987	19,082	339	19,421
31/12/2010	**13,709**	**10,061**	**47,299**	**70**	**0**	**21,649**	**92,788**	**751**	**93,539**

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2010

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2010	**10,895**	**9,462**	**1,090**	**21,447**
Extension on the basis of consolidation	–	–	–	–
Additions	455	–	895	1,350
Disposals	–351	–	–	–351
Appreciation	–	107	–	107
Transfers	116	–	–	116
POSITION AT 31/12/2010	**11,115**	**9,569**	**1,985**	**22,669**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2010	**6,462**	**3,360**	**–**	**9,822**
Extension on the basis of consolidation	–	–	–	–
Additions	1,464	303	–	1,767
Disposals	–350	–	–	–350
Write-ups	–	–	–	–
Transfers	51	–	–	51
POSITION AT 31/12/2010	**7,627**	**3,663**	**–**	**11,290**
CARRYING AMOUNTS				
POSITION AT 31/12/2010	**3,489**	**5,906**	**1,984**	**11,379**

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 1/1/2010	**31,013**	**22,543**	**339**	**53,895**
Extension on the basis of consolidation	–	–	–	–
Additions	812	2,494	399	3,705
Disposals	–1,460	–3,088	–	–4,548
Appreciation	–	17	–	17
Transfers	664	–47	–734	–117
POSITION AT 31/12/2010	**31,029**	**21,919**	**4**	**52,952**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2010	**18,009**	**15,479**	**–**	**33,488**
Extension on the basis of consolidation	–	–	–	–
Additions	1,463	2,334	–	3,797
Disposals	–1,460	–2,947	–	–4,407
Write-ups	–	17	–	17
Transfers	–	–53	–	–53
POSITION AT 31/12/2010	**18,012**	**14,830**	**–**	**32,842**
CARRYING AMOUNTS				
POSITION AT 31/12/2010	**13,017**	**7,089**	**4**	**20,110**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Participating interests*	*Securities*	*Other loans*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST						
POSITION AT 1/1/2010	**207**	**28**	**4,058**	**58**	**35**	**4,386**
Extension on the basis of consolidation	–	–	–	–	–	–
Additions	4	–	–	–	–	4
Disposals	–	–	–4,058	–1	–	–4,059
Appreciation	–	–	–	–	–	–
Transfers	–26	–	–	–	–35	–61
POSITION AT 31/12/2010	**185**	**28**	**–**	**57**	**–**	**270**
ACCUMULATED DEPRECIATION						
POSITION AT 1/1/2010	**–**	**5**	**–1,029**	**–**	**–**	**–1,024**
Extension on the basis of consolidation	–	–	–	–	–	–
Additions	–	–	1,029	–	–	1,029
Disposals	–	–	–	–	–	–
Write-ups	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
POSITION AT 31/12/2010	**–**	**5**	**–**	**–**	**–**	**5**
CARRYING AMOUNTS						
POSITION AT 31/12/2010	**185**	**23**	**–**	**57**	**–**	**265**

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2009

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2009	**10,188**	**8,409**	**41**	**18,638**
Extension on the basis of consolidation	1,545	1,053	–	2,598
Additions	345	–	1,072	1,417
Disposals	–1,206	–	–	–1,206
Appreciation	–	–	–	–
Transfers	23	–	–23	–
POSITION AT 31/12/2009	**10,895**	**9,462**	**1,090**	**21,447**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2009	**6,378**	**3,332**	**–**	**9,710**
Extension on the basis of consolidation	14	–	–	14
Additions	1,278	28	–	1,306
Disposals	–1,208	–	–	–1,208
Write-ups	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2009	**6,462**	**3,360**	**–**	**9,822**
CARRYING AMOUNTS				
POSITION AT 31/12/2009	**4,433**	**6,102**	**1,090**	**11,625**

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 1/1/2009	**30,835**	**21,756**	**33**	**52,624**
Extension on the basis of consolidation	–	306	–	306
Additions	275	2,601	326	3,202
Disposals	–97	–2,140	–	–2,237
Appreciation	–	–	–	–
Transfers	–	20	–20	–
POSITION AT 31/12/2009	**31,013**	**22,543**	**339**	**53,895**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2009	**16,620**	**15,358**	**–**	**31,978**
Extension on the basis of consolidation	–	232	–	232
Additions	1,446	1,978	–	3,424
Disposals	–57	–2,089	–	–2,146
Write-ups	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2009	**18,009**	**15,479**	**–**	**33,488**
CARRYING AMOUNTS				
POSITION AT 31/12/2009	**13,004**	**7,064**	**339**	**20,407**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Participating interests*	*Securities*	*Other loans*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST						
POSITION AT 1/1/2009	**207**	**18**	**3,626**	**59**	**–**	**3,910**
Extension on the basis of consolidation	–	–	–	–	–	–
Additions	–	10	442	–	35	487
Disposals	–	–	–10	–1	–	–11
Appreciation	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
POSITION AT 31/12/2009	**207**	**28**	**4,058**	**58**	**35**	**4,386**
ACCUMULATED DEPRECIATION						
POSITION AT 1/1/2009	**–**	**5**	**1,614**	**–**	**–**	**1,619**
Extension on the basis of consolidation	–	–	–	–	–	–
Additions	–	–	–2,643	–	–	–2,643
Disposals	–	–	–	–	–	–
Write-ups	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
POSITION AT 31/12/2009	**–**	**5**	**–1,029**	**–**	**–**	**–1,024**
CARRYING AMOUNTS						
POSITION AT 31/12/2009	**207**	**23**	**5,087**	**58**	**35**	**5,410**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2010 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 2010.

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 14 March 2011 for signing off at the Supervisory Board meeting devoted to the annual accounts on 24 March 2011.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2010 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:

- *Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (revised 2008)*

  IFRS 1 (revised 2008) has been generally restructured, with the changes including the deletion of obsolete transitional guidelines and minor changes to the texts.

- *Amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (revised 2008) – additional exemptions for first-time adopters*

  The amendments concern on the one hand exemptions for entities in the oil and gas industries and on the other hand establishing whether an arrangement contains a lease. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Amendments to IFRS 2 "Share-based Payment"*

  The IASB published amendments to IFRS 2 in June 2009, integrating IFRIC (International Financial Reporting Interpretations Committee) 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2: Group and Treasury Share Transactions" into the standard. The amended standard includes a clarification of the scope and accounting for group cash-settled share-based payments in the separate financial statements. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Amendments to IFRS 3 "Business Combinations" (revised 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised 2008)*

  The revised IFRS 3 published in January 2008 contains material changes to the application of the purchase method in business combinations. These concern in particular the measurement of non-controlling interests, the presentation of business combinations achieved in stages and the treatment of conditional purchase price components and transaction costs. In this connection the IASB made amendments to IAS (International Accounting Standard) 27 "Consolidated and Separate Financial Statements" that regulate the presentation of transactions for investments in subsidiaries that result in a loss of control or where the parent retains control. Minority interests are in addition now referred to as "non-controlling interests". The amendments had no material effect on the net worth, financial position and financial performance.

- *Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"*

  The amendments above all serve to clarify disclosures in the Notes and the classification as "held for sale". The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items*

  In July 2008 the IASB published a supplement to IAS 39 that contains a clarification of the accounting treatment of hedging relationships. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Annual Improvements Project 2009*

  These comprise a large number of more minor amendments to 12 existing standards. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 12 "Service Concession Arrangements"*

  The interpretation deals with accounting for obligations and rights acquired under service concession arrangements. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 15 "Agreements for the Construction of Real Estate"*

  IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 "Construction Contracts" and IAS 18 "Revenue". The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"*

  This interpretation contains specific guidance on hedge accounting for and identifying foreign currency exposure. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 17 "Distribution of Non-cash Assets to Owners"*

  IFRIC 17 includes guidance on the measurement of distributions of non-cash assets to shareholders. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 18 "Transfer of Assets from Customers"*

  IFRIC 18 deals with the accounting treatment of assets that an entity receives from customers and that it uses to provide services or goods for those customers. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

3. NEW IASB ACCOUNTING STANDARDS

The consolidated financial statements of Hawesko Holding AG have been prepared in accordance with all published financial reporting standards and interpretations of the IASB, the application of which was mandatory for the 2010 financial year, as endorsed by the European Union. The option of applying new standards and interpretations before they become binding is not exercised.

The following new or revised standards and interpretations have already been published but application is not yet mandatory for companies with a financial year ending 31 December 2010:

- *IFRS 1 "First-time Adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters" (endorsed on 30 June 2010)*
- *IFRS 9 "Financial Instruments" (not yet endorsed)*
- *IAS 24 "Related Party Disclosures" (endorsed on 19 July 2010)*
- *IAS 32 "Financial Instruments: Presentation – Classification of Rights Issues" (endorsed on 23 December 2009)*

- *IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (endorsed on 19 July 2010)*
- *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (endorsed on 23 July 2010)*

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

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

4. CONSOLIDATION PRINCIPLES

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

The consolidation of capital has until now always been performed on the basis of the 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 positive differences are carried as derivative goodwill on the basis of their economic content. Negative differences are booked through profit and loss. In the case of business combinations achieved in stages, remeasurement to be performed at the fair value of the shares held at the time of transfer of control. Transactions that do not lead to a loss of control are recognised income-neutrally as equity transactions for non-controlling interests. At the time of loss of control, all residual interests are remeasured at fair value through profit and loss.

The consolidation of joint ventures is performed on a pro rata basis according to the same principles. The goodwill arising was written off 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.

Non-controlling interests are measured either at fair value or at the pro rata fair value of the acquired assets or debts assumed. Following initial recognition, pro rata gains and losses are allocated without limit, as a result of which non-controlling interests may also show a negative balance.

The 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. Equity components of subsidiaries are translated at the corresponding historical rate at the time they arise. The exchange differences resulting from translation are reported as balancing items from currency translation within accumulated other equity or non-controlling interests.

5. RECOGNITION AND MEASUREMENT PRINCIPLES

Intangible assets acquired for consideration are measured at acquisition cost.

