HAWESKO
HOLDING AG

Annual report 2011

NUMBER 1 IN THE TRADE WITH PREMIUM WINES

Success with premium wines – substantial, profitable, lasting

FINANCIAL HIGHLIGHTS

		2011	2010	
NET SALES	(€ million)	**411.4**	377.7	+8.9%
GROSS PROFIT	(€ million)	**162.7**	150.1	+8.4%
CONSOLIDATED EBIT	(€ million)	**26.7**	25.7	+3.8%
EARNINGS PER SHARE (NON-RECURRENT INCOME ELIMINATED)	(€)	**1.99**	1.88	+5.8%
EARNINGS PER SHARE (INCLUDING NON-RECURRENT INCOME)	(€)	1.99	2.24	−11.3%
ROCE		**25%**	25%	±0%
DIVIDEND YIELD	(31/12)	**4.5%**	5.9%	−1.4%-points
EMPLOYEES		**750**	696	+7.6%

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. 1,200,000
- Number of outlets:
  Germany: 278, Austria: 4

MAIL-ORDER WINE

- Trading names:
  - *Hanseatisches Wein- und Sekt-Kontor*
  - *Carl Tesdorpf – Weinhandel zu Lübeck*
  - *The Wine Company* (Sweden)
- 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

Jacques'

Hanseatisches Wein & Sekt Kontor

WEIN WOLF

Alexander Margaritoff, Chairman and Chief Executive Officer

Dear fellow shareholders,

For a variety of reasons, the 2011 financial year was yet another good trading period, remarkable in a number of ways that I am delighted to elaborate on:

For the first time ever in its history, the Hawesko Group posted sales of more than € 400 million in 2011. We thus continue to grow in our own, measured way, have moved beyond yet another auspicious milepost, and yet still have our feet firmly on the ground. That means for all our growth we have not neglected our profit performance: as well as record sales, 2011 saw us achieve the highest operating result in the history of our company.

This healthy development is the result of the Hawesko Group's good position in a phase of the economy that passed off far more benignly than was expected as recently as the start of 2011. Despite the European debt crisis, a positive mood arose in Germany; this translated into well-filled order books for industry and a low unemployment rate. Two drivers of growth thus coincided – the pre-existing long-term positive trends in the wine market, and a favourable economic environment. The Hawesko Group was able to capitalise on this state of affairs. However easy that may sound, the preparations nevertheless involve many years of hard work and considerable commitment on the part of every single employee and the team as a whole. A brilliant effort!

Expressed in solid figures, that means the following: net sales climbed by 8.9% to € 411 million in 2011. And we had initially assumed that there would be at least some degree of slowdown in the year under review after a surprisingly healthy set of figures in 2010. But our business performance bestowed very high growth rates upon us until well into 2011. The wholesale segment, which had been affected to a high degree by the financial crisis, continued to bounce back – especially in the first half – and grew by 11.9%. *Jacques' Wein-Depot* was able to build on its trend of like-for-like sales growth for a sixth successive year, and the eight new outlets opened were the most in any single year since 2003, equally contributing towards *Jacques'* growth of 5.4% in 2011. The mail-order segment benefited from the acquisition of around 130,000 new customers and grew by 8.1% – not least thanks to the activities of *The Wine Company* in the Swedish market.

There are also plenty of positives to report from our domestic market Germany in 2011: keeping up the pattern of recent years, our domestic sales exceeded the previous year's figure by 5.9% and thus maintained the now long-standing tradition of outperforming the German wine market as a whole. Consequently, as in previous years, the Hawesko Group was again able to increase its market shares in 2011.

The operating result (EBIT) reached € 26.7 million last year, a new all-time record for the company. Although the consolidated earnings of € 17.9 million were slightly down on the previous year's € 20.0 million in absolute terms, the latter included extraordinary income of € 3.3 million. On a like-for-like basis, in other words disregarding the one-off income, the previous year's figure is € 16.7 million, so on that basis the 2011 EBIT figure actually shows a slight increase. Expressed as earnings per share, that amounts to € 1.99 compared with € 1.88 in the previous year (excluding non-recurrent gain; € 2.24 including that component).

The Hawesko Group again showed a net profit in 2011 and generated a free cash flow of € 12.3 million. The consolidated balance sheet remains in robust health both in terms of the financial structure and with regard to capital employed and capital tie-up. Our target return on capital employed of 16% was clearly exceeded with an actual return of 25%. And the equity ratio remains very sound, at 44% of the balance sheet total!

The capital market rewarded this good overall performance: over the course of 2011, the trading price of Hawesko Holding AG shares gained 20%, while the leading index DAX shed 16% over the same period. In recognition of this good performance, Hawesko received the HASPAX Award on our home stock exchange in Hamburg.

We were particularly pleased to be able to announce an agreement on the acquisition of a majority interest in *Wein & Vinos* in November 2011. *Wein & Vinos* is the leading multi-channel distributor of Spanish wines in Germany, combining a focus on a younger clientele with intelligent use of the scope of the Internet, and also with straightforward, lean processes. That strategy has brought the company profitable growth. It has been consolidated within the group since 1 January 2012 and lends us extra momentum.

In view of the inclusion of *Wein & Vinos*, the further expansion of business in Sweden through *The Wine Company* and the classic measures designed to generate further organic growth, we expect both sales and the operating result (EBIT) for the 2012 financial year to show double-digit growth compared with 2011. The release of the much sought-after 2009 Bordeaux vintage should likewise provide a lift. Nevertheless, the market for older Bordeaux vintages is currently slowing down all over the world. Such business is inherently cyclical, and we consistently profit from it – sometimes more, sometimes less. We moreover remain on the lookout for opportunities to expand internationally, because we still believe markets outside Germany offer huge potential for the Hawesko Group.

The Hawesko Group's good performance in the 2011 financial year gives me particular cause for satisfaction, because it marked my thirtieth year in charge of the company that my father founded in 1964. Unexpectedly and unprepared, I was catapulted into the company in 1981 to help my older brother run the business after the death of our father – at that time we posted annual sales equivalent to € 5 million. Over the intervening period Hawesko has grown by 16% per year on average. We have achieved this on the one hand by maintaining steady organic growth and gradually increasing our customer base, and on the other hand by completing a number of carefully considered, successful mergers with companies whose managers we were able to hold onto because they shared our own philosophy of quality and focus on the customer.

What makes the Hawesko Group such a great company and so enjoyable to run even 30 years down the line is above all the people who give it such a unique character. I and my Board of Management colleagues therefore take this opportunity to thank all our employees for yet again making an exceptional contribution to the development 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, including 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: Bernd Hoolmans, Alexander Margaritoff, Bernd G Siebdrat, Ulrich Zimmermann

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) 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.

Tradition meets innovation

Hawesko has maintained its uncompromising focus on quality and service for over 45 years. We open up the world of high-quality wines to our customers and are constantly on the lookout for new ways of doing so – along every sales channel.

30 years

Alexander Margaritoff

The son of the company's founder celebrated 30 years at the helm of Hawesko in 2011. When he was unexpectedly called upon to succeed his father in 1981, he had little inkling of how a profession would turn into a passion, but soon found himself utterly at home in the world of wine. Thanks to his talent for languages, he swiftly gained access to producers and customers alike. And though much may have changed over the years, the uncompromising focus on quality and service remains the same. The effort has been well worthwhile: over this entire period Hawesko has achieved annual growth averaging 16% per year.

30 years

Wein Wolf

1981 also saw the launch of *Wein Wolf Importgesellschaft* which, following its incorporation into the Hawesko Group, became its largest wholesale subsidiary. Right from the start it concentrated on customers in the avant-garde catering trade and systematically expanded this business over many years by nurturing in-depth personal ties. Alongside the original focus on French wines, it gradually increased its range to include selected wines from other regions such as Italy, Germany and overseas, always remaining true to its motto of "a wealth of individuality". Today, the *Wein Wolf* Group is Germany's biggest importer of top international wines.

25 years

CWD

CWD Champagner- und Wein-Distributionsgesellschaft – founded in 1986 with just a few products and an organisation very much geared up to Hawesko's mail-order business setup at that time – is now a well-established and reputed wine dealer carrying a range of more than 800 exclusively top-class, high-quality wines, champagnes, sparkling wines and spirits from all over the world. CWD enjoys excellent relations with top wineries such as Castello di Ama, Domaines Barons de Rothschild (Lafite), Brancaia, Champagne Pol Roger, Marqués de Murrieta, Mulderbosch Vineyards and many others.

CWD
CHAMPAGNER & WEIN
DISTRIBUTIONSGESELLSCHAFT

15 years

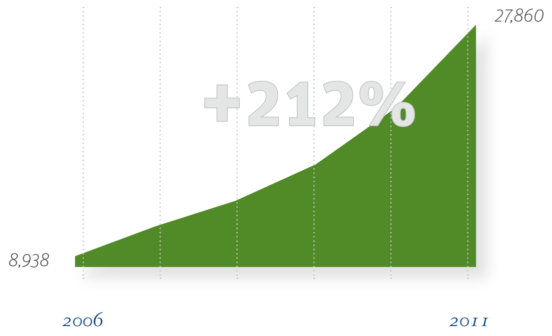
e-commerce

Hawesko ventured into online sales as far back as 1996 and has since been steadily expanding this area of activities. Today, the group not only operates Germany's leading online shop at hawesko.de, but also hosts a wine video blog, enjoys an extensive social media presence, has optimised its multi-channel approach at jacques.de and operates one of the leading trading platforms for Bordeaux wines in the guise of chateauclassic.com. These put the Hawesko Group among the world leaders for online wine trading. From 2012, *Wein & Vinos* will add a diverse and exciting range of Spanish wines to its e-commerce portfolio.

Europe's leading online wine dealer

The key to online success, over and above an attractive interface, is that behind the scenes everything is intelligently planned and works smoothly. Wine knowledge and expertise, specialist logistics and a special corporate culture are the springboard to Hawesko's success.

ONLINE SALES TO END CUSTOMERS (€ '000)



As recently as 2006, e-commerce brought in less than 3% of consolidated sales. Its development received an initial boost at the end of 2006 when *Château Classic – Le Monde des Grands Bordeaux* switched to the web platform chateauclassic.com. *Hanseatisches Wein- und Sekt-Kontor* then extended its e-commerce activities in 2007 and has since been growing by around 20% annually. *Jacques' Wein-Depot* began online sales in 2009, and since then has been steadily increasing its web presence as part of a multi-channel approach.

Mobile shopping

Always having access to the full Hawesko range in your pocket, being able to view the latest new arrivals on your mobile phone, and ordering them with a tap of the finger while out and about – what could be easier! The free Hawesko app enables customers to search, find, browse and compare the full range – red, white or rosé, champagne or prosecco. What makes it so special is … well, why not find out for yourself? Just scan the QR code on the right, download the Hawesko app and benefit from our special app deals.

Just scan the code to download our free app

Social media

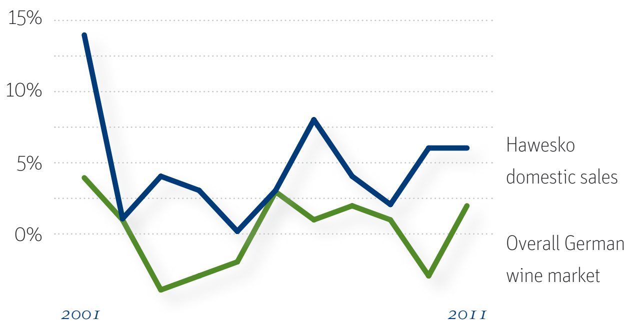
Social networks are a core aspect of modern corporate communications. They can be used not just to address existing customers in a novel way, but also to gain access to entirely new target groups. By closely dovetailing its social media presence with hawesko.de and classic communication tools, *Hanseatisches Wein- und Sekt-Kontor* is able to present itself as a one-stop supplier, attract new fans and followers, and generate a high level of activity. This forges a community that likes to conduct lively conversations on the topic, thus gaining new, innovative insights into the traditional world of wine via channels such as YouTube.

Dependable growth stock with good yields

The course of profitable growth that the Hawesko Group has been pursuing for over 30 years has made its shares an attractive investment proposition in the 14 years since the IPO in 1998.

Target: half a billion euros

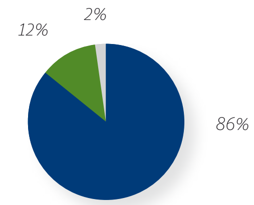
Hawesko's growth in Germany has been outpacing the market as a whole for many years now, and it is actively looking for business opportunities in other countries in order to increase international sales to 50% of the group total in the long term. From 2012 on, its majority stake in the dynamically growing online wine dealer *Wein & Vinos* will help it make progress towards the sales target of half a billion euros by 2014 through organic growth.



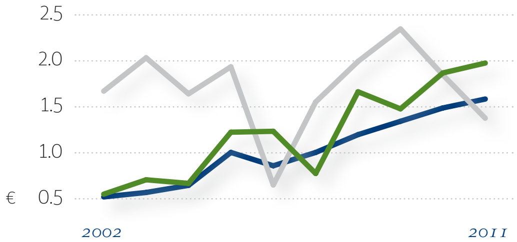
Growth internationally

- **EUROPE** Two-thirds of the world's wine is traded in Europe. Hawesko therefore concentrates on those countries; alongside its home market Germany, it already supplies customers in Austria, the Czech Republic, Sweden and Switzerland. The subsidiary *Château Classic – Le Monde des Grands Bordeaux* serves both its home French market and the worldwide market for ready-to-drink Bordeaux wines of older vintages.
- **CHINA, FAR EAST, USA** Wine consumption is enjoying very high growth rates in the Far East's emerging economies and in the USA. The North American market is now the largest in the world, and China is already one of the five biggest consumers. A more concerted sales drive by *Château Classic – Le Monde des Grands Bordeaux* and other group companies in these regions means the Hawesko Group is already tapping into their breathtaking growth, and other opportunities for expansion are being carefully analysed.

SALES BY REGION (%)



- Germany
- Rest of Europe
- Other



(2010 non-recurrent income eliminated)

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

Attractive rates of return

Hawesko has been growing profitably for many years and has also been steadily increasing its market share for over a decade thanks to its outstanding position and excellent internal organisation. Hawesko's financial position is moreover robust – its shareholders' equity and book value per share have risen steadily – and it has consistently rewarded its shareholders with attractive dividend payments that have been steadily rising since 2002. This development is underpinned by important basic financial indicators such as profit and free cash flow.

2011: another vintage financial year

As well as record sales, the Hawesko Group achieved the highest operating result in its history.