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

With the exception of goodwill from the consolidation of capital, there are no intangible assets with an indefinite useful life. Other intangible assets, whether self-constructed or acquired for consideration, are depreciated throughout their useful life, starting from the time of their use, by the straight-line method (generally between three and six and a half years).

Pursuant to IAS 23 borrowing costs for intangible assets were not capitalised, as the corresponding conditions were not satisfied.

Goodwill is not amortised but is instead tested for impairment on the basis of the recoverable amount for the cash-generating unit to which the goodwill is allocated. The impairment test is to be performed at the balance sheet date and then subsequently whenever there is evidence of impairment. The recoverable amount for a cash-generating unit is determined on the basis of the fair value less disposal costs. The fair value is calculated on the basis of future cash flows according to group planning. Discounting of the forecast cash flows is performed using a risk-adjusted interest rate. Capital market data is used in determining the risk-oriented interest rate. If the carrying amount of the cash-generating unit exceeds the recoverable amount, the allocable goodwill is to be impaired by the difference. If the impairment exceeds the carrying amount of the goodwill, the excess amount is to be distributed pro rata among the other assets of the cash-generating unit.

Property, plant and equipment are valued at their acquisition cost and depreciated by the straight-line method in accordance with their useful life. Pursuant to IAS 23 borrowing costs for items of property, plant and equipment were not capitalised, as the corresponding conditions were not satisfied.

Rented or leased assets in the economic ownership of the Hawesko Group (finance leases) are capitalised within fixed assets at the present value of the minimum lease payments or at fair value if lower, and depreciated by the straight-line method. The present value of lease obligations from future lease payments is recognised as a liability. All other rental agreements or leases are classified as operating leases.

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

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT

Buildings	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. Pursuant to IAS 23 borrowing costs for inventories were not capitalised.

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 assets and debts reported in foreign currency at the balance sheet are translated at the prevailing exchange rate. The foreign currency gains and losses resulting from this translation are booked through profit and loss.

A *financial instrument* is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. 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. Financial instruments are stated as soon as a group company becomes party to the contractual regulations of the financial instrument. Within the group, regular way purchases or sales of financial assets are fundamentally recognised at the settlement date. Derivative financial instruments are recognised at the trade date.

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

Securities are categorised as *financial assets available for sale.* They are recognised at fair value, which is determined using publicly listed market prices. If the fair value cannot reliably be determined, they are measured at cost. 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.

Receivables and other assets are fundamentally recognised upon delivery, i.e. at the settlement date. Initial recognition is at fair value. Subsequent measurement is at amortised cost. Any necessary reductions for impairment, which are based on the probable 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, the probability of customer bonus liabilities being redeemed, the reporting and measurement of provisions 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.

Current tax expense comprises the actual income tax expense. The tax liabilities and receivables mainly comprise liabilities and claims for domestic and foreign income tax. They contain both the current year and any liabilities and claims from previous years. The liabilities and claims are created on the basis of the fiscal provisions in the countries of the respective business activities. *Deferred taxes* result from the temporarily divergent valuations in the IFRS consolidated balance sheet and the respective tax balance sheet values for these asset and liability items. Deferred tax assets on fiscally realisable loss carryforwards are capitalised if it is 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.

CONSOLIDATED COMPANIES

6. CONSOLIDATED COMPANIES

The group under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 23 (previous year: 22) domestic and foreign companies, as well as one domestic joint venture and its foreign subsidiary, in which Hawesko Holding AG directly or indirectly holds a majority of voting rights or over which it exercises joint control.

FULLY CONSOLIDATED SUBSIDIARIES

	Registered office	*Segment*	*Shareholding* in %
Alexander Baron von Essen Weinhandels GmbH	Tegernsee	Wholesale	92.5
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	Hamburg	Wholesale	100.0
Deutschwein Classics GmbH & Co. KG	Bonn	Wholesale	95.0
Gebr. Josef und Matthäus Ziegler GmbH	Freudenberg	Wholesale	100.0
Global Wine AG	Zurich (Switzerland)	Wholesale	83.96
Le Monde des Grands Bordeaux Château Classic SARL	St-Christoly, Médoc (France)	Wholesale	90.0
Wein Wolf Holding GmbH & Co. KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	Wholesale	100.0
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg (Austria)	Wholesale	100.0
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	Wholesale	100.0
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	Wholesale	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Salzburg (Austria)	Specialist wine-shop retail	100.0
Jacques-IT GmbH	Vaterstetten	Specialist wine-shop retail	100.0
Multi-Weinmarkt GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Viniversitaet Die Weinschule GmbH	Düsseldorf	Specialist wine-shop retail	100.0
Carl Tesdorpf GmbH	Luebeck	Mail order	97.5
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	Mail order	100.0
Sélection de Bordeaux SARL	St-Christoly, Médoc (France)	Mail order	100.0
The Wine Company Hawesko GmbH, formerly *»Châteaux et Domaines« Weinhandelsgesellschaft mbH*	Hamburg	Mail order	100.0
Winegate New Media GmbH	Hamburg	Mail order	100.0
IWL Internationale Wein Logistik GmbH	Tornesch	Miscellaneous	100.0
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H	Hamburg	Miscellaneous	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 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	31/12/2010	31/12/2009
Non-current assets	4	6
Current assets	1,686	1,646
ASSETS	**1,690**	**1,652**
Shareholders' equity	1,066	973
Short-term provisions and liabilities	624	679
EQUITY AND LIABILITIES	**1,690**	**1,652**

SHARE OF INCOME AND EXPENSES

€ '000	31/12/2010	31/12/2009
Sales revenues	2,375	2,161
Other operating income	86	40
Cost of materials	−1,385	−1,284
Personnel expenses	−174	−165
Depreciation and amortisation	−2	−1
Other operating expenses	−383	−340
RESULT FROM OPERATIONS	**517**	**411**
Interest income	6	7
Interest expense	–	−4
RESULT FROM ORDINARY ACTIVITIES	**523**	**414**
Taxes on income	−103	−89
NET INCOME	**420**	**325**

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 2010* € '000
Wein Wolf Import GmbH	Bonn	100.0	46	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	32	1
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	100.0	25	0
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	100.0	59	6
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	33	2
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	95.0	29	1
C.C.F. Fischer GmbH	Tornesch	100.0	21	−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 2010 were € –8 thousand.

7. CHANGE IN CONSOLIDATED COMPANIES

"Châteaux et Domaines" Weinhandelsgesellschaft mbH, which was not previously included in consolidation, was renamed as the subsidiary *The Wine Company Hawesko GmbH.* The subsidiary *The Wine Company Hawesko GmbH* was included in the consolidated companies for the first time in 2010. The initial consolidation of the company is of minor significance for the net worth, financial position and financial performance of the Hawesko Group.

In December 2010 a further 3% limited partner's share in *Deutschwein Classics GmbH & Co. KG,* Bonn, was acquired. The increase in the limited partner's share to a present 95% is of minor significance for the net worth, financial position and financial performance.

In May 2010 a further 7.5% share in *Carl Tesdorpf GmbH,* Lübeck, was acquired. The increase in the shareholding to a present 97.5% is of minor significance for the net worth, financial position and financial performance.

In July 2010 10.0% of the shares of *Global Wine AG,* Zurich, were sold. The reduction in the shareholding to a present 83.96% is of minor significance for the net worth, financial position and financial performance.

In January 2010 a further 15% limited partner's share in *Weinland Ariane Abayan GmbH & Co. KG,* Hamburg, was acquired. The increase in the limited partner's share to a present 100% is of minor significance for the net worth, financial position and financial performance. As a result of this acquisition, the shareholding in *Alexander Baron von Essen Weinhandels GmbH,* Tegernsee, increased from 84.85% to 92.5%.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

8. SALES REVENUES

€ '000	2010	2009
Specialist wine-shop retail	115,843	114,151
Wholesale	161,768	127,977
Mail order	100,013	96,294
Miscellaneous	88	79
	377,712	**338,501**

The sales revenues include € 171 thousand from counter-transactions, mainly in respect of advertising services.

9. OTHER OPERATING INCOME

€ '000	2010	2009
Rental income	6,784	6,768
Advertising expense subsidies	5,016	3,781
Income from cost refunds	2,313	2,516
Income from the liquidation of provisions	292	444
Miscellaneous	3,644	1,815
	18,049	**15,324**

10. PERSONNEL EXPENSES

€ '000	2010	2009
Wages and salaries	31,995	28,786
Social security and other pension costs	5,237	4,559
– of which in respect of old age pensions	*202*	*117*
	37,232	**33,345**

The employee benefit expenses include payments from defined contribution plans totalling € 171 thousand (previous year: € 115 thousand) and from defined benefit plans totalling € 31 thousand (previous year: € 2 thousand).

11. DEPRECIATION AND AMORTISATION

€ '000	2010	2009
Intangible assets	1,762	1,306
Property, plant and equipment	3,798	3,424
	5,560	**4,730**

In the year under review amortisation of goodwill from the consolidation of capital amounting to € 276 thousand was carried out (see Note 16).

12. OTHER OPERATING EXPENSES

€ '000	2010	2009
Advertising	30,785	27,815
Commissions to partners	30,103	29,286
Delivery costs	12,795	11,384
Rental and leasing	8,734	8,754
IT and communication costs	2,067	2,308
Legal and consultancy costs	1,608	1,465
Other personnel expenses	1,135	854
Miscellaneous	12,273	11,294
	99,500	**93,160**

13. FINANCIAL RESULT

€ '000	2010	2009
Interest income	57	66
Interest expense	–204	–422
Interest for finance leases	–417	–489
Changes in fair value of interest hedging transactions	24	–7
Expenses from other derivatives	–553	–589
Income from financial assets and securities	3,270	294
Expense from the conversion of debt into equity	–396	–
Net profit for the year due to minority interests in unincorporated subsidiaries	4	–281
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	–	–1,162
	1,785	**–2,590**
of which: from financial instruments of the classification categories pursuant to IAS 39		
Loans and receivables	57	66
Financial assets held for trading (FAHfT)	–	–12
Financial liabilities held for trading (FLHfT)	–529	–585
Available for sale financial assets (AfS)	3,270	294
Financial liabilities measured at amortised cost	–596	–1,864

14. TAXES ON INCOME AND DEFERRED TAX EXPENSES

€ '000	2010	2009
Current tax	5,474	4,949
Deferred tax liabilities	1,754	1,683
	7,228	**6,632**

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	2010	2009
Current year	5,464	4,718
Previous years	10	231
	5,474	**4,949**

Expenses for deferred taxes are attributable to the following:

€ '000	2010	2009
From restructuring measures with an effect on taxes	1,754	1,750
From loss carryforwards	–99	–100
Other temporary differences	99	33
	1,754	**1,683**

The actual tax expense for the year 2010 of € 7,228 thousand is € 647 thousand lower than the anticipated tax expense of € 7,875 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 28.61% (previous year: 28.57%) and is obtained as follows:

Trade tax (average municipal factor 365%)	12.78%
Corporation tax (15% of profits)	15.00%
Solidarity surcharge (5.5% of corporation tax)	0.83%
Total tax burden on pre-tax earnings	**28.61%**

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

€ '000	2010	2009
Anticipated tax expense	7,875	5,653
Use of tax loss carryforwards on basis of a single-entity relationship for trade tax	–	–
Reclassification of minority interest	270	581
Tax expenses/income unrelated to the accounting period	10	231
Nonrecognition of fiscal loss carryforwards	153	–41
Capitalisation of loss carryforwards	–520	–
Nondeductibility of remuneration for co-entre-preneurs in unincorporated firms	–	50
Tenancy and leasing commit-ments to be included	114	158
Nondeductible portion of Supervisory Board remuneration	38	31
Effect of divergent national tax rates	9	–152
Partially tax-free disposal of shares	–889	–
Other tax effects	168	121
ACTUAL TAX EXPENSE	**7,228**	**6,632**
Effective tax rate %	26.26	33.51

In the previous year an unrealised gain from the increased fair value in respect of the shares in *Majestic Wine PLC* amounting to € 2,643 thousand was recognised directly within equity. Deferred tax liabilities of € 51 thousand were created for this. As a result of the disposal of the investment in *Majestic Wine PLC,* € 1,029 thousand of this item including deferred taxes of € 51 thousand were recognised in profit and loss.

15. EARNINGS PER SHARE

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

	2010	2009
Consolidated earnings (€ '000)	19,987	13,103
Average number of shares ('000)	8,915	8,835
Basic earnings per share (€)	2.24	1.48

At the time of preparation of the consolidated financial statements there were 8,983,403 shares outstanding.

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. 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 66–69.

€ '000	31/12/2010	31/12/2009
Software	3,489	4,433
Other intangible assets including advance payments	2,024	1,157
Goodwill from the consolidation of capital	5,866	6,035
	11,379	**11,625**

The item "Software" includes the development of an IT system, completed during 2007, for registering orders and processing customers in the mail-order segment at a cost of € 244 thousand (previous year: € 361 thousand) by way of a self-constructed asset. Depreciation amounting to € 117 thousand (previous year: € 117 thousand) was performed. The residual useful life of the self-constructed asset is 25 months.

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

€ '000	*Acquisition cost* 01/01/2010	*Adjustment to initial consolidation*	*Accumulated impairment* 31/12/2010	*Carrying amount* 31/12/2010
Wein Wolf Group	6,690	–	2,209	4,481
Le Monde des Grands Bordeaux C.C. SARL	615	–	426	189
Carl Tesdorpf GmbH	457	–	457	–
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	47	–	11	36
Sélection de Bordeaux SARL (formerly Edition Reiss SARL)	–19	–	–19	–
Jacques-IT GmbH	453	–	–	453
Global Wine AG	600	107	–	707
The Wine Company Hawesko GmbH formerly "Châteaux et Domaines" Weinhandelsgesellschaft mbH	–2	–	–2	–
	8,841	**107**	**3,082**	**5,866**

In the year under review there was a purchase price adjustment for the acquisition of *Global Wine AG,* because the conditions of the agreed earn-out clause will probably be met. The adjustment was made income-neutrally against goodwill and was simultaneously recognised as a liability.

For purposes of testing for impairment, the carrying amount of the cash-generating unit is compared with its recoverable amount. The recoverable amount is determined as the fair value less disposal costs based on the future cash flows. The anticipated cash flows for future years are rolled over in group planning for the next three years and discounted at the balance sheet date. The calculation is based on a risk-adjusted growth rate of 0.75% (previous year: 0.75%), and the after-tax rates for purposes of discounting the cash flows were 6.51–6.69% in 2010 (previous year: 7.12–7.25%). An impairment of € 276 thousand was applied to the goodwill of Carl Tesdorpf GmbH in the reporting period. The negative difference from the initial consolidation of *The Wine Company Hawesko GmbH* (formerly *"Châteaux et Domaines" Weinhandelsgesellschaft mbH)* was collected in full in the year under review.

17. 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 66–69.

€ '000	31/12/2010	31/12/2009
Land and buildings, including buildings on third-party land	13,017	13,004
Other fixtures and fittings, tools and equipment	7,089	7,064
Advance payments and construction in progress	4	339
	20,110	**20,407**

The carrying amount of the land and buildings in finance lease totalled € 3,692 thousand at 31 December 2010 (previous year: € 5,519 thousand). These are not freely at the company's disposal. For additional notes, please refer to pages 88–89 (cf. Note 31).

18. OTHER FINANCIAL ASSETS

The development in financial assets for the year under review and for the previous year is shown in the consolidated assets movement schedule on pages 66–69.

€ '000	31/12/2010	31/12/2009
Shares in affiliated companies	185	207
Participating interests	23	23
Securities	–	5,087
Other loans	57	58
Advance payments	–	35
	265	**5,410**

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	31/12/2010	31/12/2009
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
The Wine Company Hawesko GmbH formerly "Châteaux et Domaines" Weinhandelsgesellschaft mbH	–	26
Weinland Ariane Abayan Verwaltungs GmbH	24	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
	185	**207**

The participating interests (€ 23 thousand) relate to the interest of € 13 thousand held in *Vera Maria Bau Consulting GmbH,* Bonn, as well as a limited partner's share in *PENTOS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tornesch KG* amounting to € 10 thousand.

The investment in *Majestic Wine PLC* was disposed of in the year under review, with the result that the item "Securities" ceased to exist in the year under review (previous year: € 5,087 thousand).

The other loans amounting to € 57 thousand (previous year: € 58 thousand) relate to one (previous year: one) loan to an employee. The loan accrues interest at 6 % and matures in August 2015.

19. DEFERRED TAX LIABILITIES

€ '000	31/12/2010	31/12/2009
Previous year	5,562	7,293
Increase	623	528
Decrease	–1,551	–1,470
Offsetting	–757	–789
	3,877	**5,562**

Deferred tax assets are made up as follows:

€ '000	31/12/2010	31/12/2009
Temporary differences:		
– From restructuring measures with an effect on taxes	3,631	5,363
– From loss carryforwards	558	459
– From the fair value measurement of derivative financial instruments	–	14
– From finance leases	262	410
– From inventories	53	49
– From provisions for pensions	124	26
Other	6	30
Offsetting	–757	–789
	3,877	**5,562**

The reported deferred tax assets from loss carryforwards relate to the tax loss carryforwards that are available for future use for the subsidiaries *Wein Wolf Import GmbH & Co. Vertriebs KG,* Salzburg, and *Jacques' Wein-Depot Wein-Einzelhandel GmbH,* Salzburg.

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 € 1,696 thousand per year for the above companies.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 2,033 thousand (previous year: € 3,999 thousand), for which no deferred tax assets were reported in the balance sheet.

There were no derivative financial instruments in the year under review and therefore no longer any related deferred tax assets. In the previous year deferred tax credit balances totalling € 14 thousand had been reported as a result of the recognition of derivative financial instruments at fair value.

A sum of € 2,425 thousand (€ 1,808 thousand) is expected to be realised from the deferred tax assets within twelve months.

20. INVENTORIES

€ '000	31/12/2010	31/12/2009
Raw material and consumables used	1,151	1,016
Work in progress	3,175	3,179
Finished goods and merchandise	63,599	59,319
Advance payments	22,280	7,608
	90,205	**71,122**

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

Inventories totalling € 2,521 thousand (previous year: € 3,871 thousand) were recognised at their net realisable value. A reversal of impairment totalling € 90 thousand (previous year: addition of € 70 thousand) was reported under the cost of materials in the result for the year under review.

It is possible that individual items within inventories are not turned over within the course of one year. That is particularly possible in the case of higher-quality wines and spirits. It is therefore not possible to make any liquidity forecasts on the basis of the inventories reported.

21. RECEIVABLES AND OTHER ASSETS

€ '000	31/12/2010	31/12/2009
Trade receivables (gross)	*47,166*	*43,654*
Less uncollectable receivables	*–484*	*–610*
Trade receivables	**46,682**	**43,044**
Accounts receivable from taxes on income	828	743
Other receivables and other assets	3,732	2,650
	51,242	**46,437**
Of which with a term of		
– up to 1 year	50,176	45,503
– over 1 year	1,066	934

€ '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*
	31/12/2010						
Trade receivables	46,682	35,264	9,703	1,039	290	199	88
	31/12/2009						
Trade receivables	43,044	32,769	8,647	873	154	248	35

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	2010	2009
Impairment at 1 January	610	631
Added	334	386
Used up	–423	–406
Liquidated	–37	–1
IMPAIRMENT AT 31 DECEMBER	**484**	**610**

Other receivables and other assets:

€ '000	31/12/2010	31/12/2009
Due from affiliated companies	–	3
Due from participating interests	97	59
Tax refund claims	446	144
Receivables from trade representatives	560	302
Rent deposits	715	722
Accrued costs	639	317
Miscellaneous	1,275	1,103
	3,732	**2,650**

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.

22. CASH IN BANKING ACCOUNTS AND CASH ON HAND

Cash in banking accounts and cash on hand totalling € 24,705 thousand (previous year: € 13,001 thousand) relates substantially to balances with banks.

23. SUBSCRIBED CAPITAL

The subscribed capital of Hawesko Holding AG amounts to € 13,708,934.14 (previous year: € 13,497,324.27) and is divided into 8,984,403 (previous year: 8,844,736) no par value bearer shares.