COMBINED GROUP MANAGEMENT REPORT

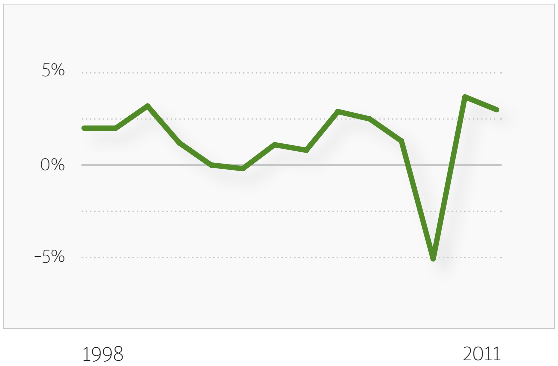
of Hawesko Holding Aktiengesellschaft for the 2011 financial year

Hawesko Holding Aktiengesellschaft has its origins in the wine mail-order company *Hanseatisches Wein- und Sekt-Kontor*, founded in 1964, and the wine specialist retailer *Jacques' Wein-Depot*, which was established in 1974. Hawesko Holding AG was created on 1 January 1998 through the contribution of these companies, together with the wine wholesaler *CWD Champagner- und Wein-Distributions-gesellschaft*. In 1999, a majority shareholding of 90% was acquired in the *Wein Wolf* Group, one of the leading wine wholesalers in Germany, and increased to 100% in 2008. Since the merger with *Wein Wolf*, the Hawesko Group has been Germany's largest supplier of high-quality wines and champagnes.

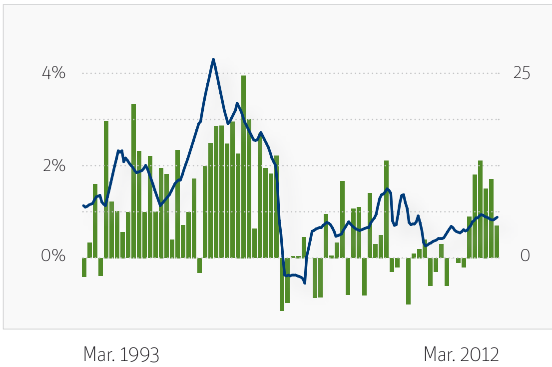
The Hawesko Group trades wines of superior quality and offers them expertly to consumers (in the "specialist wine-shop retail" and "mail-order" segments) or retailers (in the "wholesale/distribution" segment). In 2011, approx. 86% (previous year: 88%) of consolidated sales were generated in the Federal Republic of Germany. Each of the group's three 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 are among 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 *Jacques' Wein-Depot*) and Bonn (administrative offices for the wholesale/distribution segment). *Jacques' Wein-Depot* has sales outlets throughout Germany. There moreover exist international branches 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 serves the Swedish market from its centre in Hamburg.

GDP GROWTH (%)



PRIVATE CONSUMPTION EXPENDITURE/CONSUMER CLIMATE



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

GENERAL SITUATION

GERMAN ECONOMY IN 2011 – CALMER FINISH AFTER THUNDERING START

2011 was a year of robust growth for the German economy, above all in the first half of the year. According to calculations by the Federal Statistical Office, gross domestic product (GDP) as the lead indicator of overall economic performance was up 3.0% on the previous year. GDP had enjoyed 3.7% growth in 2010. The economy can thus legitimately be described as continuing to recover after the crisis-driven slumps in 2009, when GDP contracted by 5.1% on 2008 (+1.1%). This assessment is reinforced by the fact that GDP exceeded its pre-crisis level in the course of 2011. This development was underpinned above all by domestic demand, with consumers the main pillars of growth: price-adjusted consumer spending grew by 1.5% and therefore by its highest rate for five years.

The consumer climate index compiled by Gesellschaft für Konsumforschung (GfK) reached a provisional high point in the early part of 2011. It thereafter slipped back to some degree, then rising again towards the end of the year. According to GfK's experts, consumer spending is making a stable contribution to economic performance and preventing a double-dip recession.

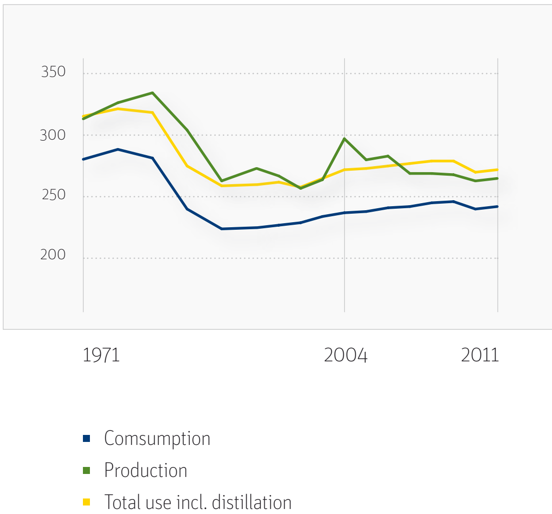
GERMAN WINE MARKET

According to GfK figures, the German wine market overall grew by 1.9% in terms of value but shed 2.7% in terms of sales volume in 2011. This supplies further evidence of a fundamental trend in consumer behaviour to spend more on average on wine. 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 that are correspondingly sold at a lower price. The average price within the food retailing trade, including discounters, was € 2.63 per litre in 2011 as against € 2.52 in the previous year – meaning that the customary 0.75 l bottle still cost just under € 2.00, at € 1.97 (previous year: € 1.89).

By contrast, according to estimates by the Hawesko Board of Management a continued revival in the upmarket segment of the German wine market (from € 4.00 per bottle) could be observed in 2011 compared with the depths of the crisis in 2009. The market as a whole is still dominated by the encroachment of grocery discounters. Over the five-year period from 2001 to 2005 these players succeeded in increasing their share of the market's volume from about one third to approximately half and have since maintained their share at around that level.

DOMESTIC SALES DEVELOPMENT HAWESKO GROUP

WORLD WINE PRODUCTION AND CONSUMPTION (mill. of hectolitres)



(Sources: OIV, Das Deutsche Weinmagazin, 12 Jan 2010; OIV press statement from 22 March 2012)

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 2011 confirms this assessment of the overall wine market and suggests 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 sales 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 it 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 2011 the Hawesko Group generated 14% of its sales 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 its strategic focus to international potential for sales. 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 sales of € 27 million from customers in the Far East, and above all China. According to expert estimates, the Chinese market for wine was the fifth largest in the world in 2011 and is exhibiting very high demand for top Bordeaux wines. The Hawesko Group is also active in the wholesale trade in Switzerland through its subsidiary *Globalwine AG* and generated around € 12 million in sales there in 2011; the Swiss market is estimated to be worth around € 1.0 to 1.5 billion, with steady potential to develop – in contrast to Germany it is predominately upmarket (over € 4.00 per bottle).

The market in Austria is estimated to be worth around € 1.5 billion. It is served by the subsidiaries *Jacques' Wein-Depot* (specialist wine-shop retailer) and *Wein Wolf* (wholesaler), which together achieved sales of around € 12 million in 2011; the Austrian 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* supplies wine to addresses in Sweden from its Hamburg centre. All in all, it is a fair assessment of the wine market that wine is universally regarded as an expression of a cultured lifestyle and that it is therefore becoming increasingly popular. Many consumers are moreover attaching greater importance to the quality of the wines they drink.

Buying market characterised by oversupply, production in 2011 unchanged from previous year

The worldwide wine market has been characterised by an oversupply for many years. According to estimates by the International Organisation of Vine and Wine (OIV) for 2011, wine production again remained below its ten-year peak of 2004 but there is still a considerable gap between the consumption and production volumes. Overall, it is assumed that worldwide production in 2011 will have been just under 270 million hectolitres, which is therefore on a par with the 2009 and 2010 figures. On the other hand, according to OIV estimates global wine consumption stabilised at 244 million hectolitres in 2011. That figure is therefore slightly up on 2009 (241 million hectolitres) but unchanged from 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. Looking at the market from the vantage point of the top wines in the upper market segment, it is clear that the Bordeaux boom that started in 2010 continued well into 2011. The recovery in demand for many other top wines in higher price categories likewise continued. There will always be a relatively stable 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 turn of 2012, the assessment of the Hawesko Board of Management is that the buying prices offer stable market conditions, albeit with an upward overall trend.

Non-uniform trade structure for upmarket products

In the price category below € 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. the price category of € 4.00 per bottle – 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 the consequence of a tight 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, the Hawesko Group still made further progress in that year with the acquisition of new customers in the specialist wine-shop retail (*Jacques'*) and mail-order segments, while there was a decline in wholesale trade due to the recession. In 2010 and 2011 the wholesale segment then benefited hugely from the economic recovery; all three segments together succeeded in further increasing the market share of the Hawesko Group.

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 first through the segment for high-quality wines. The Hawesko Group 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. It is only possible to manage and develop the range appropriately by maintaining a constant, active dialogue with the producers in order to identify market trends and respond to topical developments. This dialogue establishes the basis of trust that enables the group to hold onto the best producers and thus gain 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. There is documentary evidence of its successful efforts to provide quality and define the benchmark in the trade in the numerous awards received.
- *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 further growth over the next few years. By virtue of 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. The Hawesko Group consequently already 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 increasing its business activities outside Germany and is actively looking for attractive business opportunities abroad, too.
- *Profitable growth:* To maintain profitability throughout the company's growth process, 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. As the group parent, Hawesko Holding AG itself does not itself conduct operations, and instead performs management tasks in the areas of corporate strategy, central financing and central cash management, as well as risk management: as far as possible, decisions concerning business operations are taken and implemented non-centrally within the individual subsidiaries. This organisational structure is an advantage in that it reflects the fact that the wine trade operates essentially as a "people business". It is essentially about nurturing and building on personal contacts with both producers and customers.

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 per bottle, with a focal price bracket of between € 4.00 and € 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 give 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 dovetailing 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) about € 6 per bottle, with a bandwidth from € 2.00 to € 1,000.00.
- *Distribution:* Trade agencies, own sales representatives in the field 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, Sélection de Bordeaux* and *The Wine Company*, which has been supplying the Swedish market from Hamburg since autumn 2010. From 2012, *Wein & Vinos* extends the mail-order range of the Hawesko Group with its e-commerce approach to the distribution of Spanish wines.

- *Target group:* The segment focuses on 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 about € 7 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 throughout the year, each introducing specific offers. As well as the established online shops and newsletters, the subsidiaries make use of Web 2.0 opportunities such as an array of social media.
- *Selective expansion:* The mail-order business has already achieved a high market share (in excess of 50%) in Germany in its relevant market. Business is being expanded in selected areas there in addition to ongoing optimisation measures. The emphasis is currently on the sales channel of the Internet and on tapping new customer groups, and the inclusion of *Wein & Vinos* in the group is giving both approaches extra impact. Distribution to Sweden by the subsidiary *The Wine Company* is to be stepped up further.

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 consistently achieving a minimum return on capital employed of 16%.

Internal steering system based on 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 (see under "Financial position", page 35) 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.

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

ROCE

	2008	2009	2010	2011	*Anticipated minimum return*
Specialist wine-shop retail	47%	42%	41%	42%	> 27%
Wholesale/distribution	25%	14%	24%	21%	> 17%
Mail order	18%	26%	27%	28%	> 22%
Group	25%	22%	25%	25%	> 16%

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. 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".

OVERVIEW OF BUSINESS PERFORMANCE IN 2011

The Hawesko Group again succeeded in posting a healthy result for the year under review. What makes this all the more remarkable is that it was initially assumed there would be at least some degree of slowdown in 2011 after a surprisingly healthy performance in the 2010 financial year. Yet the previous year's momentum continued well into 2011. The wholesale segment maintained its recovery, especially in the first half of the year. *Jacques' Wein-Depot* achieved like-for-like sales growth for a sixth successive year and opened in eight new locations, the highest number of new outlets in any year since 2003.

The mail-order segment benefited from the acquisition of a large number of new customers and grew further – not least thanks to the activities of *The Wine Company* in the Swedish market. The agreement to acquire a majority interest in *Wein & Vinos* paved the way for making further inroads into the increasingly important area of e-commerce. The Hawesko Group thus secured its strongest ever market position and preserved its sound financial basis. These strengths, which the company has already carved out for itself in the German market, can now serve as the basis for continued growth both in Germany and internationally.

The following targets or long-term rate of return targets for 2011 were declared in the 2010 Annual report, and achieved or not achieved as indicated:

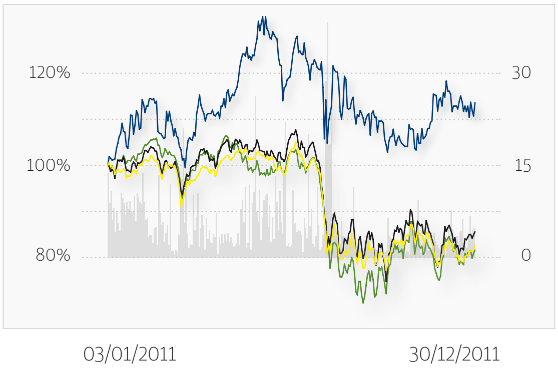
	Objective	2011	*Attained*
Sales	Increase on prior-year sales (€ 378 million) in the low to medium single-digit range; Stronger growth than the market (2011: 1.9%)	€ 411.4 million (+8.9%, in Germany +5.9%)	✔
EBIT	Achieving an operating result (EBIT) within the range of € 24–26 million including impact on earnings from building on the market entry in Sweden (*The Wine Company*) and from structural changes in the wholesale segment	€ 26.7 million (+3.8%)	✔
EBIT margin	Long-term margin of 7% of sales	6.5%	–
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 € 15 million (previous year: € 23.8 million)	€ 12.3 million	–

Sales growth outstripped the original expectations mainly because the wholesale operations benefited from a continuing favourable business environment, and especially from sales of older Bordeaux vintages in the first half. Better-than-expected revenue growth also translated into a correspondingly higher gross profit. EBIT of € 26.7 million was consequently beyond the expected range of € 24–26 million. However the long-term target of a 7% EBIT margin was not achieved. Investments – planned and realised as expenditure – that were scheduled for the year came in higher than the long-term level in relation to sales. The minimum target for return on capital employed (ROCE) was again exceeded. The free cash flow of € 12.3 million did not reach the target mark of € 15.0 million because temporary investment in stock in trade was needed for inventory management reasons.