No treasury shares were held at 31 December 2010 (previous year: 9,902)

A regular dividend of € 1.35 was paid in the financial year, amounting to € 11,927 thousand in total (previous year: € 1.20 per share, € 10,602 thousand in total).

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, by issuing new no par value bearer shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right. With the permission of the Supervisory Board, the Board of Management is, however, authorised to exclude the shareholders' statutory subscription,

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

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

c) 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 previous year, the Board of Management resolved with the consent of the Supervisory Board to issue 138,667 shares to the value of € 211,609.87 from approved capital, against contribution in kind. The entry on the Commercial Register was made on 9 June 2010. The approved capital at 31 December 2010 amounted to € 6,140,553.86 (previous year: € 6,352,163.73).

24. CAPITAL RESERVE

€ '000	31/12/2010	31/12/2009
Capital reserve	10,061	6,491

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 capital reserve also includes the aforementioned capital increase (€ +3.4 million) from 2008 as well as the change from the retirement of treasury shares in the same year (€ –2.9 million). The costs for the capital increase for contribution in kind of € 55 thousand were likewise booked to the capital reserve net of taxes, with no effect on income.

An amount of € 3.6 million was allocated to the capital reserve in the year under review following the capital increase for contribution in kind explained in Note 23. The capital reserve also rose in the year under review as a result of the sale of treasury shares (€ 39 thousand).

25. RETAINED EARNINGS

€ '000	31/12/2010	31/12/2009
Retained earnings	47,299	41,243
Deduction for treasury shares	–	–221
	47,299	**41,022**

The group's retained earnings include amounts allocated in the past from earnings generated by companies included in the consolidated accounts. Treasury shares totalling € 221 thousand had been deducted from the retained earnings in the previous year, in agreement with IAS 32.

26. ACCUMULATED OTHER EQUITY

In the previous year an unrealised gain from the increased fair value in respect of the shares in *Majestic Wines PLC* amounting to € 2,643 thousand was recognised directly within equity. Deferred tax liabilities of € 51 thousand were created for this. As a result of the disposal of the investment in *Majestic Wine PLC,* € 1,029 thousand of this item including deferred taxes of € 51 thousand were recognised in profit and loss.

27. 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 € 16,768 thousand (previous year: € 12,355 thousand).

The individual components of the equity and its development in the years 2009 and 2010 are shown in the consolidated statement of movements in equity on page 65.

28. NON-CONTROLLING INTERESTS

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

29. PROVISIONS FOR PENSIONS

For old-age pension purposes, four (previous year: four) active employees and three (previous year: three) 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 € 31 thousand in the year under review (previous year: € 2 thousand). The expense comprises service cost of € 12 thousand (previous year: € 17 thousand), interest expense of € 32 thousand (previous year: € 30 thousand), payments made of € 19 thousand (previous year: € 19 thousand) and an actuarial loss of € 6 thousand (previous year: gain of € 26 thousand).

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

in %	2010	2009
Discounting rate	5.15	5.25
Pensions trend	1.00	1.00

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:

31/12/2010	31/12/2009	31/12/2008	31/12/2007	31/12/2006
648	617	615	585	683

Outpayments of € 19 thousand are expected for 2011.

30. OTHER PROVISIONS

€ '000	01/01/2010	*Drawn (D) Liquidated (L)*	*Allocated*	31/12/2010
Provisions for personnel	222	36 (D) – (L)	83	269

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 € 30 thousand (previous year: € 0 thousand). The provisions with a term of between one and five years total € 239 thousand (previous year: € 222 thousand). There are no provisions with a term of over five years, as in the previous year.

31. BORROWINGS

€ '000	31/12/2010	31/12/2009
Banks	3,283	1,245
Finance lease	4,608	6,960
	7,891	**8,205**
Of which with a term of:		
– up to 1 year	4,964	2,450
– 1 to 5 years	1,435	3,233
– over 5 years	1,491	2,522

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):

Term	*Credit facility* in T€ 2010	*Credit facility* in T€ 2009
Open-ended	23,000	36,000

The interest rates of short-term loans raised in 2010 were between 1.17% and 1.67% (previous year: between 1.24% and 3.95%).

Borrowings from banks all have a term of up to one year.

The finance lease liabilities at 31 December 2010 can be reconciled as follows:

in T€	*Term up to 1 year*	*Term over 1 and up to 5 years*	*Term over 5 years*	*Total*
Minimum lease payments	1,914	1,992	1,722	**5,628**
Interest component	232	557	231	**1,020**
Principal repaid	1,682	1,435	1,491	**4,608**

The leased object here is the mail-order logistics centre in Tornesch, near Hamburg, which has been leased for a total period of 22.5 years. For 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 exists a purchase option for the property at the end of the contract's term. The lease has been classified as a financial lease, as the present value of the minimum lease payments in essence corresponds to the fair value of the 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.

An office building was also reported under the liabilities in the previous year. The option of buying this building back ahead of schedule was used in the year under review. The purchase price was € 1.6 million, including € 0.2 million for the land. The residual useful life is eight years.

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:

		Cash flows											
		2011			2012			2013–2015			> 2015		
€ '000	*Carrying amount 31/12/2010*	*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	3,283	–	–5	3,283	–	–	–	–	–	–	–	–	–
Finance lease liabilities	4,608	–232	–	–1,682	–171	–	–331	–386	–	–1,104	–231	–	–1,491
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
Forward exchange transactions without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–

32. OTHER LIABILITIES

€ '000	31/12/2010	31/12/2009
Minority interest in the capital of unincorporated subsidiaries	4	2,605
Advances received	21,423	5,871
Trade payables	52,996	49,041
Income taxes payable	2,829	3,366
Other liabilities	21,891	21,190
	99,143	**82,073**
Of which with a term of:		
– up to 1 year	82,650	79,827
– 1 to 5 years	16,493	2,246
– over 5 years	–	–

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

During the financial year, the outstanding 15% capital of the unincorporated subsidiary *Weinland Ariane Abayan GmbH & Co. KG* was transferred to Hawesko Holding. In the context of this transfer from borrowed capital to equity capital, the reported minority interest fell by € 2,600 thousand.

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 2011 and 2012.

The advances received include liabilities with a term of between one and five years totalling € 16,355 thousand (previous year: € 2,198 thousand).

The other liabilities include liabilities with a term of between one and five years totalling € 138 thousand (previous year: € 48 thousand). There no longer exist any other liabilities with a term of over 5 years, as in the previous year.

The other liabilities are composed of the following:

€ '000	31/12/2010	31/12/2009
Sales tax and other taxes	9,834	9,819
Liabilities in respect of social insurance	209	157
Liabilities to employees	5,565	4,675
Customer bonuses	3,541	3,573
Derivative financial instruments	–	614
Liabilities to other company members	6	22
Due to affiliated companies	98	125
Miscellaneous	2,638	2,205
	21,891	**21,190**

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

€ '000	31/12/2010	31/12/2009
The Wine Company Hawesko GmbH formerly "Châteaux et Domaines" Weinhandelsgesellschaft mbH	–	27
C.C.F. Fischer GmbH	21	22
Deutschwein Classics Verwaltungsgesellschaft mbH	1	1
Wein Wolf Holding Verwaltungs GmbH	1	1
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg	41	41
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	34	33
	98	**125**

33. DEFERRED TAX LIABILITIES

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

DEFERRED TAXES

€ '000	31/12/2010	31/12/2009
Fixed assets	696	721
Inventories	206	186
Trade receivables	127	99
Other assets	21	8
Offset against deferred tax assets	−757	−738
	293	**276**

Pursuant to IAS 12.39(b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 338 thousand (previous year: € 337 thousand) because it is improbable that these temporary differences will reverse in the foreseeable future.

34. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

Carrying amounts, stated amounts and fair values by classification category, 2010:

€ '000	Classification category acc. to IAS 39	Carrying amount 31/12/2010	Wertansatz Bilanz nach IAS 39				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2010
			Acquisition cost	Amortised cost	Fair value in equity	Fair value through profit and loss		
ASSETS								
Cash	LaR	24,705	–	24,705	–	–	–	24,705
Trade receivables	LaR	46,682	–	46,682	–	–	–	46,682
Receivables and other assets								
– Other receivables	LaR	3,732	–	3,732	–	–	–	3,732
Financial assets								
– Other loans	LaR	57	–	57	–	–	–	57
– Available for sale financial assets	AfS	208	208	–	–	–	–	n.a.
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	4	–	4	–	–	–	n.a.
Trade payables	FLAC	52,996	–	49,040	–	–	–	49,040
Due to banks	FLAC	3,283	–	3,283	–	–	–	3,283
Finance lease liabilities	n.a.	4,608	–	–	–	–	4,608	5,177
Other liabilities								
– Other liabilities	FLAC	21,891	–	21,891	–	–	–	21,891
Of which aggregated by classification category acc. to IAS 39:								
– Loans and receivables (LaR)		75,175	–	75,175	–	–	–	75,175
– Available for sale financial assets (AfS)		208	208	–	–	–	–	n.a.
– Financial liabilities measured at amortised cost (FLAC)		78,170	–	74,214	–	–		74,214

Carrying amounts, stated amounts and fair values by classification category, 2009:

€ '000	*Classification category acc. to IAS 39*	*Carrying amount 31/12/2009*	*Wertansatz Bilanz nach IAS 39* Acquisition cost	Amortised cost	Fair value in equity	Fair value through profit and loss	*Stated amount in balance sheet acc. to IAS 17*	*Fair value 31/12/2009*
ASSETS								
Cash	LaR	13,001	–	13,001	–	–	–	13,001
Trade receivables	LaR	43,044	–	43,044	–	–	–	43,044
Receivables and other assets								
– Other receivables	LaR	2,650	–	2,650	–	–	–	2,650
– Derivatives without hedging relationship	FAHfT	0	–	–	–	0	–	0
Financial assets								
– Other loans	LaR	58	–	58	–	–	–	58
– Available for sale financial assets	AfS	266	266	–	–	–	–	n.a.
– Available for sale financial assets at fair value	AfS	5,087	–	–	5,087	–	–	5,087
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	2,605	–	2,605	–	–	–	n.a.
Trade payables	FLAC	49,041	–	49,041	–	–	–	49,041
Due to banks	FLAC	1,245	–	1,245	–	–	–	1,245
Finance lease liabilities	n.a.	6,960	–	–	–	–	6,960	7,853
Other liabilities								
– Other liabilities	FLAC	20,576	–	20,576	–	–	–	20,576
– Derivatives without hedging relationship	FLHfT	614	–	–	–	614	–	614
Of which aggregated by classification category acc. to IAS 39:								
– Loans and receivables (LaR)		58,753	–	58,753	–	–	–	58,712
– Available for sale financial assets (AfS)		5,353	266	–	5,087	–	–	n.a.
– Financial assets held for trading (FAHfT)		0	–	–	–	0	–	0
– Financial liabilities measured at amortised cost (FLAC)		70,861	–	70,861	–	–	0	70,861
– Financial liabilities held for trading (FLHfT)		614	–	–	–	614	–	614

Measurement categories acc. to IFRS 7.27:

€ '000	31/12/2010 Level 1	Level 2	Level 3	Summe	31/12/2009 Level 1	Level 2	Level 3	Total
ASSETS								
Available for sale financial assets (AfS)	–	–	–	–	5,087	–	–	5,087
Financial assets held for trading (FAHfT)	–	–	–	–	–	0	–	0
EQUITY AND LIABILITIES								
Financial liabilities held for trading (FLHfT)	–	–	–	–	–	614	–	614

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

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

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

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

The fair value of the other long-term receivables and of the other loans with maturity dates of more than 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, 2010:

€ '000	*From interest*	*From subsequent measurement: At fair value*	*From subsequent measurement: At amortised cost*	*From subsequent measurement: Currency translation*	*From subsequent measurement: Impairment*	*From disposal*	*Net earnings 2010*
Loans and receivables (LaR)	57	–	–	–	126	–	183
Available for sale financial assets (AfS)	–	3,270	–	–	–	–	3,270
Financial instruments held for trading (FAHfT + FLHfT)	–	–529	–	–	–	–	–529
Financial liabilities measured at amortised cost (FLAC)	–204	–	–392	155	–	–	–441
TOTAL	**–147**	**2,741**	**–392**	**155**	**126**		**2,483**

NET EARNINGS BY CLASSIFICATION CATEGORY, 2009:

€ '000	*From interest*	*From subsequent measurement: At fair value*	*From subsequent measurement: At amortised cost*	*From subsequent measurement: Currency translation*	*From subsequent measurement: Impairment*	*From disposal*	*Net earnings 2009*
Loans and receivables (LaR)	66	–	–	–	21	–	87
Available for sale financial assets (AfS)	–	294	–	–	–	–	294
Financial instruments held for trading (FAHfT + FLHfT)	–	–596	–	–	–	–	–596
Financial liabilities measured at amortised cost (FLAC)	–421	–	–1,443	7	–	–	–1,857
TOTAL	**–355**	**–302**	**–1,443**	**7**	**21**	**–**	**–2,072**

The interest from financial instruments is reported under the interest result (cf. also Note 13). The remaining components of net earnings are likewise reported by Hawesko Holding under the financial result, except for the impairment on trade receivables in the classification category loans and receivables, which is reported under miscellaneous other operating expenses. The income and expenses from currency translation for trade liabilities are included in the other operating income and other operating expenses.

The effects on earnings of the financial instruments held for trading are dictated exclusively by the market and are not based on changes in 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 2010:

€ '000	31/12/2010	31/12/2009
Advance payments outstanding	2,116	559
Guarantees	712	289
Contractual obligations	–	365

Obligations relating to advance payments outstanding for subscriptions received as at 31 December 2010 were repaid at the start of 2011.

The minimum total for non-discounted future lease and rental payments amounts to € 10,042 thousand (previous year: € 9,015 thousand). The global obligations for lease and tenancy agreements are due as follows:

€ '000	
Up to 1 year	7,821
Over 1 year, up to 5 years	1,759
Over 5 years	462
	10,042

The other financial obligations from tenancy and lease agreements mainly relate to rented shop premises for the specialist retailing of wine, and a piece of land classified as an operating lease. There exists a purchase option for the property at the end of the contract's term.

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. As in the previous year, no forward exchange transactions were recognised at the reporting date.

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

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

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

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

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

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

If the market rate had been 100 base points higher or lower at 31 December 2010, earnings would have been marginally lower or higher (previous year: € 0.1 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 31).

Hedges/derivative financial instruments

There were no longer any derivative financial instruments at 31 December 2010.

The following table shows the previous year's reported fair values of the various derivative financial instruments, which were concluded without effective hedging relationships pursuant to IAS 39:

	Nominal volume		*Fair value*	
€ '000	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Interest hedging transactions with a positive market value at the reporting date	–	7,000	–	0
Interest hedging transactions with a negative market value at the reporting date	–	5,000	–	–24

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

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 cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) permanently higher than 16% is the aim. A rate of return of 25.3% was achieved in the year under review (previous year: 21.7%).

38. EMPLOYEES

The average number of employees was as follows:

GROUP

	2010	2009
Commercial and industrial employees	662	625
Apprentices	24	23
	686	**648**

The average number of employees of joint ventures included pro rata in the 2010 financial year was 20 (previous year: 18).

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 € 567 thousand and interest payments received totalling € 31 thousand. The cash inflows from current operations of € 21,826 thousand (previous year: € 28,787 thousand) include the changes in cash and cash equivalents from operating activities. The cash inflows from investing activities of € 2,536 thousand (previous year: € –7,097 thousand) include inpayments from the disposal of securities (sale of investment in *Majestic Wine PLC).* 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	2010	2009	*Change*
Cash in banking accounts and cash on hand	24,705	13,001	11,704
Due to banks (current accounts)	–	–	–
Cash and cash equivalents at end of period	24,705	13,001	11,704

40. SEGMENT REPORTING

In agreement with the rules of IFRS 8, individual data from the annual financial statements is broken down by operating segment and, in agreement with the internal reporting arrangements of the Hawesko Group, the operating segments are organised according to sales form and customer group. Segment assets, segment investment and external sales are in addition categorised by region in the secondary reporting format. The regions shown are those in which the Hawesko Group operates.

External sales in the "Rest of Europe" segment (excluding Germany) of € 34,267 thousand comprise the countries France (34%), Austria (33%), Switzerland (26%), Czech Republic (7%) and Sweden (1%). The total external sales outside Germany amounted to 12% (previous year: 7%).

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

The segments comprise the following areas:

- The segment for specialist wine-shop retailing *(Jacques' Wein-Depot)* sells wine via a network of retail outlets which are run by independent agency partners. The specialist wine-shop retail segment also includes *Jacques-IT GmbH, 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. The wholesale segment operates in the Swiss wine market through *Global Wine AG*. 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, The Wine Company Hawesko 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. Intragroup 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 impairment) 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.

SEGMENT REPORTING	*Specialist wine-shop retail*		*Wholesale*		*Mail order*	
€ '000	2010	2009	2010	2009	2010	2009
SALES REVENUES	115,902	114,225	170,051	136,027	110,694	106,396
External sales	**115,843**	**114,151**	**161,768**	**127,977**	**100,013**	**96,294**
Internal sales	59	74	8,283	8,050	10,681	10,102
OTHER INCOME	**8,849**	**8,841**	**7,352**	**5,485**	**2,620**	**2,347**
External	8,849	8,809	7,172	5,368	1,297	992
Internal	–	32	180	117	1,323	1,355
EBITDA	**15,353**	**15,208**	**10,360**	**6,021**	**8,756**	**9,051**
Depreciation and amortisation	1,673	1,355	906	697	1,696*)	1,327
EBIT	**13,680**	**13,853**	**9,454**	**5,324**	**7,060**	**7,724**
FINANCIAL RESULT	**–22**	**–22**	**–1,031**	**–2,212**	**–306**	**–450**
Financial income	5	7	29	35	14	19
Financial expense	–27	–29	–1,060	–2,247	–320	–469
RESULT FOR SEGMENTS BEFORE TAXES	**13,658**	**13,831**	**8,423**	**3,112**	**6,754**	**7,274**
Taxes on income						
CONSOLIDATED NET INCOME						
Segment assets	36,186	35,718	102,578	83,915	46,515	37,796
Segment debts	21,516	20,836	62,527	41,289	21,297	14,754
Investment	1,453	2,787	2,140	2,170	1,152	829

**) In the year under review amortisation of goodwill from the consolidation of capital amounting to € 276 thousand was carried out.*

SALES BREAKDOWN BY REGION	*Group, consolidated*	
€ '000	2010	2009
Germany	333,798	314,672
Rest of Europe	34,267	18,382
Other	9,647	5,447
	377,712	**338,501**

	Miscellaneous		*Total*		*Reconciliation/ consolidation*		*Group, consolidated*	
	2010	2009	2010	2009	2010	2009	2010	2009
	19,768	18,638	416,415	375,286	−38,703	−36,785	377,712	338,501
	88	**79**	**377,712**	**338,501**			**377,712**	**338,501**
	19,680	18,559	38,703	36,785	−38,703	−36,785		
	2,174	**1,192**	**20,995**	**17,865**	**−2,946**	**−2,541**	**18,049**	**15,324**
	731	155	18,049	15,324			18,049	15,324
	1,443	1,037	2,946	2,541	−2,946	−2,541		
	−3,197	**−3,133**	**31,272**	**27,147**	**27**	**−38**	**31,299**	**27,109**
	1,285	1,351	5,560	4,730	–	–	5,560	4,730
	−4,482	**−4,484**	**25,712**	**22,417**	**27**	**−38**	**25,739**	**22,379**
	3,144	**94**	**1,785**	**−2,590**	**–**	**–**	**1,785**	**−2,590**
	4,158	1,446	4,206	1,507	−879	−1,147	3,327	360
	−1,014	−1,352	−2,421	−4,097	879	1,147	−1,542	−2,950
	−1,338	**−4,390**	**27,497**	**19,827**	**27**	**−38**	**27,524**	**19,789**
					−7,228	−6,632	−7,228	−6,632
							20,296	**13,157**
	171,303	157,762	356,582	315,191	−154,799	−141,627	201,783	173,564
	14,517	14,021	119,857	90,900	−10,866	−1,616	108,991	89,284
	310	1,675	5,055	7,461	–	–	5,055	7,461