SHARE PRICE DEVELOPMENT AND CAPITAL MEASURES

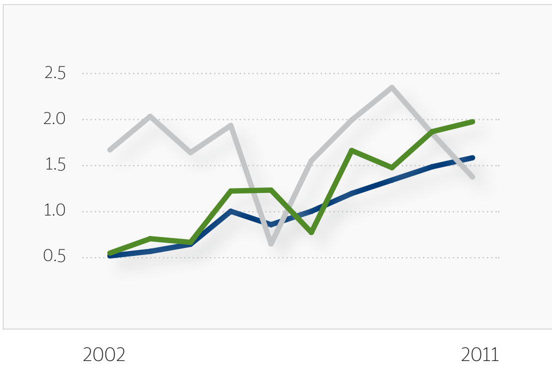
2011 was a turbulent year on stock markets in Germany. The German share index DAX started the year just below 7,000 points and then climbed to 7,500 points in early May. A downward pattern then set in at the end of July/start of August, finally coming to a halt at just below 5,000 points. This was followed by a moderate upward trend and the index ended the year on almost 5,900 points — a performance of –16% over the year as a whole. The eurozone's leading index, the EURO STOXX 50, actually shed 19% over the same period. The reasons for this development – the European sovereign debt crisis – are therefore more of a political nature than anything to do with companies' fundamental data. German small-cap indices more or less tracked the DAX: the MDAX closed the year on 8,898 points, having shed 13% year on year, and the SDAX fell by 16%, ending 2011 on 4,421 points.

PRICE DEVELOPMENT OF THE HAWESKO SHARE/TRADING VOLUMES



- Hawesko share (%)
- DAX
- MDAX
- SDAX
- Trade volumes on Xetra (in thousands, right-hand scale)

KEY DATA PER SHARE (€)



- Earnings per share
- Free cash flow per share
- Regular dividend per share

(2010 non-recurrent income eliminated)

The trading price of Hawesko Holding AG's shares was quoted at € 29.42 on the last day of trading in 2010 and closed 2011 on € 35.23. This gain of 20% over the period under review meant that the shares' performance easily outstripped the DAX and the small-cap indices. Over a longer time horizon, Hawesko shares have in fact performed even better than either the leading index or the small-cap indices. Hawesko shareholders furthermore received a dividend of € 1.50 per share in 2011, plus a bonus dividend of € 0.25, and consequently enjoyed an income from their investment – as has been the case every year since the IPO in 1998. A dividend of € 1.60 per share for the past financial year will be proposed to the Shareholders' Meeting.

Hawesko shares are included in the German selective index for small caps (SDAX).

Because no major investment projects in the 2011 financial year exceeded the group's scope for short-term internal financing, no financial measures of strategic significance such as capital increases or bond issues were needed. No authorisation to buy back treasury shares exists. The acquisition of a majority interest in the company *Wein & Vinos* completed with effect from 1 January 2012 is financed by bilateral credit agreements with German banks with a first-class credit rating.

The average number of shares amounted to 8,983,403 for the year, this was also the number at year-end. In the previous year, the average number of shares outstanding was 8,915,309.

KEY SHARE FIGURES

Year-opening price	€	31.00
Market capitalisation (year-opening)	€ million	278.5
Year-end price	€	35.23
Market capitalisation (year-end)	€ million	316.5
Highest price (6 and 8 June)	€	41.00
Lowest price (3 January)	€	31.00
Average daily trading	shares	5,324
German securities code		604270
ISIN		DE0006042708
Ticker symbol		HAW
Stock exchanges		Frankfurt (Xetra), Hamburg
Market segment		Prime Standard
Reuters		HAWG.de
Bloomberg		HAW:GR
Indices		SDAX

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, France, Austria, Switzerland, Scandinavia, Spain and the USA. A total of 95 individual meetings (previous year: 75) were held with institutional investors in 2011, both at the group's headquarters and at roadshows; a member of the Board of Management attended 44 (previous year: 40) of these meetings. Hawesko Holding AG in addition held eleven (previous year: eleven) company presentations in Baden-Baden, Frankfurt am Main, Hamburg, Munich, Stuttgart and Paris as well as at the equity forums of the German Association for Private Shareholders (DSW) in Bremen and Hanover, and introduced itself to investors at roadshows in Chicago, Dublin, Frankfurt, London and Paris. 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, Montega and Silvia Quandt & Cie.

FINANCIAL PERFORMANCE, FINANCIAL POSITION AND NET WORTH

FINANCIAL PERFORMANCE

Strong international first-half demand – market shares in Germany rise yet again thanks to increased domestic demand

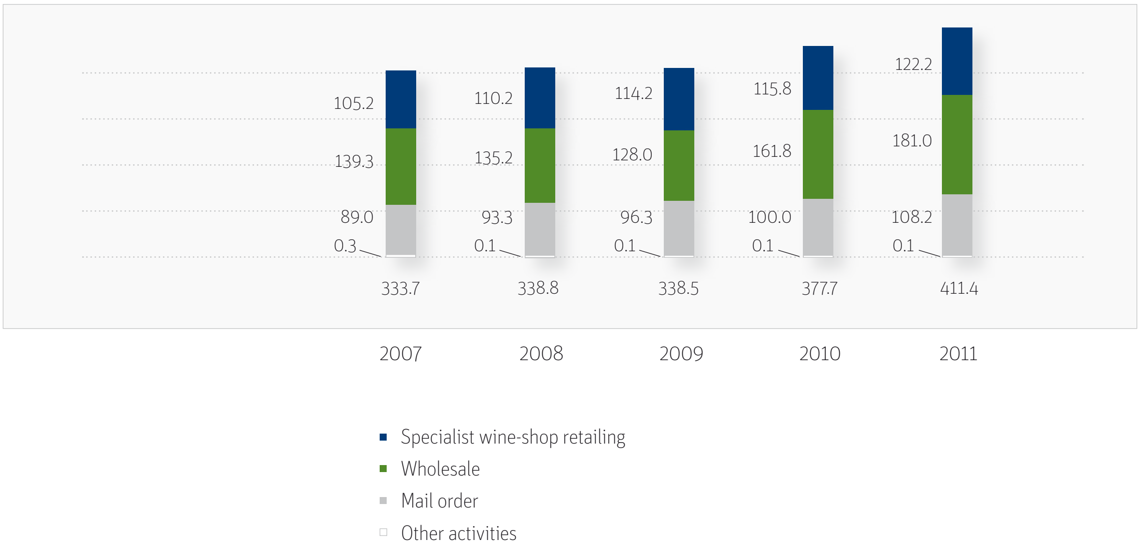
The net sales of the Hawesko Group climbed by 8.9% in 2011, from € 377.7 million to € 411.4 million. The German market accounted for around 86% of sales. Wines from France accounted for around 39% of the total (previous year: 36%), Italian wines for approximately 30% (previous year: 30%), wines from Spain for some 9% (previous year: 10%) and German products for around 8% (previous year: 8%). The sales volume reached 63 million bottles or units (previous year: 58 million).

Sales by the wholesale segment, which had been severely set back especially by the recession up until early 2010, grew by 11.9% in the period under review. This resurgence was substantially driven by to lively demand for high-quality Bordeaux wines on the international market (via the subsidiary *Château Classic*) in the first half of the year and high consumer confidence in Germany. Specialist wine-shop retailing (*Jacques' Wein-Depot*) saw its sales rise by 5.4%. This growth was prompted by an increased number of transactions resulting from the expansion of the network of shops and from the reactivation of former customers.

In the previous year, Christmas business had suffered from the very snowy and icy weather conditions. In the mail-order segment, sales internationally were boosted by 8.1% overall thanks to increased efforts surrounding the market entry in Sweden, and domestically by improved retention of existing customers, expanded online business and the successful acquisition of new customers. After elimination of the first sales proceeds in Sweden, revenue for the segment showed a rise of 3.7%.

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. Since the gross profit margin in the wholesale segment is lower due to the nature of its business, this ratio for the group as a whole remained at the level of the previous year. It came to 39.6% in the year under review, compared with 39.7% in the previous year. In the wholesale segment itself, it was down mainly because of the higher sales share of *Château Classic* and the discounted special offers of the *Wein Wolf* Group (to mark its 30th anniversary and at the ProWein exhibition).

SALES BY SEGMENT (€ million)



Personnel costs comprise wages and salaries, as well as statutory, collectively negotiated and voluntary social contributions. This line item rose from € 37.2 million to € 40.3 million in the year under review, first and foremost because of the higher number of employees. However the personnel expenses ratio fell from 9.9% of sales in the previous year to 9.8% in the 2011 reporting period.

Advertising expenses climbed year on year by € 3.2 million to € 34.0 million as a result of the continuing market entry in Sweden, increased efforts to acquire new customers and the reactivation of former customers. As a percentage of sales it was 8.3% (previous year: 8.2%). The basis for further growth through the acquisition of new customers was moreover increased: in 2011 the group gained around 230,000 new customers in the end customer segments (previous year: 210,000), including some 21,000 first-time customers in Sweden. As a result of higher sales, the delivery costs for the Hawesko Group grew by € 2.4 million to € 15.2 million. The more widespread activities in Sweden pushed up the delivery costs ratio from 3.4% in the previous year to 3.7% in the period under review.

Best-ever consolidated EBIT

The operating result (EBIT) of the Hawesko Group reached € 26.7 million (previous year: € 25.7 million) in the year under review. This represents an operating margin of 6.5% of sales (previous year: 6.8%). It therefore fell short of the long-term target rate of return of 7%. There were positive effects from increased sales in all segments. On the other hand higher costs were incurred as a result of the entry into the Swedish market, customer acquisition activities – though their benefit to the group extends beyond the horizon of the year under review – and for the reactivation of former customers in the end customer segments. The wholesale segment had to absorb increased costs for bringing the structures in line with the scale of operations achieved in recent years. The network of outlets in the specialist wine-shop retail segment was moreover extended.

DEVELOPMENT IN EARNINGS

€ million	2008	2009	2010	2011
EBITDA	**30.0**	**27.1**	**31.3**	**32.0**
– Year-on-year change	+28.9%	–9.6%	+15.4%	+2.3%
– EBITDA margin	8.9%	8.0%	8.3%	7.8%
EBIT	**25.5**	**22.4**	**25.7**	**26.7**
– Year-on-year change	+39.5%	–12.2%	+15.0%	+3.8%
– EBIT margin	7.5%	6.6%	6.8%	6.5%
EBT	**22.2**	**19.8**	**27.5**	**26.3**
– Year-on-year change	+41.9%	–11.0%	+39.1%	–4.6%
– EBT margin	6.6%	5.8%	7.3%	6.4%
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS	**14.6**	**13.1**	**20.0**	**17.9**
– Year-on-year change	+119.4%	–10.3%	+52.5%	–10.6%
– Net margin	4.3%	3.9%	5.3%	4.3%

COST STRUCTURE

as % of sales	2008	2009	2010	2011
Personnel costs	–9.2%	–9.9%	–9.9%	–9.8%
Advertising costs	–7.7%	–8.2%	–8.2%	–8.3%
Delivery costs	–3.2%	–3.4%	–3.4%	–3.7%
Other operating income and expenses (balance)	–11.1%	–11.4%	–9.9%	–10.0%
Depreciation and amortisation	–1.3%	–1.4%	–1.5%	–1.3%
TOTAL	**–32.5%**	**–34.3%**	**–32.9%**	**–33.1%**

EBIT MARGINS

as % of sales	2008	2009	2010	2011
Specialist wine-shop retailing	13.3%	12.1%	11.8%	12.1%
Wholesale	6.4%	4.2%	5.8%	5.1%
Mail order	6.5%	8.0%	7.1%	7.1%

EBIT BY SEGMENT (€ million)

Specialist wine-shop retail: Again more active customers thanks to expanded network and measures to retain existing and acquire new customers

Net sales for the specialist wine-shop retail business segment (*Jacques' Wein-Depot*) were increased by 5.4% in the year under review to € 122.2 million. Like for like, the rise in sales was 3.9%. The expansion of the network of outlets and measures to retain existing customers and acquire new customers led to an increase in the number of active customers, with the result that the growth rate for sales bettered the averages for previous years: in 2010, sales proceeds had grown by 1.5% compared to 2009 (however, ice and snow in many parts of Germany disrupted Christmas business in 2010).

Growth in the period under review was driven by a higher number of purchase transactions: this figure was nearly 6% up. Especially the expansion of retail outlets, the successful efforts to acquire new customers and the reactivation of former customers helped. The average spend was maintained and was almost at the previous year's level.

In 2011 *Jacques' Wein-Depot* acquired 97,000 new customers (previous year: 92,000). The number of active customers in the year under review was increased by 4% to 663,000.

At the end of the year under review there were 282 *Jacques' Wein-Depot* outlets, including four in Austria (end of previous year: 274, including four in Austria). At 31 December 2011, rental agreements for two further outlets had in addition been taken out.

The operating result (EBIT) for the wine shops climbed from € 13.7 million to € 14.7 million in the reporting period, or by 7.8%. The rise in EBIT in 2011 is attributable to an improvement in the trading margin and to the higher number of purchase transactions. The training activities of *Viniversitaet Die Weinschule GmbH* yielded a balanced result (previous year: € 0.1 million). The market presence in Austria under the name of *Jacques' Wein-Depot* repeated the previous two periods' EBIT of € 0.1 million in 2011.

Economic recovery provides sales boost for wholesale/distribution

The net sales of the wholesale/distribution segment were up 11.9% on the previous year, at € 181.0 million. This rise in sales is attributable on the one hand to the Bordeaux-based subsidiary *Château Classic – Le Monde des Grands Bordeaux*, which specialises in trading in top-class wines from that region. Demand for these wines started to accelerate sharply in early 2010 but exhibited a trend towards consolidation in the final quarter of 2011 due to the more acute financial and sovereign debt crisis. Compared with a prior-year sales total of € 21.2 million, this subsidiary achieved sales of € 26.6 million in the year under review. On the other hand the segment's growth was fuelled by the discounted special offers of the *Wein Wolf* Group (to mark its 30th anniversary and at the ProWein exhibition). Other factors behind the rise in sales for this channel were the economic recovery and the recruitment of extra sales representatives in the field in other international markets (especially at the Swiss subsidiary *Globalwine AG*). The subsidiary *Deutschwein Classics*, which was established in 2006 and focuses on sales of German wines, moreover put in a healthy business performance. This company broke even in 2011.

The operating result (EBIT) for the wholesale segment did not improve despite the surge in sales: it came in at € 9.2 million, compared with € 9.5 million in the previous year. The gross profit margin was eroded on the one hand by discount offers to mark the 30th anniversary of *Wein Wolf*; on the other hand increased costs for bringing the structures in line with the scale of operations achieved in recent years had to be absorbed. For the same reason the EBIT margin for this sales channel fell by 0.7 percentage points compared with the previous year to 5.1% in the year under review (previous year: 5.8%).