INFORMATION BY REGION	*Investment*		*Non-current assets*	
€ '000	2010	2009	2010	2009
Germany	4,926	7,319	47,419	43,397
Rest of Europe	129	142	5,186	3,065
GROUP, CONSOLIDATED	**5,055**	**7,461**	**52,605**	**46,462**

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 25 March 2010 and is published on the internet at www.hawesko-holding.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*
Prof. Dr. Dr. Dr. Franz Jürgen Säcker	44	8	28	7	87
Gunnar Heinemann	32	6	9	–	47
Thomas R. Fischer	25	4	8	–	37
Jacques Héon	25	4	12	–	41
Angelika Jahr-Stilcken (until 19/08/2010)	14	2	3	–	19
Detlev Meyer (since 28/09/2010)	6	1	3	–	10
Manfred Middendorff (until 14/05/2010)	20	4	8	–	32
TOTAL	**166**	**29**	**71**	**7**	**273**

During the financial year there moreover existed business ties with Detlev Meyer, who holds a 29.5% interest in Hawesko Holding AG through Tocos Beteiligung GmbH. Goods to the value of € 34 thousand were purchased from a vineyard owned by Mr Meyer during the financial year. Goods to the value of € 26 thousand were moreover sold to PIUS WEIN-WELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence.

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	982	958	1,940
Bernd Hoolmans	550	426	976
Bernd G. Siebdrat	254	554	808
Ulrich Zimmermann	190	107	297
TOTAL	**1,976**	**2,045**	**4,021**

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

In the previous year, remuneration totalling € 3,389 thousand was paid to the Board of Management, comprising € 1,840 thousand in fixed pay and € 1,549 thousand in variable components.

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 24 months 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 Zimmerman 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 € 126 thousand (previous year: € 117 thousand) was recognised for this commitment at 31 December 2010.

The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay, having reached the age of 65. The company made a payment of € 10 thousand into a benevolent fund for this commitment during the year under review.

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 2010 financial year.

The balance sheet includes provisions for obligations in respect of the Board of Management and Supervisory Board totalling € 2,311 thousand (previous year: € 1,763 thousand).

At 31 December 2010, the Supervisory Board held 2,650,495 (previous year: 700) and the Board of Management 2,874,093 (previous year: 2,859,859) shares – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,695,192 (previous year: 2,680,742) directly and indirectly.

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

45. EXPENDITURE ON AUDITOR'S FEES

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

€ '000	2010	2009
Audit of financial statements	230	220
Tax consultancy	–	–
Other services	22	–
TOTAL	**252**	**220**

46. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No events occurred after the balance sheet date.

Hamburg, 14 March 2011

The Board of Management

Alexander Margaritoff   Bernd Hoolmans

Bernd G. Siebdrat   Ulrich Zimmermann

LIST OF SHAREHOLDINGS

in accordance with Section 313 (2) of the German Commercial Code (HGB) at 31 December 2010

	Registered Office	*Equity* € '000	*Share-holding* in %	*Net earnings 2010* € '000
A. DIRECT SHAREHOLDING				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	7,569 [1)]
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	13,649 [1)]
CWD Champagner und Wein Distributions-gesellschaft mbH & Co. KG	Hamburg	512	100	1,031
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	33	100	2
C.C.F. Fischer GmbH	Tornesch	21	100	–1
Wein Wolf Holding GmbH & Co. KG	Bonn	7,039	100	3,966
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	–296 [1)]
Le Monde des Grands Bordeaux Château Classic S.A.R.L.	Saint Christoly/ Medoc (France)	1,716	90	1,351
Sélection de Bordeaux S.A.R.L.	Saint Christoly/ Medoc (France)	8	100	–12
Global Wine AG	Zurich (Switzerland)	423	83.96	346
B. INDIRECT SHAREHOLDING				
Shareholdings of HAWESKO GmbH: *Winegate New Media GmbH*	Hamburg	26	100	0
Carl Tesdorpf GmbH	Luebeck	–645	97.5	–248
The Wine Company Hawesko GmbH, vormals: »Chateaux et Domaines« Weinhandels-gesellschaft mbH	Hamburg	–429	100	–456
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	27	100	–1
Shareholding of Jacques' Wein-Depot Wein-Einzelhandel GmbH: *Jacques Wein-Depot Weinhandels m.b.H.*	Salzburg (Austria)	160	100	72
Viniversitaet Die Weinschule Gesellschaft mit beschränkter Haftung	Düsseldorf	25	100	59 [1)]
Jacques-IT GmbH	Vaterstetten	25	100	11 [1)]
Multi-Weinmarkt GmbH	Düsseldorf	25	100	–2 [1)]
Shareholdings of Wein Wolf Holding GmbH & Co. KG: *Wein Wolf Import GmbH & Co. Vertriebs KG*	Salzburg (Austria)	679	100	445
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	59	100	6
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	431	100	65

	Registered Office	*Equity* € '000	*Share-holding* in %	*Net earnings 2010* € '000
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	3,360	100	3,645
Wein Wolf Import GmbH	Bonn	46	100	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	32	100	1
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,624	100	538
Alexander Baron von Essen Weinhandels-gesellschaft mbH	Tegernsee	960	41.5 3)	346
Global Eastern Wine Holding GmbH	Bonn	539	50	394
Shareholding of Wein Wolf Import GmbH & Co. Vertriebs KG: *Weinland Ariane Abayan GmbH & Co. KG*	Hamburg	1,231	100 2)	2,674
Weinland Ariane Abayan Verwaltungsgesellschaft mbH	Hamburg	25	100	0
Deutschwein Classics GmbH & Co. KG	Bonn	50	95	−77
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	29	95	1
Vera Maria Bau Consulting GmbH	Bonn	7	50	-8
Shareholding of Weinland Ariane Abayan GmbH & Co. KG: *Alexander Baron von Essen Weinhandelsgesellschaft mbH*	Tegernsee	960	51	346
Shareholding of Global Eastern Wine Holding GmbH: *Global Wines, s.r.o.*	Prague (Czech Republic)	1,718	66.6	856

1) before profit/loss transfer
2) of which 15% is held directly
3) 51% is held via Weinland Ariane Abayan GmbH & Co. KG

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, 14 March 2011

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 statement of comprehensive income, the statements of changes in shareholders' equity and cash flow and the notes to the consolidated financial statements – as well as the group management report, which has been combined with the parent company report – for the financial year from 1 January to 31 December 2010. 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, 24 March 2011

PriceWaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Niklas Wilke
Wirtschaftsprüfer

ppa. Matthias Kirschke
Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board reports below on its activities in the 2010 financial year. Hawesko Holding AG succeeded in posting an excellent result for the financial year. Yet such an outcome looked far from certain at the start of the year, with the crisis of 2009 a very recent memory. Nevertheless there were initial signs quite early on in the year that both the economy as a whole and the group's wine business in specific were improving. The wholesale segment in particular was able to recover from a difficult previous year, but *Jacques' Wein-Depot* and the mail-order segment likewise grew and were able to attract new customers in large numbers. Not only has the Hawesko Group succeeded in achieving its strongest ever market position; it has also further bolstered its sound financial basis. The company now intends to use these strengths which it has carved out for itself in the German market as a springboard to further international growth.

INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2010 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 informed by the Board of Management about the situation of the company both at its regular meetings and in individual conferences, and passed the necessary resolutions. Over and above its routine meetings, the Board of Management in addition reported to the Supervisory Board on other important matters. The regular oral and written reports submitted to the Supervisory Board pertained to the overall position of the company and current business developments as well as to the medium-term strategy of the company, including its investment, personnel, financial and earnings plans. Its deliberations focused on the economic development of the group companies and the future direction of Hawesko Holding AG.

The Supervisory Board held four ordinary meetings in the 2010 financial year to assure itself of the lawfulness and regularity of the company's management. 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 election of a new Chairman and Deputy Chairman, as well as the reconstituting of committees
- The future remuneration system for Board of Management members and its focus on sustainable corporate development
- The proposal that the Shareholders' Meeting appoint PricewaterhouseCoopers AG as auditors of the consolidated and annual financial statements for the 2010 financial year
- The disposal of the investment in *Majestic Wine PLC*
- The proposal to have Mr Detlev Meyer judicially appointed as a Supervisory Board member
- Personnel matters concerning the subsidiaries
- The acquisition and internationalisation strategy
- The further development of *Jacques' Wein-Depot* and the stronger focus of *Carl Tesdorpf – Weinhandel zu Lübeck* on the top market segment
- The future composition of the Supervisory Board to reflect the German Corporate Governance Code (diversity issues)
- Matters concerning compliance and integrity requirements within the group
- The business plans for 2011

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. In 2010 the Supervisory Board disclosed its approval of the Board of Management's application to dispose of the investment in *Majestic Wine PLC*.

Between its meetings, the Supervisory Board was given regular, up-to-date, detailed reports by the Board of Management on the development of the group. Considerable importance was attached to the reporting system, in the context of which monthly reports and accompanying comments were provided on key financial data and their status compared with the planning and prior-year figures. The Supervisory Board has acknowledged the principal planning and accounting documents and been able to assess their plausibility and appropriateness.

With one exception, all sitting members of the Supervisory Board attended the Supervisory Board meetings; the absent member had sent his apologies.

SUPERVISORY BOARD COMMITTEES

The Committee for Audit and Investment Affairs met twice in its composition up until 14 June 2010, and the Committee for Personnel Affairs in its previous composition on one occasion. The Personnel and Nominating Committee reconstituted on 14 June 2010 subsequently met five times and the Audit and Investment Committee, reconstituted on the same date, met twice. The Personnel Committee considered such matters as the problem of performance-based assessment criteria for the Board of Management's remuneration and personnel development at the group companies.

WORK OF THE AUDIT AND INVESTMENT COMMITTEE

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 2010 financial year, including the bookkeeping, were examined by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 14 June 2010. The auditors did not find any cause for objection and issued their unqualified opinion. The committee simultaneously monitored the independence of the auditors and obtained the corresponding declaration to that effect.

The Board of Management submitted the annual and consolidated financial statements, the combined management report for the group and the parent company for the 2010 financial year, and the audit reports of the independent auditors on the examination of the annual and consolidated financial statements and the Board of Management's proposal on the appropriation of earnings to the Audit and Investment Committee for review. At its meeting on 1 March 2011 the Audit and Investment Committee considered the financial statements of the affiliated companies 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 24 March 2011. Based on the conclusions of its examination, the Supervisory Board raises no objections.

It ratifies the annual and consolidated financial statements for 2010 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 2010 financial year for the distribution of a dividend of € 1.50 per no par value share and of a bonus dividend of € 0.25, in other words an overall dividend of € 1.75 per no par value share.

CORPORATE GOVERNANCE

On 24 March 2010 the Board of Management and Supervisory Board submitted the annual Declaration of Compliance in respect of the German Corporate Governance Code. The Declaration of Compliance approved today pursuant to Section 161 of German Stock Corporation Law is published separately in the Annual Report as part of the Corporate Governance Declaration along with disclosures on the principles of corporate management and the description of the modus operandi of the Board of Management and Supervisory Board (see page 111); the document is also available on the Internet at www.hawesko-holding.com. The Supervisory Board furthermore assessed its efficiency in a self-evaluation process.

CHANGE IN THE COMPOSITION OF MEMBERS OF THE SUPERVISORY BOARD

Mr Manfred Middendorff surrendered office by declaration dated 14 May 2010. His positive impact as Chairman of the Supervisory Board was already acknowledged at the Shareholders' Meeting in June 2010. He ensured that the Supervisory Board was able to exercise its role as the company management's controlling body with the necessary care and intensity. Mrs Angelika Jahr-Stilcken surrendered office by declaration dated 20 July 2010. She actively contributed towards the work of both the full Board and the Personnel Committee. Our sincere thanks are due to both Mrs Jahr-Stilcken and Mr Middendorff for their work on the Supervisory Board.

By resolution dated 28 September 2010, the Local Court of Hamburg appointed Mr Detlev Meyer as member of the Supervisory Board upon the application of the Board of Management. He was subsequently elected to the Personnel and Nominating Committee. At its meeting on 23 September 2010 in advance of the judicial resolution, the Supervisory Board had already explicitly welcomed the appointment of Mr Meyer by the court responsible and now proposes Mr Meyer to the Shareholders' Meeting for election as a regular Supervisory Board member, because Mr Meyer's mandate ends with the close of the Shareholders' Meeting. Mr Meyer will put himself forward for election at the Shareholders' Meeting on 20 June 2011.

Following in-depth consultations of the Personnel and Nominating Committee, the Supervisory Board in addition proposes Mrs Kim-Eva Wempe, personally liable and managing partner of Gerhard D. Wempe KG, as a new Supervisory Board member. She will be able to share her experience from successfully expanding and internationalising her company.

CONFLICTS OF INTEREST

No conflicts of interest concerning individual Supervisory Board members were disclosed to the Chairman.

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

Hamburg, 24 March 2011

The Supervisory Board

Prof. Dr. Dr. Dr. Franz Jürgen Säcker
Chairman

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT OF HAWESKO HOLDING AG BY THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

CORPORATE GOVERNANCE

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

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

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

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

Pursuant to Section 161 of 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 and are complied with, as well as declare which of these recommendations have not been or will not be complied with.

The Supervisory Board and Board of Management of Hawesko Holding AG, Hamburg, considered aspects of corporate governance on several occasions in the 2010 financial year and jointly declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated 26 May 2010 have been and are complied with by the company. In particular, the Supervisory Board will take account of the specialist and personal qualifications of candidates being proposed to the Shareholders' Meeting for election and, as in the past, heed the aspect of diversity in accordance with Article 5.4.1. of the Code.

The company nevertheless departs from the recommendations of the Code in the following respects:

– *Article 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. 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 new shares to the extent that they would be entitled following exercising of the option or conversion right or following fulfilment of the conversion obligation. Financing by means of bonds with option and conversion rights secures the company flexible access to financing. In the event of utilisation of the authorisation, the exclusion of the subscription right of shareholders means that the option or conversion price does not need to be reduced in order to maintain dilution protection for bearers of option or conversion rights.
2. insofar as the capital increase for contribution in kind is made particularly for the purpose of acquiring companies, parts of companies or participations in companies. The scope for excluding subscription rights in the case of capital increases for contribution in kind enables the Board of Management, with the approval of the Supervisory Board, to acquire companies or parts of companies or participations in companies in exchange for the transfer of shares in Hawesko Holding AG.
3. to eliminate residual amounts. The exclusion of the subscription right for residual amounts permits the utilisation of the requested authorisation in the form of rounded amounts, while retaining a practicable subscription ratio.
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 authorisation, 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. 4 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. The Board of Management and Supervisory Board consider the authorisation on the exclusion of subscription rights pursuant to Section 186 Para. 3 Sentence 4 of German Stock Corporation Law to

be necessary in order to exploit future opportunities on the capital market swiftly and flexibly, without needing to comply with the formal steps and statutory periods involved in a capital increase with subscription right.

– *Article 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, as the necessary requirements of consent (under the articles of incorporation) do not apply. Due to the peculiarity of bearer shares, the identity of these domestic and foreign financial services providers, shareholders and shareholder associations is not known to Hawesko Holding AG and it is currently not yet assured that the majority of them can be contacted by electronic means.
– *Article 4.2.3 of the Code:* the provisions envisaged in the contract of employment of the Chairman of the Board of Management in the event of a change of control may result in the recommended cap of 150% on compensation payments being exceeded. A contractual change during the term of the contract of employment is legally not possible. As announced in the previous year the Supervisory Board will without restriction implement the statutory requirements that focus on sustained long-term corporate results for new contracts, as soon as the existing contracts of the members of the Board of Management permit.
– *Article 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.

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

Organisation and management

The Hawesko Group is organised non-centrally. This organisational structure is useful because the wine trade depends to a great extent on exploiting personal contacts with both producers and customers. The parent company Hawesko Holding AG normally holds 100% or a majority of the shares in the subsidiaries, which are active predominantly in the wine trade. The significant operating incorporated firms within the consolidated companies – above all *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH* – are integrated into the group by means of profit transfer agreements with the holding company. Where the holding in a subsidiary is not 100%, the managing director holds a minority interest. The parent company Hawesko Holding AG and the majority of the subsidiaries (18) are domiciled in the Federal Republic of Germany. The subsidiaries not based in Germany are all domiciled in other European Union countries or in Switzerland.

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Strategy" section in the Management Report for the group and parent company).

The Board of Management uses EBIT and ROCE as the basis for its steering approach [1)]. The target minimum rates of return are presented in the "Strategy" section of the Management Report for the group and parent company. 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.

1) EBIT: EBIT = earnings before interest and taxes. It is an indicator of the company's operating profitability.
ROCE: The ROCE (return on capital employed) is the ratio of EBIT to the average amount of capital employed and provides an indication of the return on the capital employed in the period under review.

Shareholders and Shareholders' Meeting

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

The Board of Management Chairman, Alexander Margaritoff, is the biggest shareholder of Hawesko Holding AG, with 30.0% of the shares via Alexander Margaritoff Holding GmbH. He is followed by Detlev Meyer with a shareholding of 29.5% via Tocos Beteiligung GmbH, and Michael Schiemann, with a 5.0% shareholding via Augendum Vermögensverwaltung GmbH. The remaining approx. 35% are held by institutional and private investors. There are no employee shares as defined in Sections 289 Para. 4 No. 5 and 315 Para. 4 No. 5 of German Commercial Code.

Supervisory Board

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

According to the articles of incorporation the Supervisory Board comprises six members, elected by the Shareholders' Meeting. For as long as he holds at least 10% of the total capital stock, Alexander Margaritoff has the right to nominate two Supervisory Board members. The Supervisory Board elects a Chairman and a Deputy from among its members. Declarations of intent by the Supervisory Board are issued by the Chairman or, if the Chairman is prevented from attending, by his Deputy. The Supervisory Board has a quorum if all members have been invited and at least half of the members take part in the vote. Resolutions of the Supervisory Board are carried by a simple voting majority, unless otherwise specified by law or in the articles of incorporation; in the event of a tied vote, a majority may resolve to conduct a fresh debate; otherwise a new vote must be held without delay. When voting anew on the same matter, the Chairman has two votes if the result is once again a tie.

The Supervisory Board has formed two committees that perform the functions assigned to them on behalf of the whole Supervisory Board. The committees are convened by their respective chairs and meet as often as is deemed necessary. There is currently a Personnel and Nominating Committee, and also an Audit and Investment Committee, each comprising three members.

Board of Management

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

The Board of Management comprises 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 Board of Management members work together collegially and continually inform each other of important measures and events in their divisions. There are no subcommittees within the Board of Management.

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

When filling management functions in the company, the Board of Management strives for diversity, in particular through the suitable involvement of women.

At the start of 2011 a Compliance Code passed by the Board of Management and Supervisory Board took effect for all Hawesko companies.

Financial reporting and auditing of financial statements

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

The following was agreed with the independent auditors:

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

Transparency

Hawesko Holding AG attaches high priority to the policy of providing uniform, comprehensive and timely information. The trading position and the results of the company are reported on through the Annual Report, the Annual Press Conference, in the First-Quarter and Third-Quarter Reports and in the Interim Financial Report.

Further information is published in the form of press releases and ad hoc announcements in accordance with Section 15 of German Securities Trading Law (WpHG). All such notices are available on the Internet.

Hawesko Holding AG has set up an insider register in accordance with Section 15b of German Securities Trading Law. The individuals concerned have been informed of the statutory obligations and sanctions.

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 2010, as well as in the Notes to the consolidated financial statements (Section 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 2010, the Supervisory Board held 2,650,495 (previous year: 700) and the Board of Management 2,874,093 (previous year: 2,859,859) shares – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,695,192 (previous year: 2,680,742) directly and indirectly.