Mail order: More active customers produce renewed rise in sales and EBIT

Net sales for 2011 increased by 8.1% to € 108.2 million in the mail-order segment. This increase was achieved mainly through a renewed rise in the number of active customers. The measures to acquire new customers, especially through advertising in newspapers and magazines and in online media, had the desired effect. With around 120,000 new customers having been generated in 2010, the number of first-time customers in the year under review was over 130,000 (figures in each case excluding the normal annual migration). The total includes 21,000 first-time customers in Sweden. As at 31 December 2011 the mail-order segment had around 460,000 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: 420,000).

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 € 8.6 million, compared with € 10.7 million in the previous year. The B2B business area in particular fell short of the management's expectations in light of the debate surrounding corporate governance issues. 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 wine has been bottled. In the year under review the mail-order segment realised sales of € 1.5 million upon shipping of the 2008 vintage (previous year: € 0.8 million for the 2007 vintage). The "VinoSelect!" wine club concept that is gradually being refined brought a renewed rise in sales from € 11.5 million in the previous year to € 11.7 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; in the year under review it started to enhance this market profile by focusing on even higher-quality wines and rarities in its range and addressing the customer target group of particularly discerning wine connoisseurs. Contrary to the management's expectations, it already succeeded in increasing its sales year on year in this phase of reorientation, from € 8.6 million to € 9.1 million.

There was once again substantial growth in the proportion of sales handled over the Internet in the mail-order segment. This ratio climbed from a good 20% in the previous year to 25% in 2011, representing a rise of 32%.

There was a decrease of 2% in the average number of bottles per order, mainly on account of the greater emphasis on acquiring customers in Sweden. On the other hand, the average order value remained nearly unchanged. The ordering frequency rose as expected.

Thanks to increased sales and an improved gross profit margin, the operating result (EBIT) for the mail-order segment improved to € 7.7 million, compared with € 7.1 million in the previous year. This growth in EBIT was achieved even though the start-up losses for the market entry in Sweden from November 2010 onwards, under the umbrella of *The Wine Company* (€ 1.0 million), were higher than in the previous reporting period (previous year: € 0.5 million).

Lower 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. *IWL* again achieved a positive operating result (EBIT): it came in at € 0.1 million for the 2011 financial year, compared with € 0.3 million in the previous year.

At group level the costs for the holding company and consolidating items amounted to € 5.0 million in the year under review, compared with € 4.8 million in the previous year. Higher legal and consultancy costs were incurred following the acquisition of *Wein & Vinos*, which is effective from 1 January 2012, and for strategic projects (brand positioning).

Consolidated net income

The consolidated earnings before taxes for the 2011 financial year totalled € 26.3 million, down € 1.3 million on the prior-year figure. The financial result showed a net expense of € 0.5 million (previous year: net income of € 1.8 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 rose from 26.3% in the previous year to 30.9% in 2011 (cf. No. 14 of the Notes to the consolidated financial statements). This, together with lower earnings before taxes, produced earnings after taxes of € 18.2 million (previous year: € 20.3 million).

Consolidated net income excluding non-controlling interests amounted to € 17.9 million for the year under review. The equivalent prior-year figure was € 20.0 million (after elimination of the non-recurrent gain from the disposal of an equity investment: € 16.7 million).

Earnings per share were € 1.99, calculated on the basis of an average of 8,983,403 shares (previous year: € 2.24, basis for calculation: 8,915,309 shares; after elimination of the non-recurrent gain from the disposal of an equity investment: € 1.88).

Net income for the year for Hawesko Holding AG

The statement of income of Hawesko Holding AG, as group parent, is dominated by its holding activities and – unlike the consolidated statement of income – is prepared in accordance with the German Commercial Code. The higher overall earnings of the subsidiaries meant that the investment result improved from € 26.1 million in the previous year to € 27.6 million in the year under review. After deduction of expenses and taxes, there remained net income of € 19.1 million. In the previous year it had amounted to € 31.3 million and had been substantially affected by the reversal of a € 10.0 million write-down on the carrying amount of *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH*. Taking account of the profit carryforward of € 1.0 million from the previous year and following allocation of € 4.5 million to the other retained earnings, there remains an unappropriated profit of € 15.7 million (previous year: € 16.8 million).

FINANCIAL POSITION

Principles and aims of financial management

The principles and aims of financial management were explained on pages 20–24 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 2011 the cash resources of the group comprised cash amounting to € 20.4 million (previous year: € 24.7 million). There exist unlimited credit facilities with a volume totalling € 20.0 million, of which € 2.0 million is available seasonally to finance Christmas business. At 31 December 2011 these credit facilities were drawn on to a level of 22% and 20% respectively. Overall, the Hawesko Group reported short-term and long-term borrowings amounting to € 6.9 million at that reporting date. Of this total, € 4.3 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 € 2.6 million.

According to group calculations, the costs of the equity and borrowed capital made available to the group are currently 6.1%. They comprise the weighted costs of the equity capital of 6.8% on the one hand, and of the borrowed capital of 4.3% on the other. In calculating the cost of equity, the group works on the basis of a long-term risk-free interest rate of 2.8% and a risk premium of 5.5% at beta = 0.74.

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2011

(rounding differences are possible)	*Short-term* € million	*Short-term* %	*Long-term* € million	*Long-term* %	*Total* € million
Due to banks	4.0	100.0	–	0.0	4.0
Finance lease	0.3	10.3	2.6	89.7	2.9
TOTAL	**4.3**	**62.3**	**2.6**	**37.7**	**6.9**

COMPOSITION OF BORROWINGS AT 31 DECEMBER 2010

(rounding differences are possible)	*Short-term* € million	*Short-term* %	*Long-term* € million	*Long-term* %	*Total* € million
Due to banks	3.3	100.0	–	0.0	3.3
Finance lease	1.7	37.0	2.9	63.0	4.6
TOTAL	**5.0**	**63.3**	**2.9**	**36.7**	**7.9**

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 89 for the terms of the borrowings and details of the finance leases.

In the year under review of 2011, net liquidity fell by € 3.4 million to € 12.7 million. This development was broadly due to the decrease in cash of € 4.4 million in connection with active inventory management.

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

€ million	2011	2010
Due to banks	4.0	3.3
+ Finance leases	2.9	4.6
+ Provisions for pensions	0.7	0.6
= GROSS DEBT OWED	**7.6**	**8.5**
– Cash	–20.4	–24.7
= NET LIQUIDITY	**–12.7**	**–16.2**

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

Liquidity analysis

CONSOLIDATED CASH FLOW

€ million	2011	2010
Cash flow from current operations	+16.9	+21.8
Cash flow from investing activities	–4.1	+2.5
Cash flow from financing activities	–17.2	–12.7

The consolidated cash flow from current operations fell by € 4.9 million to € 16.9 million. This year-on-year fall was attributable to a substantial rise in working capital. Inventories grew as a result of active inventory management. The relationship between advance payments and advances received for wines by subscription was moreover less favourable than in the previous year because the popularity of individual vintages is a key determining factor.

INVESTMENTS/DEPRECIATION/CASH FLOW (€ million)

The cash flow from investing activities includes cash outflows for property, plant and equipment and intangible assets amounting to € 4.3 million. In the previous year, there was a non-recurrent cash inflow of € 7.3 million from the disposal of the investment in *Majestic Wine PLC*. The investments in intangible assets (€ 0.6 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) declined by € 11.5 million to € 12.3 million.

The cash flow from financing activities mainly reflects the payment of the dividend (€ 15.7 million).

Investment analysis

The Hawesko Group invested € 4.3 million in intangible assets and in property, plant and equipment in the year under review (previous year: € 5.1 million). In relation to sales, the investment ratio was thus approximately 1.1% (previous year: 1.3%).

Capital expenditure on property, plant and equipment totalled € 3.7 million (previous year: € 3.7 million), the bulk of which (€ 1.4 million) was used for the modernisation of the specialist wine-shop retail segment (*Jacques' Wein-Depot*). Other capital expenditure on property, plant and equipment (replacement and expansion investment) in this segment came to € 0.1 million. In response to the need for increased capacity, *IWL Internationale Wein Logistik* also bought two pieces of land for a total of € 0.9 million that directly adjoin the warehouse site, allowing the warehouse to be extended as necessary. The company also invested a further € 0.2 million in property, plant and equipment. Further such investments included € 0.7 million for replacements and expansion in the wholesale segment, and € 0.4 million for the same purpose in the mail-order segment.

NET WORTH

The consolidated balance sheet total showed healthy growth from € 201.8 million in the previous year to € 217.1 million in the year under review. This represents a rise of 7.6%.

The non-current assets fell primarily as a result of the re-classification of advance payments from non-current assets (under "Other") to current assets; these payments relate mainly to Bordeaux wines on subscription, especially of the 2009 vintage, which will be shipped in the next twelve months. The deferred tax assets item fell by a total of € 1.8 million.

On the other hand, current assets grew substantially from € 149.2 million to € 170.4 million. There were two reasons for the growth in the "Inventories" item: on the one hand 2009-vintage wines on subscription as a result of the above reclassification, and on the other hand active inventory management and the temporary investment in inventories that this involved. There was a disproportionately low rise in "Trade receivables" to € 47.9 million. The € 4.4 million decrease in cash is the reason for the lower value of the corresponding item.

Consolidated equity rose year on year from € 93.5 million to € 95.7 million. The equity ratio (prior to the distribution of profit) is 44% of the balance sheet total, down from 46% in the previous year. Retained earnings rose by € 15.4 million compared with the prior-year reporting date to € 62.7 million.

The long-term provisions and liabilities amounted to € 14.9 million and were therefore all of € 5.8 million lower. Borrowings were down € 0.3 million in the year under review, at € 2.6 million. As there were no new long-term borrowings, that item fell as a result of the scheduled repayments and the early buy-back of part of a warehouse building reported under finance leases. The advances received for Bordeaux subscriptions fell in the year under review; there was lower demand for the 2010 vintage than for the 2009 vintage, which was reported under this item in the previous year.

Current liabilities rose by € 18.9 million to € 106.5 million. The minority interest in the capital of unincorporated subsidiaries remained more or less unchanged from the previous year. The portion of advances received from customers for the 2009 Bordeaux vintage that was still non-current in 2010 was transferred to a corresponding current item in 2011 because the wines are shipped within the next twelve months. Trade payables were higher 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 was 1.9, as in the previous year.

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

There also existed contingencies and financial obligations in respect of third parties on 31 December 2011. The agreement to purchase a majority interest in *Wein & Vinos* resulted in a financial obligation of € 21.1 million that was met at the start of 2012. The minimum total for non-discounted future lease and rental payments amounts to € 12.6 million. Obligations amounting to € 2.3 million from outstanding advances received for subscriptions on the books at 31 December 2011 were settled at the start of 2012. The contractual obligations total € 1.5 million and relate to the purchase of land at the Tornesch location, near Hamburg, in 2012. Finally, there exist guarantees of € 0.1 million.

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 in Germany, Austria and serving Sweden numbered around one million end customers. The average spend of those customers during the past year was € 225 (previous year: approx. € 204) 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 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.

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – ASSETS	2011		2010	
(rounding differences are possible)	€ million	*as % of balance sheet total*	€ million	*as % of balance sheet total*
NON-CURRENT ASSETS				
Intangible assets	10.7	5%	11.4	6%
Property, plant and equipment	19.9	9%	20.1	10%
Other financial assets	0.2	0%	0.3	0%
Deferred tax liabilities	2.1	1%	3.9	2%
Other	13.8	6%	17.0	8%
	46.7	**22%**	**52.6**	**26%**
CURRENT ASSETS				
Inventories	97.0	45%	74.3	37%
Trade receivables	47.9	22%	46.7	23%
Cash and other current assets	25.4	12%	28.2	14%
	170.4	**78%**	**149.2**	**74%**
BALANCE SHEET TOTAL	**217.1**	**100%**	**201.8**	**100%**

STRUCTURE OF THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES *(rounding differences are possible)*	2011 € million	2011 *as % of balance sheet total*	2010 € million	2010 *as % of balance sheet total*
SHAREHOLDERS' EQUITY				
Subscribed capital	13.7	6%	13.7	7%
Capital reserve	10.1	5%	10.1	5%
Retained earnings	62.7	29%	47.3	23%
Accumulated other equity	0.0	0%	0.1	0%
Unappropriated group profit	8.4	4%	21.6	11%
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG	**94.9**	**44%**	**92.8**	**46%**
Non-controlling interests	0.8	0%	0.8	0%
	95.7	**44%**	**93.5**	**46%**
LONG-TERM DEBT				
Provisions	1.1	1%	0.9	0%
Borrowings	2.6	1%	2.9	1%
Other non-current liabilities and deferred tax liabilities	11.2	5%	16.8	8%
	14.9	**7%**	**20.6**	**10%**
SHORT-TERM LIABILITIES				
Minority interest in the capital of unincorporated subsidiaries	0.0	0%	0.0	0%
Borrowings	4.3	2%	5.0	2%
Advances received	16.5	8%	5.1	3%
Trade payables	57.7	27%	53.0	26%
Other liabilities	28.1	13%	24.6	12%
	106.5	**49%**	**87.6**	**43%**
BALANCE SHEET TOTAL	**217.1**	**100%**	**201.8**	**100%**

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 750 people in the 2011 financial year, predominantly in Germany; this compares with 696 in the previous year (joint ventures included pro rata). Women make up 50% of the group's workforce (previous year: 50%), and 24% of its management (22%). 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: 50% of employees were engaged in the marketing/distribution/customer service areas, 15% in administration and IT, 28% in logistics, and 7% in purchasing and procurement.

Qualifications and training

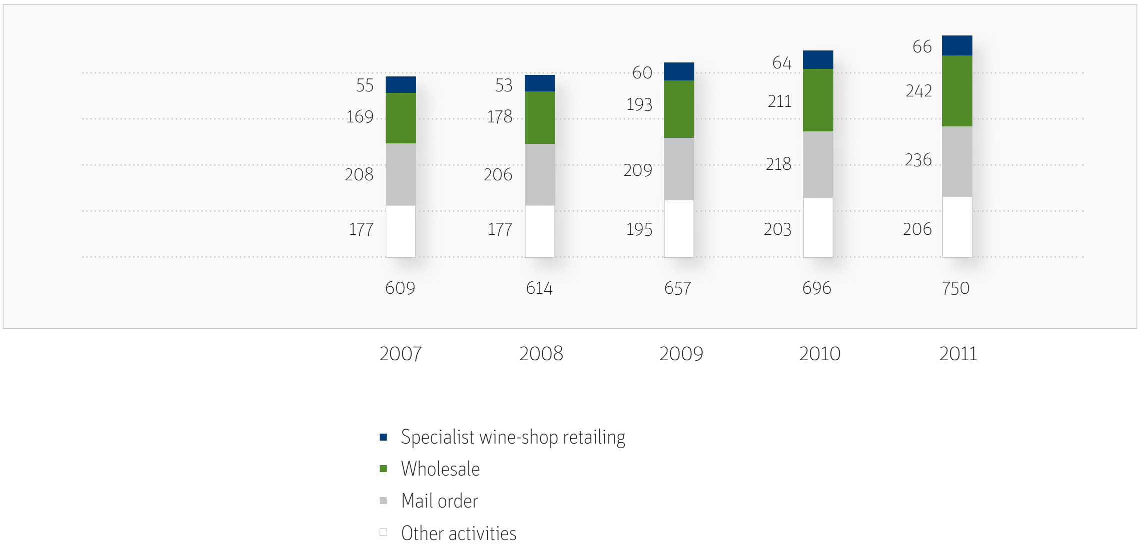
Ongoing training for employees is treated as a high priority by all companies in the Hawesko Group. Only well trained employees will be capable of achieving the high standards that the market and our customers expect. The Hawesko Group therefore provides both demand-led training and specific further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

Successfully recruiting junior employees starts with offering a diverse range of options for school-leavers. In the year under review, the group had 26 apprentices (previous year: 24). 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 (inclusive of pro-rata consolidated joint ventures)



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 contributes towards promoting the health of its employees are the "Health Day", a day-long fact-finding event for employees at Tornesch, providing fresh fruit during winter and mineral water in the summer, and supporting a variety of preventive measures.

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 2011, 354 employees (prior-year reporting date: 322) 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 million 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. At the start of 2012 it considers the group to enjoy a very good position and is confident about its prospects for further business development. Please refer to the relevant sections below for notes on the principal opportunities and risks.

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 2011 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; 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, holding 30.0% of the shares through Alexander Margaritoff Holding GmbH. He is followed by Detlev Meyer with a shareholding of 29.5% through Tocos Beteiligung GmbH, and Michael Schiemann, with a 5.0% shareholding through 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 have their registered office in the Federal Republic of Germany; they are consequently subject to the laws of that country, which decisively influence the framework conditions for their business operations. The subsidiaries not based in Germany or Switzerland all have their place of incorporation within the European Union. No substantial factors that influence business need be mentioned.

The Hawesko Group is essentially divided into three largely independent business segments (cf. "Strategy", page 20).

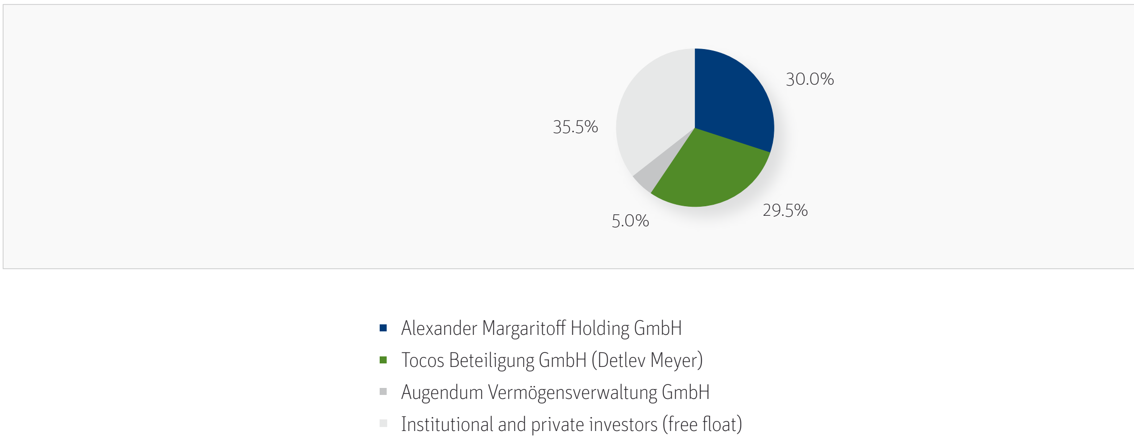
MANAGEMENT AND CONTROL

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.

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.

SHAREHOLDER STRUCTURE (%)



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 113) and can also be accessed on the Internet at http://www.hawesko-holding.com -> Investor Relations -> Corporate Governance.

REMUNERATION REPORT

The remuneration level and system for the Board of Management are determined by the Supervisory Board based on preparatory resolutions by the Personnel and Nominating Committee and examined at regular intervals. As part of its preparations, the Supervisory Board also commissions external remuneration studies. The remuneration system applicable for the year under review for the Board of Management members was approved by the 2010 Shareholders' Meeting by a majority of 96.22% in a consultative vote pursuant to Section 120 Para. 4 of German Stock Corporation Law.

The remuneration of the Board of Management members comprises a fixed and a variable component. The criteria by which the appropriateness of remuneration is gauged are 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. In 2011, as in the previous year, the remuneration did not include any stock options, stock appreciation rights which work in the same way as stock options or any other share-based components. There is not yet any component with a long-term incentivising effect. However the Supervisory Board will, when the contracts of Board of Management members expire, reach a new remuneration agreement that complies with the new German Stock Corporation Law and takes account of long-term corporate results and personal performance. The remuneration of the Board of Management for 2011 (2010) is shown in the following table:

€ '000	*Fixed*	*Variable*	*Total*
Alexander Margaritoff	982	872	1,854
	(982)	(958)	(1,940)
Bernd Hoolmans	450	388	838
	(550)	(426)	(976)
Bernd G Siebdrat	254	504	758
	(254)	(554)	(808)
Ulrich Zimmermann	240	137	377
	(190)	(107)	(297)
TOTAL	**1,926**	**1,901**	**3,827**
	(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 € 148 thousand (previous year: € 126 thousand) was recognised for this commitment at 31 December 2011. The Board of Management member Ulrich Zimmermann is entitled to supplementary retirement pay, having reached the age of 65. The company paid € 10 thousand (previous year: € 10 thousand) into a benevolent fund for this commitment in 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 members in question receive 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 remuneration of the Supervisory Board was supplemented by a variable component by shareholders' resolution dated 8 June 2000, paid in addition to the fixed component. The Supervisory Board members currently receive a fixed payment of € 4,200.00 per year plus reimbursement of expenses (as well as any VAT, if due, on their Supervisory Board activities). Each Supervisory Board member in addition receives € 1,050.00 in attendance fees for each plenary or committee meeting attended. The Chair receives twice this amount, and the Deputy Chair one and a half times it. The remuneration of the Supervisory Board for 2011 (2010) is shown 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	29	45	126
	(44)	(8)	(28)	(7)	(87)
Gunnar Heinemann	33	6	16	–	55
	(32)	(6)	(9)	–	(47)
Thomas R Fischer	22	4	11	–	37
	(25)	(4)	(8)	–	(37)
Jacques Héon (until 20/06/2011)	11	2	7	–	20
	(25)	(4)	(12)	–	(41)
Angelika Jahr-Stilcken (until 19/08/2010)	–	–	–	–	–
	(14)	(2)	(3)	–	(19)
Detlev Meyer (from 28/09/2010)	22	4	7	–	33
	(6)	(1)	(3)	–	(10)
Manfred Middendorff (until 14/05/2010)	–	–	–	–	–
	(20)	(4)	(8)	–	(32)
Kim-Eva Wempe (from 20/06/2011)	11	2	3	–	16
	–	–	–	–	–
TOTAL	**143**	**26**	**73**	**45**	**287**
	(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.

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 group thus only has indirect influence on compliance with the relevant environmental standards. 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.

For the shipment of goods from the producers, fundamentally only carriers with vehicles that comply with the emission category Euro 5 are used. Where intermodal solutions are possible – in other words where transport by rail or sea rather than by truck is possible for part of the itinerary – this is the preferred option and efforts are being made to increase the use of such arrangements. For shipping from Spain, *Jacques'* has been using short sea shipping since the year under review because the sea route generates much lower CO_2 emissions than transport by truck.

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 have 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 (FSC) 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. Over 100 branches and the head office in Düsseldorf switched to using power from renewable sources in 2011. The resulting CO_2 saving amounts to more than 260,000 kg. 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. The lighting system was converted to T5 lamps in the year under review. The operating life of these fluorescent tubes is five times higher and their energy consumption around 20% lower than the form of lighting previously used. The building control system has also been brought up to date.

The new climate control system takes account of the sun's position, providing more cooling output to whichever side of the building is more exposed to the sun. 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

Acquisition of majority interest in Wein & Vinos

With effect from 1 January 2012 the Hawesko Group acquired a 70% interest in the Berlin wine trader *Wein & Vinos*, the leading multi-channel distributor of Spanish wines in Germany. *Wein & Vinos*, with 57 employees, generated sales of € 26 million in 2011. The company's growth rate is well into double figures and it is profitable. The purchase price for this interest was € 21 million and it was paid after the reporting date of 31 December 2011. By virtue of its focus on a younger clientele and its intelligent use of the scope of the Internet and online communication, *Wein & Vinos* represents an important strategic addition for the Hawesko Group. The Hawesko Board of Management expects *Wein & Vinos* to make a positive profit contribution immediately from 2012.

No other 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

The core tasks of the Hawesko Board of Management include the strategic steering of the group. Based on intensive observation of the competitive environment, changes and developments to the national and international markets and the business environment are analysed. The group management translates the findings of these analyses into a plan of action for safeguarding and building on the company's success in the long term.

In the context of its activities 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 86% 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.

14% 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 the Hawesko Group 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 by the Hawesko Group's companies 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 mid-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 and personnel 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.

The future economic development of the Hawesko Group depends to a high degree on the dedication and performance of our employees. We respond to increasing competition for highly qualified specialists and managers by nurturing close contacts with selected professional institutes and through personnel development measures. By providing focused employee development, we counter the risk of being unable to hold onto valued employees in the long term.

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 renders 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 company as a going concern, 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 51.

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 the Accounting department and the involvement of the divisions participating in the processes that are relevant for financial reporting purposes are handled in such a way that there is an appropriate degree of separation between approval, executive, invoicing and controlling functions for a company of this size and sphere of activity. This separation of functions 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 for 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 Group Accounts. The internal control and risk management system of Hawesko Holding AG is designed to ensure that financial reporting by the company and by all companies included in the consolidated financial statements is uniform and in agreement with the legal and statutory requirements as well as internal guidelines.

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

The effectiveness and adequacy of Group Accounting in preparing the accounts are overseen directly by the Chief Financial Officer and the individuals appointed by him to perform that task within Group Accounts.

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 continue to 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

The experts' expectations with regard to the economic prospects for 2012 reveal a mixed picture. While the ifo Institute (ifo) chose to give its economic forecast for 2011/2012 the headline "Debt Crisis Curbs German Economy", GfK highlighted a different aspect and gave its outlook for consumer spending in 2012 the title "Consumption in 2012 – Shopper enthusiasm replaces crisis fears in Germany". However, both institutes are unanimous in their expectation of a modest year-on-year rise in consumer spending (GfK: 1.0%; ifo: 1.2%). According to GfK the stable labour market is fuelling hopes of rising incomes, which in turn enables consumers to plan for more major purchases. Moreover, in an about-turn from former habits, Germany appears to be shedding its reputation as a nation of savers. The European sovereign debt crisis and the erosion of consumers' trust in the financial system have likewise promoted a trend towards purchasing big-ticket items. All this appears to be creating appreciable consumer confidence, enabling consumer spending to make a steady contribution to the economy.

The Hawesko Board of Management echoes this cautiously optimistic economic forecast and expects that the economic momentum will remain on the whole positive throughout 2012 and 2013 in Germany, its key domestic market. The wine market, too, should stand to benefit from this.

Future situation in the trade

According to trade experts, the prospects for the German wine market in 2012 remain favourable. Above all the upscale market segments are a stabilising factor for sales to end customers, as they are much less affected by economic fluctuations than the lower and middle segment. Outside Germany, the outlook is rather more subdued. Vigorous demand from the main buyers of Bordeaux wine in China and other Far East countries ebbed slightly at the start of the year, but experts believe demand will stabilise again as the year progresses. It is not yet clear how well received the 2011 Bordeaux vintage will be, and it is therefore too early to say how much the vintage will influence Bordeaux business as a whole.

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 2012 and 2013. Outside Europe, there will be a noticeable rise in wine consumption. The Hawesko Group remains outstandingly well placed to respond profitably to these trends and adjust its range accordingly.

ANTICIPATED FINANCIAL PERFORMANCE

The target of the Hawesko Board of Management remains long-term, profitable growth. With regard to the development of the wholesale segment in the 2012 financial year, domestic activities are expected to reveal slight growth, Bordeaux business handled by *Château Classic* is expected to be significantly down on the previous year and the remaining international activities will probably achieve single-digit growth. At present the specialist wine-shop retail (*Jacques' Wein-Depot*) is on track for percentage sales growth in the middle single figures. This is assuming that *Jacques'* opens about five new shops (on top of the eight new outlets opened in 2011) and that further progress in dovetailing e-commerce with the wine-shop concept is made. For the mail-order business with *Hanseatisches Wein- und Sekt-Kontor* and *Carl Tesdorpf – Weinhandel zu Lübeck*, organic growth is expected in the percentage range of middle single figures as well. However, with successful further development of the business to Sweden under *The Wine Company* and the first-time inclusion of *Wein & Vinos*, the Board of Management expects sales growth between 30% and 40% in total for the mail-order business segment. Based on the impetus provided above all by *Wein & Vinos*, the Hawesko Board of Management anticipates sales in 2012 to show a year-on-year percentage rise well into double figures.

The gross profit margin for the group is expected to edge up in 2012 (2011: 39.6%). The consolidated operating result for 2012 should grow at a rate comfortably into double figures. This expectation is based in particular on the first-time inclusion of *Wein & Vinos* and on minor improvements in profitability in the wholesale segment. The financial result is expected to show a net expense of approx. € 1.0 million (2011: € 0.5 million). It is anticipated that the profit due to non-controlling interests will reach around € 1.0 million as a result of *Wein & Vinos* (previous year: € 0.3 million), and a single-figure rise in consolidated net income is therefore expected. For 2013, the Board of Management expects a further rise in sales, EBIT and consolidated net income.

It anticipates that the free cash flow following the acquisition of the majority interest in *Wein & Vinos* will reach around € 7–8 million for 2012, and exceed € 20 million in 2013. Assuming these figures materialise, the dividend level is to be at least maintained, but in all probability increased. 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 are likely to reveal a net income on a par with the previous year in 2012, with the figure improving in 2013.

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.

The outpayments required for the acquisition of the majority interest in *Wein & Vinos* have resulted in net debt at the start of 2012. However, the company's plans envisage restoring net liquidity by 2013.