Hamburg, 24 March 2011

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 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:

Professor Dr. iur. Dr. rer. pol. Dr. h.c.
Franz Jürgen Säcker

Chairman [1] [2]
(since 14 June 2010, formerly Deputy Chairman)

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

Gunnar Heinemann

Deputy Chairman [1]
(since 14 June 2010)

Managing Partner of Gebr. Heinemann KG, Hamburg

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

Jacques Héon [2]

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

Angelika Jahr-Stilcken

(until 19 August 2010)

Journalist, Hamburg

- Jacobs University Bremen, Bremen;
- Gruner + Jahr AG, Hamburg;
- Nestlé Deutschland AG, Frankfurt am Main

Thomas R. Fischer [1]

Speaker of the Board of Management, Marcard, Stein & Co AG, Hamburg, and

Managing Director of Marcard Family Office Treuhand GmbH, Hamburg

Detlev Meyer [2]

(since 4 October 2010)

Managing Director of Tocos Beteiligung GmbH, Neustadt am Rübenberge

- Belux AG, Muttenz, Switzerland;
- HF-Fonds IX Unternehmensbeteiligungsgesellschaft mbH, Hanover;
- Vitra Holding AG, Muttenz, Switzerland

Manfred Middendorff

(until 14 May 2010),
Chairman until 14 May 2010

General Executive of Brauerei Herrenhausen GmbH & Co. KG, Hanover

1) Member of the Audit and Investment Committee. Thomas R. Fischer is Chairman and complies with the regulatory requirements in accordance with Section 100 para. 5 German Stock Corporation Law (AktG).

2) Member of the Personnel and Nominating Committee. Prof. Dr. Säcker is Chairman.

PARENT COMPANY STATEMENTS

of Hawesko Holding AG for the 2010 financial year

PARENT COMPANY STATEMENT OF INCOME OF HAWESKO HOLDING AG

for the period from 1 January to 31 December 2010

€'000 (Rounding differences possible)	2010	2009
Other operating income	12,120	1,222
Personnel expenses		
a) Salaries	–4,535	–3,759
b) Social securities and social maintenance costs	–132	–97
Depreciation and amortisation	–21	–21
Other operating expenses	–2,174	–1,896
Income from profit-transfer agreements	21,218	21,119
Investment income	5,198	3,858
Income from other investments and loans included in financial assets	3,270	290
Other interest and similar income	920	1,204
Write-down of financial assets	–35	–
Expenses from loss-transfer	–295	–524
Interest and similar expenses	–178	–392
RESULTS FROM ORDINARY ACTIVITIES	**35,356**	**21,005**
Taxes on income	–4,015	–3,501
Other taxes	–1	–1
NET INCOME FOR THE YEAR	**31,340**	**17,503**
Profit carryforward from previous year	428	352
Withdrawal from treasury stock reserve	221	–
Withdrawal from other revenue reserve	–	–
Expense from cancellation of treasury shares	–	–
Withdrawal from other revenue reserve	–	42
Appropriation to treasury stock reserve	–	–42
Appropriation to other revenue reserve	–15,221	–5,500
UNAPPROPRIATED PROFIT FOR THE YEAR	**16,768**	**12,355**

PARENT COMPANY BALANCE SHEET OF HAWESKO HOLDING AG

at 31 December 2010

ASSETS €'000 (Rounding differences possible)	31/12/2010	31/12/2009
FIXED ASSETS		
INTANGIBLE ASSETS		
Software	–	5
PROPERTY, PLANT AND EQUIPMENT		
Land, land rights and buildings, including buildings on third-party land	30	34
Operating equipment and fixtures	85	95
FINANCIAL ASSETS		
Shares in affiliated companies	78,999	65,692
Securities held as fixed assets	–	4,057
Advance payments on shares in affiliated companies	107	35
	79,220	**69,919**
CURRENT ASSETS		
RECEIVABLES AND OTHER ASSETS		
Receivables from other affiliated companies	61,736	54,247
Other assets	552	384
SECURITIES: TREASURY SHARES	–	221
CASH IN BANKING ACCOUNTS	20,558	9,902
	82,846	**64,754**
PREPAID EXPENSES	**20**	**32**
	162,086	**134,705**

SHAREHOLDERS' EQUITY AND LIABILITIES €'000 (Rounding differences possible)	31/12/2010	31/12/2009
SHAREHOLDERS' EQUITY		
SUBSCRIBED CAPITAL	**13,709**	**13,497**
CAPITAL RESERVE	**64,067**	**61,049**
REVENUE RESERVE		
1. Reserve for treasury shares	–	221
2. Other revenue reserve	50,738	35,518
UNAPPROPRIATED PROFIT FOR THE YEAR	**16,768**	**12,355**
	145,282	**122,641**
PROVISIONS		
Provisions for taxation	2,681	3,132
Other provisions	2,811	2,149
	5,492	**5,281**
LIABILITIES		
Due to banks	3,281	1,222
Trade accounts payable	16	89
Due to affiliated companies	3,116	79
Other liabilities	4,899	5,395
	11,312	**6,784**
	162,086	**134,705**
CONTINGENCIES		
LIABILITIES ARISING FROM GUARANTEES FOR AFFILIATED COMPANIES	**1,431**	**1,431**

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 PriceWaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg, will be submitted to the electronic Federal Gazette and can be called up from the electronic Companies Register.

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CONCEPT AND DESIGN

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PHOTOGRAPHY

Hendrik Holler, Ludwigsburg
Roberto Hegeler, Hamburg

KEY FINANCIAL DATA OF HAWESKO GROUP

2000	2001	2002	2003	2004	2005	2006	2007	2008
232.4	264.3	267.4	278.8	285.8	287.0	302.6	333.7	338.8
98.3	111.3	114.8	117.1	119.6	119.5	122.2	130.9	135.6
42.3%	42.1%	42.9%	42.0%	41.9%	41.6%	40.4%	39.2%	40.0%
13.7	23.0	20.4	21.4	22.1	23.3	22.9	23.3	30.0
5.9%	8.7%	7.6%	7.7%	7.7%	8.1%	7.6%	7.0%	8.9%
4.6	5.4	5.7	5.7	5.3	4.4	4.3	5.0	4.5
9.0	17.6	14.7	15.7	16.8	18.9	18.6	18.3	25.5
3.9%	6.7%	5.5%	5.6%	5.9%	6.6%	6.1%	5.5%	7.5%
1.0	6.8	4.4	5.9	5.7	10.7	10.8	6.7	14.6
9.6	24.2	18.3	24.6	21.4	24.3	12.7	17.9	24.7
–5.8	–6.0	–0.4	–3.6	–4.8	–5.2	–5.6	–2.6	–5.8
0.8	14.0	14.4	17.9	14.4	17.1	5.6	13.6	17.5
–3.7	–5.1	–4.4	–4.8	–5.5	–8.8	–7.6	–8.8	–10.6
71.9	70.0	66.5	59.1	58.7	56.6	57.3	48.9	44.7
116.9	115.0	114.9	110.7	106.6	106.0	114.5	127.7	125.4
54.9	54.9	60.4	61.7	59.9	61.6	64.9	62.6	66.6
29.1%	29.7%	33.3%	36.3%	36.2%	37.9%	37.8%	35.4%	39.1%
188.8	185.0	181.4	169.9	165.3	162.6	171.9	176.6	170.1
101.6	110.5	106.5	103.8	98.1	94.9	99.8	103.9	102.9
5.0%	9.4%	8.0%	8.9%	10.1%	11.5%	11.1%	10.5%	14.7%
8.9%	16.6%	13.5%	15.1%	17.2%	19.9%	18.6%	17.6%	24.8%
0.11	0.81	0.53	0.69	0.65	1.22	1.23	0.76	1.67
0.42	0.58	0.50	0.55	0.63	0.70	0.85	1.00	1.20
–	–	–	–	–	0.30	–	–	–
0.42	0.58	0.50	0.55	0.63	1.00	0.85	1.00	1.20
8.735	8.593	8.628	8.811	8.822	8.797	8.806	8.805	8.742
7.00	8.64	7.69	10.30	12.60	16.75	20.40	22.70	19.43
60.6	73.5	67.8	90.8	111.3	148.0	180.2	200.5	171.7
515	527	558	568	580	566	551	609	614

€ million	2009	2010
Net sales	338.5	377.7
Gross profit	138.4	150.1
– as % of net sales	40.9%	39.7%
Operating result before depreciation (EBITDA)	27.1	31.3
– as % of net sales	8.0%	8.3%
Depreciation and amortisation	4.7	5.6
Operating result (EBIT)	22.4	25.7
– as % of net sales	6.6%	6.8%
Consolidated net income (after taxes and minority interests)	13.1	20.0
Cash flow from current operations	28.8	21.8
Cash flow from investing activities	−7.1	2.5
Free cash flow	20.8	23.8
Proposed dividend distribution for the current year (parent company)	−11.9	15.7
Non-current assets	46.5	52.6
Current assets	127.1	149.2
Equity less proposed dividend	70.2	77.8
– as % of balance sheet total	40.5%	38.6%
Total assets	173.6	201.8
Capital employed	103.1	101.8
Return on total assets	13.0%	13.7%
Return on capital employed	21.7%	25.3%
Earnings per share (€) [1)]	1.48	2.24
Regular dividend per share (€) [1)]	1.35	1.50
Bonus dividend payment 2005 (€) [1)]	–	0.25
Total dividend per share (€) [1)]	1.35	1.75
Total shares [1)] (average number outstanding in the year, in '000)	8.835	8.915
Year-end share price (€) [1)]	23.00	29.42
Market capitalisation at end of year	203.4	264.3
Total employees (average for year)	657	696

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

Financial Calendar

12 May 2011	Annual press conference/Interim report at 31 March 2011
12 May 2011	Analyst conference
20 June 2011	Annual general meeting
4 August 2011	Half-year interim report
4 November 2011	Interim report at 30 September 2011
Early February 2012	Press release with preliminary figures for 2011
Early May 2012	Annual press conference/Interim report at 31 March 2012/ Analyst conference

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