Capital expenditure on property, plant and equipment and intangible assets in the 2012 financial year is likely to come in at between € 5–6 million. The emphasis of the investment measures planned will be on IT investments in the wholesale segment and on opening retail outlets. In addition, the group already spent an amount of € 21 million in January 2012 for the majority interest in *Wein & Vinos*.

There are no further long-term investments or acquisitions currently planned, because the relatively short-term nature of such decisions makes it inadvisable to build them into the basic scenario as fixed components. The Hawesko Group continues to have 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 further clear-cut opportunities in 2012 considering the prevailing economic environment. 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. The market researchers at GfK are forecasting a 1.0% rise in consumer spending in 2012 and therefore a slight decline in the propensity to consume compared with 2011 (1.5%). Broadly, the Hawesko Board of Management currently expects consumption of high-end wines commanding a price of more than € 4.00 per bottle to remain stable over the year as a whole, or possibly achieve slight growth.

The international markets, above all those where Bordeaux wines are greatly in demand, are a different matter. Compared with the thundering performance in the previous year, demand in the Far East declined at the start of 2012. If this trend should extend to the whole year, it could mean slightly lower growth overall for the group in 2012. However, in view of the cyclical nature of demand for these products, the Board of Management assumes that any loss of growth in 2012 would then be recovered in subsequent years.

The Hawesko Group was able to boast very healthy balance sheet ratios at the reporting date of 31 December 2011 – even after paying for the majority interest in *Wein & Vinos* in January 2012. 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. A healthy development is likewise forecast for the parent company Hawesko Holding AG. The group 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 due regard is likewise paid to the human dimension of economic activity: 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 Aktiengesellschaft for the 2011 financial year

CONSOLIDATED STATEMENT OF INCOME

for the period from 1 January to 31 December 2011

	Notes	2011	2010
		€ '000	€ '000
SALES REVENUES	8.	**411,409**	**377,712**
Increase/decrease in finished goods inventories		480	–125
Other production for own assets capitalised		91	79
Other operating income	9.	19,048	18,049
Cost of purchased goods		–248,662	–227,578
Personnel expenses	10.	–40,275	–37,232
Depreciation and amortisation	11.	–5,312	–5,560
Other operating expenses	12.	–109,882	–99,500
Other taxes		–187	–106
RESULT FROM OPERATIONS		**26,710**	**25,739**
Interest income	13.	88	57
Interest expense	13.	–335	–204
Other financial result	13.	–210	1,932
EARNINGS BEFORE TAXES		**26,253**	**27,524**
Taxes on income and deferred tax	14.	–8,102	–7,228
CONSOLIDATED NET INCOME		**18,151**	**20,296**
Profit due to controlling interests		–291	–309
CONSOLIDATED NET INCOME EXCLUDING NON-CONTROLLING INTERESTS		**17,860**	**19,987**
Earnings per share (basic) (€)	15.	1.99	2.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period from 1 January to 31 December 2011

	2011	2010
	€ '000	€ '000
CONSOLIDATED NET INCOME	**18,151**	**20,296**
Amount transferred to income statement	–	–978
Currency translation differences	–43	103
AMOUNTS RECOGNISED DIRECTLY IN EQUITY	**–43**	**–875**
OVERALL RESULT	**18,108**	**19,421**
of which		
– allocable to the shareholders of Hawesko Holding AG	17,835	19,082
– allocable to non-controlling interests	273	339

CONSOLIDATED BALANCE SHEET

at 31 December 2011 (IFRS)

ASSETS	Notes	31/12/2011	31/12/2010
		€ '000	€ '000
NON-CURRENT ASSETS			
Intangible assets	16.	10,704	11,379
Property, plant and equipment	17.	19,925	20,110
Other financial assets	18.	240	265
Advance payments for inventories	20.	12,886	15,908
Receivables and other assets	21.	897	1,066
Deferred tax	19.	2,095	3,877
		46,747	**52,605**
CURRENT ASSETS			
Inventories	20.	97,012	74,297
Trade receivables	21.	47,941	46,682
Other assets	21.	3,918	2,666
Accounts receivable from taxes on income	21.	1,136	828
Cash in banking accounts and cash on hand	22.	20,350	24,705
		170,357	**149,178**
		217,104	**201,783**

SHAREHOLDERS' EQUITY AND LIABILITIES	*Notes*	31/12/2011	31/12/2010
		€ '000	€ '000
SHAREHOLDERS' EQUITY			
Subscribed capital of Hawesko Holding AG	23.	13,709	13,709
Capital reserve	24.	10,061	10,061
Retained earnings	25.	62,699	47,299
Accumulated other equity	26.	45	70
Unappropriated group profit	27.	8,388	21,649
EQUITY OF THE SHAREHOLDERS OF HAWESKO HOLDING AG		**94,902**	**92,788**
Non-controlling interests	28.	839	751
		95,741	**93,539**
LONG-TERM PROVISIONS AND LIABILITIES			
Provisions for pensions	29.	722	648
Other long-term provisions	30.	373	269
Borrowings	31.	2,596	2,926
Advances received	32.	10,876	16,355
Other liabilities	32.	18	138
Deferred tax liabilities	33.	277	293
		14,862	**20,629**
SHORT-TERM LIABILITIES			
Minority interest in the capital of unincorporated subsidiaries	32.	2	4
Borrowings	31.	4,288	4,965
Advances received	32.	16,461	5,068
Trade payables	32.	57,694	52,996
Income taxes payable	32.	4,012	2,829
Other liabilities	32.	24,044	21,753
		106,501	**87,615**
		217,104	**201,783**

CONSOLIDATED CASH FLOW STATEMENT

for the period from 1 January to 31 December 2011

		Notes	2011	2010
			€ '000	€ '000
	Earnings before taxes	39.	26,253	27,524
+	Depreciation of intangible and tangible assets		5,312	5,560
–	Other non-cash expenses and income		–217	–311
+	Interest result	39.	457	–1,785
–	Result from the disposal of intangible and tangible assets		–142	–56
–	Change in inventories		–19,694	–19,082
–	Change in receivables and other assets		–2,342	–4,786
+	Change in provisions		177	78
+	Change in liabilities (excluding borrowings)		12,581	20,780
–	Taxes on income paid out	39.	–5,461	–6,096
=	**NET INFLOW OF PAYMENTS FROM CURRENT OPERATIONS**		**16,924**	**21,826**
–	Outpayments for tangible assets and intangible assets		–4,349	–5,055
+	Inpayments/outpayments from the disposal of intangible and tangible assets		207	197
+	Dividend payments received		–	65
+	Inpayments from the disposal of financial assets		15	7,329
=	**NET FUNDS EMPLOYED FOR INVESTING ACTIVITIES**		**–4,127**	**2,536**
–	Outpayments for dividends	39.	–15,721	–11,927
–	Outpayments to minority interests*		–185	–451
+	Inpayments from the sale of treasury shares		–	260
–	Payment of finance lease liabilities		–1,464	–2,041
+	Change in borrowings		672	2,037
–	Interest paid out and received	39.	–454	–536
=	**OUTFLOW/INFLOW OF NET FUNDS FROM FINANCING ACTIVITIES**		**–17,152**	**–12,658**
=	**NET DECREASE/INCREASE OF FUNDS**		**–4,355**	**11,704**
+	Funds at start of period		24,705	13,001
=	**FUNDS AT END OF PERIOD**	39.	**20,350**	**24,705**

* *including outpayments to minority interests in unincorporated firms*

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*	*Revaluation reserve*	*Unappropriated group profit*	*Ownership interest of Hawesko Holding AG shareholders*	*Non-controlling interests*	*Shareholders' 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**	**–**	**21,649**	**92,788**	**751**	**93,539**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from 31 December 2010 to 31 December 2011

€ '000	*Subscribed capital*	*Capital reserve*	*Retained earnings*	*Balancing item from currency translation*	*Revaluation reserve*	*Unappropriated group profit*	*Ownership interest of Hawesko Holding AG shareholders*	*Non-controlling interests*	*Shareholders' equity*
31/12/2010	**13,709**	**10,061**	**47,299**	**70**	**–**	**21,649**	**92,788**	**751**	**93,539**
Appropriation to retained earnings	–	–	15,400	–	–	–15,400	–	–	–
Capital increase for contribution in kind	–	–	–	–	–	–	–	–	–
Treasury shares	–	–	–	–	–	–	–	–	–
Partial disposals	–	–	–	–	–	–	–	–	–
Successive acquisition	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–15,721	–15,721	–185	–15,906
Overall result	–	–	–	–25	–	17,860	17,835	273	18,108
31/12/2011	**13,709**	**10,061**	**62,699**	**45**	**–**	**8,388**	**94,902**	**839**	**95,741**

DEVELOPMENT OF CONSOLIDATED ASSETS

for the period from 1 January to 31 December 2011

INTANGIBLE ASSETS € '000	*Software*	*Goodwill*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST				
POSITION AT 1/1/2011	**11,115**	**9,569**	**1,985**	**22,669**
Extension on the basis of consolidation	–	–	–	–
Additions	339	–	266	605
Disposals	–48	–	–	–48
Appreciation	–	168	–	168
Transfers	33	–	–33	–
POSITION AT 31/12/2011	**11,439**	**9,737**	**2,218**	**23,394**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2011	**7,627**	**3,663**	**–**	**11,290**
Extension on the basis of consolidation	–	–	–	–
Additions	1,434	16	–	1,450
Disposals	–50	–	–	–50
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**9,011**	**3,679**	**–**	**12,690**
CARRYING AMOUNTS				
POSITION AT 31/12/2011	**2,428**	**6,058**	**2,218**	**10,704**

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 1/1/2011	**31,029**	**21,919**	**4**	**52,952**
Extension on the basis of consolidation	–	–	–	–
Additions	1,086	2,568	89	3,743
Disposals	–105	–943	–	–1,048
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**32,010**	**23,544**	**93**	**55,647**
ACCUMULATED DEPRECIATION				
POSITION AT 1/1/2011	**18,012**	**14,830**	**–**	**32,842**
Extension on the basis of consolidation	–	–	–	–
Additions	1,606	2,256	–	3,862
Disposals	–69	–913	–	–982
Appreciation	–	–	–	–
Transfers	–	–	–	–
POSITION AT 31/12/2011	**19,549**	**16,173**	**–**	**35,722**
CARRYING AMOUNTS				
POSITION AT 31/12/2011	**12,461**	**7,371**	**93**	**19,925**

FINANCIAL ASSETS € '000	*Shares in affiliated companies*	*Participating interests*	*Securities*	*Other loans*	*Advance payments*	*Total*
ACQUISITION OR MANUFACTURING COST						
POSITION AT 1/1/2011	**185**	**28**	**–**	**57**	**–**	**270**
Extension on the basis of consolidation	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Disposals	–	−28	–	−2	–	−30
Appreciation	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
POSITION AT 31/12/2011	**185**	**–**	**–**	**55**	**–**	**240**
ACCUMULATED DEPRECIATION						
POSITION AT 1/1/2011	**–**	**5**	**–**	**–**	**–**	**5**
Extension on the basis of consolidation	–	–	–	–	–	–
Additions	–	–	–	–	–	–
Disposals	–	−5	–	–	–	−5
Appreciation	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
POSITION AT 31/12/2011	**–**	**–**	**–**	**–**	**–**	**–**
CARRYING AMOUNTS						
POSITION AT 31/12/2011	**185**	**–**	**–**	**55**	**–**	**240**

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
Appreciation	–	–	–	–
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**	**1,985**	**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
Appreciation	–	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	–	–	–	–	–	–
Appreciation	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
POSITION AT 31/12/2010	**–**	**5**	**–**	**–**	**–**	**5**
CARRYING AMOUNTS						
POSITION AT 31/12/2010	**185**	**23**	**–**	**57**	**–**	**265**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

of Hawesko Holding AG for the 2011 financial year

PRINCIPLES AND METHODS APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Hawesko Holding Aktiengesellschaft 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 statement of income and balance sheet are combined; they are explained in the Notes. The standard reporting date for all group companies is 31 December 2011.

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

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 13 March 2012 for signing off at the Supervisory Board meeting devoted to the annual accounts on 23 March 2012.

The audited combined management report for the group and the parent company and the annual financial statements at 31 December 2011 of Hawesko Holding AG 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 IAS 1 “Presentation of Financial Statements” (in the context of the annual improvements project (2010))*

  The amendments clarify that an enterprise may choose whether to present the breakdown of Other Comprehensive Income as components of the statement of movements in equity or in the Notes to the consolidated financial statements. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Amendment to IAS 24 “Related Party Disclosures” (revised 2009)*

  The amendments on the one hand concern the definition of a related party and on the other hand introduce an exception for defined disclosure requirements for enterprises that are controlled, jointly controlled or significantly influenced by a government agency. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Amendments to IFRS 3 “Business Combinations” (in the context of the annual improvements project (2010))*

  The previous option of measuring non-controlling interests at the date of acquisition was defined more closely and also the accounting of share-based remuneration programmes held by employees of the acquired enterprise was clarified.

- *Amendments to IAS 32 "Classification of Rights Issues"*

  The amendments concern the classification of certain rights issues granted in foreign currency either as an equity instrument or as a financial liability. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *Annual improvements project 2010*

  Apart from the amendments to IFRS 3 and IAS 1, which are already described in this section, these comprise a large number of other, more minor amendments to existing standards. The amendments had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 14 "Prepayment of a Minimum Funding Requirement"*

  The interpretation deals for example with the question of subject to what conditions refunds or reductions in future contributions are to be regarded as available pursuant to IAS 19.58. The amendments to IFRIC 14 had no effect on the presentation of net worth, the financial position and the financial performance.

- *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*

  IFRIC 19 deals with the accounting approach where financial liabilities are fulfilled through the issue of equity instruments. The amendment 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 2011 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 2011:

- *Amendments to IFRS 7 "Disclosures – Transfers of Financial Assets" (not yet endorsed)*
- *IFRS 9 "Financial Instruments" (not yet endorsed)*
- *IFRS 10 "Consolidated Financial Statements" (not yet endorsed)*
- *IFRS 11 "Joint Arrangements" (not yet endorsed)*
- *IFRS 12 "Disclosure of Interests in Other Entities" (not yet endorsed)*
- *IFRS 13 "Fair Value Measurement" (not yet endorsed)*
- *Amendments to IAS 1 "Presentation of Components of Other Comprehensive Income" (not yet endorsed)*
- *Amendments to IAS 12 "Deferred Tax – Recovery of Underlying Assets" (not yet endorsed)*
- *IAS 19 (2011) "Employee Benefits" (not yet endorsed)*
- *IAS 27 (2011) "Separate Financial Statements" (not yet endorsed)*
- *IAS 28 (2011) "Investments in Associates and Joint Ventures" (not yet endorsed)*

The five standards published together that deal with consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), separate financial statements (IAS 27 (2011)) and investments in associates and joint ventures (IAS 28 (2011)) are to be applied for financial years beginning on or after 1 January 2013.

IFRS 10 supersedes the requirements on consolidated financial statements in IAS 27 and also SIC-12 on the consolidation of special-purpose entities and now defines a uniform principle of control.

IFRS 11 supersedes IAS 31 and SIC-13 and regulates the classification of joint arrangements. According to IFRS 11, among other changes exclusively the equity method must be applied when accounting for joint ventures.

IFRS 12 is a standard that concerns itself with disclosures and contains much more far-reaching disclosure requirements than the standards that are currently valid.

The application of the five standards may have a material influence on the consolidated financial statements. The application of IFRS 11 may lead to changes in the treatment of the joint venture *Global Eastern Wine Holding*, Bonn, and of its subsidiary *Global Wines, s.r.o.*, Prague (Czech Republic), which are currently consolidated on a pro rata basis. No detailed analysis of the impact of the new standards has yet been carried out, with the result that it is not yet possible to quantify their effect.

IFRS 13 summarises uniform guidelines on fair value measurement and the resulting disclosures. The standard is applied whenever a different IFRS calls for fair value measurement for financial and non-financial items. The standard is to be applied for financial years beginning on or after 1 January 2013, and may influence the values stated in the consolidated financial statements and result in extensive disclosures.

The application of the other aforementioned standards 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 is to be performed at the fair value of the shares held at the time of transfer of control. Transactions that do not lead to a loss of control are recognised income-neutrally as equity transactions for non-controlling interests. At the time of loss of control, all residual interests are remeasured at fair value through profit 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.

For consolidation, the 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. Taking the sales and management structure as the starting point, a cash-generating unit is defined as an individual company or a group. The impairment test is to be performed at the balance sheet date and then subsequently whenever there is evidence of impairment. The recoverable amount for a cash-generating unit is determined on the basis of the fair value less disposal costs. The fair value is calculated on the basis of future cash flows according to group planning. Discounting of the forecast cash flows is performed using a risk-adjusted interest rate. Capital market data is used in determining the risk-oriented interest rate. If the carrying amount of the cash-generating unit exceeds the recoverable amount, the allocable goodwill is to be impaired by the difference. If the impairment exceeds the carrying amount of the goodwill, the excess amount is to be distributed pro rata among the other assets of the cash-generating unit.

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

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 as well as advance payments for inventories are measured at acquisition cost or at net realisable value. The costs include overhead costs which can be directly allocated, in addition to prime costs. They are fundamentally measured according to the moving average method. *Work in progress and finished goods* are valued at the cost of production or at net realisable value if lower. 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 non-payment risk, are taken into account in the statement of income. 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 statement of income.

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. These estimates and assumptions are based on past experience and on other factors, including expectations regarding future developments. All estimates and assessments are subject to ongoing review and remeasurement. The actual figures may differ from the amounts obtained by estimates and assumptions. Key estimates and assumptions are required in the following areas in particular:

Goodwill is tested annually for impairment in accordance with IAS 36. The recoverable amount is determined on the basis of the fair value less disposal costs. Determining the fair value in particular requires estimates of the future cash flow based on group planning. The most important assumptions on which the calculation of fair value is based include estimates of growth rates, weighted capital cost rates and tax rates. The carrying amount of goodwill was € 6,034 thousand at 31 December 2011 (previous year: € 5,866 thousand).

The measurement of inventory risks within *inventories* depends substantially on the assessment of future demand and, in specialist wine segments, on estimates of market price developments. The total impairment of inventories amounted to € 1,128 thousand at 31 December 2011 (previous year: € 1,085 thousand).

Impairment of doubtful *receivables* includes estimates and assessments of individual receivables that are based on the creditworthiness of the individual customer, and on past experience. A distinction is made between individual and general allowances for uncollectable receivables. The total impairment of receivables amounted to € 533 thousand at 31 December 2011 (previous year: € 484 thousand).

Provisions for pensions are measured according to actuarial principles. These methods are based on actuarial parameters such as the discounting rate, income and pension trend, and life expectancy. In view of the fluctuating market and economic situation, the underlying assumptions may depart from the actual development and have a material impact on the obligation for post-employment retirement benefit payments. The carrying amount of the provisions for pensions was € 722 thousand at 31 December 2011 (previous year: € 648 thousand).

The determination of *liabilities* from customer bonus programmes depends substantially on the assessment of how likely it is that the credit acquired will be redeemed. For this purpose assumptions are made based on customer quality and the credit levels. The carrying amount of the customer bonus liabilities was € 3,730 thousand at 31 December 2011 (previous year: € 3,541 thousand).

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 German 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 exercises joint control.

FULLY CONSOLIDATED SUBSIDIARIES

	Registered office	*Segment*	*Shareholding* %
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
Globalwine 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	Lübeck	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	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	31/12/2011	31/12/2010
Non-current assets	8	4
Current assets	1,597	1,686
ASSETS	**1,605**	**1,690**
Shareholders' equity	1,152	1,066
Short-term provisions and liabilities	453	624
EQUITY AND LIABILITIES	**1,605**	**1,690**

SHARE OF INCOME AND EXPENSES

€ '000	31/12/2011	31/12/2010
Sales revenues	2,671	2,375
Other operating income	81	86
Cost of materials	−1,589	−1,385
Personnel expenses	−174	−174
Depreciation and amortisation	−3	−2
Other operating expenses	−419	−383
RESULT FROM OPERATIONS	**567**	**517**
Interest income	4	6
Interest expense	−1	–
RESULT FROM ORDINARY ACTIVITIES	**570**	**523**
Taxes on income	−118	−103
NET INCOME	**452**	**420**

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

NON-CONSOLIDATED SUBSIDIARIES

	Registered office	*Shareholding* %	*Capital* € '000	*Net earnings 2011* € '000
Wein Wolf Import GmbH	Bonn	100.0	49	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	33	1
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	100.0	26	1
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	100.0	65	6
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	100.0	35	1
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	95.0	30	1
C.C.F. Fischer GmbH	Tornesch	100.0	20	−1

7. BUSINESS COMBINATION AFTER THE REPORTING DATE

On 2 January 2012 Hawesko Holding AG acquired 70% of the shares of *Wein & Vinos GmbH*, with its registered office in Berlin *Wein & Vinos GmbH* is the leading multi-channel distributor of Spanish wines in Germany; as well as its main e-commerce sales channel it has seven retail branches in Berlin and Munich. *Wein & Vinos GmbH* comes under the mail-order segment.

The purchase price allocation for the acquisition is as a whole provisional, as the acquisition date was shortly after the balance sheet date. There may be changes in particular to the measurement of intangible assets and deferred tax.

Hawesko Holding AG paid an overall purchase price of € 22,403 thousand for the acquisition of the shares. This price comprises a fixed component (€ 21,110 thousand) and a variable component (€ 1,293 thousand). The variable component is dependent on the economic development of *Wein & Vinos GmbH*. The variable element may range between € 0 thousand and € 7,000 thousand and is based on the average EBIT for the 2012 and 2013 financial years, provided the average EBIT is above € 6,250 thousand. At the acquisition date the expected value was taken as the variable component, based on the company's corporate planning. The fixed component had already been paid by the time of preparation of the financial statements. Loans amounting to € 20 million were raised for this payment.

The acquisition-related costs at the time of preparation of the consolidated financial statements amounted to € 236 thousand. € 218 thousand of this amount was carried as an expense allocable to the year under review and reported under other expenses in the consolidated statement of income.

The fair values of the acquired assets and debts as carried at the time of acquisition can be reconciled as follows:

€ '000	*Fair values*
Intangible assets	17,612
Property, plant and equipment	419
Deferred tax assets	6,011
Inventories	2,440
Receivables and other assets	1,320
Cash on hand	1,435
Trade payables	–2,898
Other liabilities	–1,761
Net assets excl. differences	**24,578**
Of which 70% acquired	17,205
Derivative goodwill	**5,198**
ACQUISITION COST	**22,403**

In the course of the acquisition process, receivables with a fair value of € 1,059 thousand were recorded. The gross amount is € 1,096 thousand. Of this total, € 37 thousand will probably be uncollectible.

The carrying amount of the non-controlling interests (30% of the shares of *Wein & Vinos GmbH*) is measured at the date of acquisition as a minority interest in the acquired assets and debts (purchase method) and totals € 7,374 thousand.

The goodwill arising from the acquisition is not expected to be tax-deductible.

By virtue of its focus on a younger clientele and its intelligent use of the scope of the Internet and online communication, *Wein & Vinos GmbH* is an important strategic addition for the Hawesko Group. This potential is reflected in the derivative goodwill.

NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

8. SALES REVENUES

€ '000	2011	2010
Specialist wine-shop retail	122,153	115,843
Wholesale	181,039	161,768
Mail order	108,164	100,013
Miscellaneous	53	88
	411,409	**377,712**

The sales revenues include € 154 thousand from counter-transactions, mainly in respect of advertising services.

9. OTHER OPERATING INCOME

€ '000	2011	2010
Rental income	7,071	6,784
Advertising expense subsidies	5,418	5,016
Income from cost refunds	2,582	2,313
Income from the reversal of provisions	363	292
Miscellaneous	3,614	3,644
	19,048	**18,049**

10. PERSONNEL EXPENSES

€ '000	2011	2010
Wages and salaries	34,705	31,995
Social security and other pension costs	5,570	5,237
– *of which in respect of old age pensions*	*179*	*202*
	40,275	**37,232**

The employee benefit expenses include payments from defined contribution plans totalling € 105 thousand (previous year: € 171 thousand) and from defined benefit plans totalling € 74 thousand (previous year: € 31 thousand).

11. DEPRECIATION AND AMORTISATION

€ '000	2011	2010
Intangible assets	1,450	1,762
Property, plant and equipment	3,862	3,798
	5,312	**5,560**

12. OTHER OPERATING EXPENSES

€ '000	2011	2010
Advertising	34,011	30,785
Commissions to partners	31,586	30,103
Delivery costs	15,170	12,795
Rental and leasing	9,458	8,734
IT and communication costs	2,340	2,067
Legal and consultancy costs	1,955	1,608
Other personnel expenses	1,349	1,135
Miscellaneous	14,013	12,273
	109,882	**99,500**

13. INTEREST INCOME, INTEREST EXPENSE AND OTHER FINANCIAL RESULT

€ '000	2011	2010
Interest income	88	57
Interest expense	–335	–204
Interest for finance leases	–211	–417
Changes in fair value of interest hedging transactions	–	24
Expenses from other derivatives	–	–553
Income from financial assets and securities	–	3,270
Expense from the conversion of debt into equity	–	–396
Net profit for the year due to minority interests in unincorporated subsidiaries	1	4
Change in the amortised cost of minority interest in the capital of unincorporated subsidiaries	–	–
	–457	**1,785**
of which: from financial instruments of the classification categories pursuant to IAS 39		
Loans and receivables	88	57
Financial assets held for trading (FAHfT)	–	–
Financial liabilities held for trading (FLHfT)	–	–529
Available for sale financial assets (AfS)	–	3,270
Financial liabilities measured at amortised cost	–334	–596

14. TAXES ON INCOME AND DEFERRED TAX

€ '000	2011	2010
Current tax	6,337	5,474
Deferred tax	1,765	1,754
	8,102	**7,228**

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	2011	2010
Current year	6,282	5,464
Previous years	55	10
	6,337	**5,474**

Expenses for deferred taxes are attributable to the following:

€ '000	2011	2010
From restructuring measures with an effect on taxes	1,761	1,754
From loss carryforwards	162	–99
Other temporary differences	–158	99
	1,765	**1,754**

The actual tax expense for the year 2011 of € 8,102 thousand is € 585 thousand higher than the anticipated tax expense of € 7,517 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 28.63% (previous year: 28.61%) and is obtained as follows:

Trade tax (average municipal factor 366%)	12.80%
Corporation tax (15% of profits)	15.00%
Solidarity surcharge (5.5% of corporation tax)	0.83%
Total tax burden on pre-tax earnings	**28.63%**

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

€ '000	2011	2010
Anticipated tax expense	7,517	7,875
Reclassification of minority interest	0	270
Tax expenses/income unrelated to the accounting period	55	10
Nonrecognition of fiscal loss carryforwards	306	153
Capitalisation of loss carryforwards	–	–520
Tenancy and leasing commitments to be included	121	114
Nondeductible portion of Supervisory Board remuneration	35	38
Effect of divergent national tax rates	–10	9
Partially tax-free disposal of shares	–	–889
Other tax effects	78	168
ACTUAL TAX EXPENSE	**8,102**	**7,228**
Effective tax rate %	30.86	26.26

The total deferred taxes from items that are credited or charged directly to equity is nil, as in the previous year.

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.

	2011	2010
Consolidated earnings (€ '000)	17,860	19,987
Average number of shares ('000)	8,983	8,915
Basic earnings per share (€)	1.99	2.24

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	31/12/2011	31/12/2010
Software	2,428	3,489
Other intangible assets including advance payments	2,218	1,984
Goodwill	6,058	5,906
	10,704	**11,379**

The item "Software" includes the development of an IT system, completed during 2006, for registering orders and processing customers in the mail-order segment at a cost of € 127 thousand (previous year: € 244 thousand) by way of a self-constructed asset. Depreciation amounting to € 117 thousand (previous year: € 117 thousand) was applied. The residual useful life of the self-constructed asset is 13 months.

As well as goodwill from the consolidation of capital, goodwill also includes a customer base which *Jacques' Wein-Depot* acquired at a cost of € 24 thousand (previous year: € 40 thousand).

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

€ '000	*Acquisition cost* 01/01/2011	*Adjustment to initial consolidation*	*Accumulated impairment* 31/12/2011	*Carrying amount* 31/12/2011
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	–19	–	–19	–
Jacques-IT GmbH	453	–	–	453
Globalwine AG	707	168	–	875
The Wine Company Hawesko GmbH	–2	–	–2	–
	8,948	**168**	**3,082**	**6,034**

In the year under review there was a further purchase price adjustment for the acquisition of *Globalwine 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 6.14–6.34% in 2011 (previous year: 6.51–6.69%).

The impairment tests carried out during the financial year revealed no impairment. Nor would a 10% fall in the forecast cash flow or a rise of one percentage point in the discounting rates lead to any impairment. An impairment of € 276 thousand was applied to the goodwill of *Carl Tesdorpf GmbH* in the previous year. The negative difference from the initial consolidation of *The Wine Company Hawesko GmbH* was collected in full in the previous year.

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	31/12/2011	31/12/2010
Land and buildings, including buildings on third-party land	12,461	13,017
Other fixtures and fittings, tools and equipment	7,371	7,089
Advance payments and construction in progress	93	4
	19,925	**20,110**

The carrying amount of the land and buildings in finance lease totalled € 3,120 thousand at 31 December 2011 (previous year: € 3,692 thousand). These are not freely at the company's disposal. For additional notes, please refer to pages 89–90 (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	31/12/2011	31/12/2010
Shares in affiliated companies	185	185
Participating interests	0	23
Other loans	55	57
	240	**265**

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	31/12/2011	31/12/2010
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
Weinland Ariane Abayan Verwaltungs GmbH	24	24
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	**185**

In the previous year the participating interests (€ 23 thousand) related to the interest of € 13 thousand held in *Vera Maria Bau Consulting GmbH*, Bonn, as well as to a limited partner's share in *PENTOS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Tornesch KG*, Düsseldorf, amounting to € 10 thousand. The participating interests were disposed of or liquidated in the year under review with no material effect on the net worth, financial position and financial performance.

The other loans amounting to € 55 thousand (previous year: € 57 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

€ '000	31/12/2011	31/12/2010
Previous year	3,877	5,562
Increase	63	623
Decrease	–1,292	–1,551
Offsetting	–553	–757
	2,095	**3,877**

Deferred tax assets are made up as follows:

€ '000	31/12/2011	31/12/2010
Temporary differences:		
– from restructuring measures with an effect on taxes	1,876	3,631
– from loss carryforwards	396	558
– from the fair value measurement of derivative financial instruments	–	–
– from finance leases	212	262
– from inventories	56	53
– from provisions for pensions	104	124
Other	4	6
Offsetting	–553	–757
	2,095	**3,877**

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 one year. Amortisation is performed at the rate of € 1,698 thousand per year for the above companies.

There remain unused, temporally unlimited tax loss carryforwards amounting to € 3,044 thousand (previous year: € 2,033 thousand), for which no deferred tax assets were reported in the balance sheet.

A sum of € 1,929 thousand (previous year: € 2,425 thousand) is expected to be realised from the deferred tax assets within twelve months.

20. INVENTORIES

€ '000	31/12/2011	31/12/2010
Raw material and consumables used	1,242	1,151
Work in progress	3,574	3,175
Finished goods and merchandise	72,070	63,599
Advance payments	33,012	22,280
	109,898	**90,205**

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

Inventories totalling € 4,988 thousand (previous year: € 2,521 thousand) were recognised at their net realisable value. An addition to impairment totalling € 43 thousand (previous year: reversal of € 90 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	31/12/2011	31/12/2010
Trade receivables (gross)	*48,474*	*47,166*
Less uncollectable receivables	*–533*	*–484*
Trade receivables	**47,941**	**46,682**
Accounts receivable from taxes on income	1,136	828
Other receivables and other assets	4,815	3,732
	53,892	**51,242**
Of which with a term of		
– up to 1 year	52,995	50,176
– over 1 year	897	1,066

€ '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
	31/12/2011						
Trade receivables	47,941	37,542	8,645	1,277	240	2	–
	31/12/2010						
Trade receivables	46,682	35,264	9,703	1,039	290	199	88

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	2011	2010
Impairment at 1 January	484	610
Added	375	334
Used up	–260	–423
Reversed	–66	–37
IMPAIRMENT AT 31 DECEMBER	**533**	**484**

Other receivables and other assets:

€ '000	31/12/2011	31/12/2010
Due from participating interests	40	97
Tax refund claims	1,040	446
Receivables from trade representatives	461	560
Rent deposits	686	715
Accrued costs	605	639
Miscellaneous	1,983	1,275
	4,815	**3,732**

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 € 20,350 thousand (previous year: € 24,705 thousand) relates substantially to balances with banks.

23. SUBSCRIBED CAPITAL OF HAWESKO HOLDING AG

The subscribed capital of Hawesko Holding AG amounts to € 13,708,934.14 (previous year: € 13,708,934.14) and is divided into 8,983,403 (previous year: 8,983,403) no par value bearer shares.

At 31 December 2011, as in the previous year, no treasury shares are held.

A regular dividend of € 1.50 per share plus a bonus dividend of € 0.25 per share was paid in the financial year, amounting to € 15,721 thousand in total (previous year: € 1.35 per share, € 11,927 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.

The approved capital at 31 December 2011 amounted to € 6,140,553.86 (previous year: € 6,140,553.86).

24. CAPITAL RESERVE

€ '000	31/12/2011	31/12/2010
Capital reserve	10,061	10,061

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 previous year following a capital increase for contribution in kind. The capital reserve also rose in the previous year as a result of the sale of treasury shares (€ 39 thousand).

25. RETAINED EARNINGS

€ '000	31/12/2011	31/12/2010
Retained earnings	62,699	47,299

The group's retained earnings include amounts allocated in the past from earnings generated by companies included in the consolidated accounts.

26. ACCUMULATED OTHER EQUITY

The changes in equity with no income effect totalling € 45 thousand (previous year: € 70 thousand) comprise exclusively translation differences from the translation of the functional currency of foreign group companies. These are reported in the consolidated financial statements directly under the other result and accumulated within the balancing item from currency translation. No taxes on income are due on the translation differences.

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 € 15,658 thousand (previous year: € 16,768 thousand).

The individual components of the equity and its development in the years 2010 and 2011 are shown in the consolidated statement of changes 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 € 74 thousand in the year under review (previous year: € 31 thousand). The expense comprises service cost of € 10 thousand (previous year: € 12 thousand), interest expense of € 32 thousand (previous year: € 32 thousand), payments made of € 19 thousand (previous year: € 19 thousand) and an actuarial loss of € 51 thousand (previous year: € 6 thousand).

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

%	2011	2010
Discounting rate	4.5	5.15
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:

€ '000

31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
722	648	617	615	585

Outpayments of € 19 thousand are expected for 2012.

30. OTHER LONG-TERM PROVISIONS

€ '000	01/01/2011	*Drawn (D) Liquidated (L)*	*Allocated*	31/12/2011
Provisions for personnel	269	1 (D) 1 (L)	106	373

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

In 2011, the provisions for pensions increased by € 9 thousand as a result of the interest expense.

31. BORROWINGS

€ '000	31/12/2011	31/12/2010
Banks	3,957	3,283
Finance lease	2,927	4,608
	6,884	**7,891**
Of which with a term of:		
– *up to 1 year*	4,289	4,965
– *1 to 5 years*	1,418	1,435
– *over 5 years*	1,177	1,491

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* € '000 2011	*Credit facility* € '000 2010
Open-ended	20,000	23,000

The interest rates of short-term loans raised in 2011 were between 1.22% and 2.50% (previous year: between 1.17% and 1.67%).

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

The finance lease liabilities at 31 December 2011 can be reconciled as follows:

€ '000	*Term up to 1 year*	*Term over 1 and up to 5 years*	*Term over 5 years*	*Total*
Minimum lease payments	503	1,889	1,323	**3,715**
Interest component	171	471	146	**788**
Principal repaid	332	1,418	1,177	**2,927**

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. 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.

The following tables indicate 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											
		2012			2013			2014–2016			> 2016		
€ '000	*Carrying amount 31/12/2011*	*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	3,957	–	–7	–3,957	–	–	–	–	–	–	–	–	–
Finance lease liabilities	2,927	–171	–	–332	–151	–	–351	–320	–	–1,067	–146	–	–1,177
Other non-interest-bearing liabilities	57,694	–	–	–57,694	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
Forward exchange transactions without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
CREDIT COMMITMENTS*	n.a.	609	–	4,750	456	–	4,750	476	–	10,500	–	–	–

* *For detailed explanations, see Note 7. The maximum payment for the earliest possible date of availment has been shown in each case.*

The schedule does not show plan figures; it only shows financial instruments held at 31 December 2011 and for which contractual agreements on payments exist.

€ '000	Carrying amount 31/12/2010	*Cash flows* 2011			2012			2013–2015			> 2015		
		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
Other non-interest-bearing liabilities	52,996	–	–	–52,996	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL LIABILITIES													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
Forward exchange transactions without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
DERIVATIVE FINANCIAL ASSETS													
Interest rate derivatives without hedging relationship	–	–	–	–	–	–	–	–	–	–	–	–	–
CREDIT COMMITMENTS	–	–	–	–	–	–	–	–	–	–	–	–	–

32. OTHER LIABILITIES

€ '000	31/12/2011	31/12/2010
Minority interest in the capital of unincorporated subsidiaries	2	4
Advances received	27,337	21,423
Trade payables	57,694	52,996
Income taxes payable	4,012	2,829
Other liabilities	24,062	21,891
	113,107	**99,143**
Of which with a term of:		
– up to 1 year	102,213	82,650
– 1 to 5 years	10,894	16,493
– over 5 years	–	–

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

The advances received in the year in progress are in respect of subscription payments collected from customers for wines which are to be delivered in 2012 and 2013.

The advances received include liabilities with a term of between one and five years totalling € 10,876 thousand (previous year: € 16,355 thousand).

The other liabilities include liabilities with a term of between one and five years totalling € 18 thousand (previous year: € 138 thousand). There no longer exist any other liabilities with a term of over five years, as in the previous year.

The other liabilities are composed of the following:

€ '000	31/12/2011	31/12/2010
Sales tax and other taxes	11,279	9,834
Liabilities in respect of social insurance	228	209
Liabilities to employees	5,545	5,565
Customer bonuses	3,730	3,541
Liabilities to other company members	2	6
Due to affiliated companies	121	98
Miscellaneous	3,157	2,638
	24,062	**21,891**

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

€ '000	31/12/2011	31/12/2010
C.C.F. Fischer GmbH	21	21
Deutschwein Classics Verwaltungsgesellschaft mbH	0	1
Wein Wolf Holding Verwaltungs GmbH	0	1
Verwaltungsgesellschaft Wein Wolf Import GmbH, Salzburg (Austria)	65	41
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	35	34
	121	**98**

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	31/12/2011	31/12/2010
Fixed assets	471	696
Inventories	228	206
Trade receivables	119	127
Other assets	12	21
Offset against deferred tax assets	–553	–757
	277	**293**

Pursuant to IAS 12.39(b) no deferred tax liabilities were recognised on temporary differences resulting from shares in subsidiaries amounting to € 356 thousand (previous year: € 338 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, 2011:

€ '000	*Classification category acc. to IAS 39*	*Carrying amount 31/12/2011*	*Stated amount in balance sheet acc. to IAS 39*				*Stated amount in balance sheet acc. to IAS 17*	*Fair value 31/12/2011*
			Acquisition cost	*Amortised cost*	*Fair value in equity*	*Fair value through profit and loss*		
ASSETS								
Cash	LaR	20,350	–	20,350	–	–	–	20,350
Trade receivables	LaR	47,941	–	47,941	–	–	–	47,941
Receivables and other assets								
– other receivables	LaR	4,815	–	4,815	–	–	–	4,815
Financial assets								
– other loans	LaR	55	–	55	–	–	–	55
– available for sale financial assets	AfS	185	185	–	–	–	–	n.a.
EQUITY AND LIABILITIES								
Minority interest in the capital of unincorporated subsidiaries	FLAC	2	–	2	–	–	–	n.a.
Trade payables	FLAC	57,694	–	57,694	–	–	–	57,694
Due to banks	FLAC	3,957	–	3,957	–	–	–	3,957
Finance lease liabilities	n.a.	2,927	–	–	–	–	2,927	3,532
Other liabilities								
– other liabilities	FLAC	24,062	–	24,062	–	–	–	24,062
Of which aggregated by classification category acc. to IAS 39:								
– loans and receivables (LaR)		73,161	–	73,161	–	–	–	73,161
– available for sale financial assets (AfS)		185	185	–	–	–	–	n.a.
– financial liabilities measured at amortised cost (FLAC)		85,713	–	85,713	–	–	–	85,713

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

€ '000	Classi-fication category acc. to IAS 39	Carrying amount 31/12/2010	Stated amount in balance sheet acc. to IAS 39				Stated amount in balance sheet acc. to IAS 17	Fair value 31/12/2010
			Acquisi-tion cost	Amor-tised 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	–	52,996	–	–	–	52,996
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	–	78,170	–	–	–	78,170

NET EARNINGS BY CLASSIFICATION CATEGORY 2011:

€ '000	From interest	From subsequent measurement: At fair value	At amortised cost	Currency trans- lation	Impair- ment	From disposal	Net earnings 2011
Loans and receivables (LaR)	88	–	–	–	–49	–	39
Available for sale financial assets (AfS)	–	–	–	–	–	–	–
Financial instruments held for trading (FAHfT + FLHfT)	–	–	–	–	–	–	–
Financial liabilities measured at amortised cost (FLAC)	–335	–	1	–52	–	–	–386
TOTAL	**–247**	**–**	**1**	**–52**	**–49**	**–**	**–347**

NET EARNINGS BY CLASSIFICATION CATEGORY 2010:

€ '000	From interest	From subsequent measurement: At fair value	At amortised cost	Currency trans- lation	Impair- ment	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**

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 non-payment 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 2011:

€ '000	31/12/2011	31/12/2010
Advance payments outstanding	2,265	2,116
Guarantees	58	712
Contractual obligations	1,464	–

Obligations relating to advance payments outstanding for subscriptions received as at 31 December 2011 were repaid at the start of 2012.

The minimum total for non-discounted future lease and rental payments amounts to € 12,642 thousand (previous year: € 10,042 thousand). The global obligations for lease and tenancy agreements are due as follows:

€ '000	
Up to 1 year	8,389
Over 1 year, up to 5 years	2,245
Over 5 years	2,008
	12,642

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 non-payment 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 receivables.

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

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

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

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

If market interest rates had hypothetically risen or fallen by 100 base points respectively (parallel shift of interest curves) while other variables remained unchanged, earnings before taxes would have been € 0.1 million lower or € 0.1 million higher (previous year: marginally lower or 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 non-payment risk is in addition reflected by means of individual and general allowances for uncollectable receivables. The individual allowances for uncollectable receivables are determined by writing down individual receivables by a given percentage in accordance with their non-payment risk. For general allowances for uncollectable receivables, overdue schedules are drawn up and a percentage loan loss allowance is recognised for the receivables total. 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 2011.

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.

The capital structure is managed on the basis of the net debt or net liquidity position. This is defined as the sum of amounts due to banks, finance leases and provisions for pensions, less cash. Net liquidity amounted to € 12,744 thousand at 31 December 2011 (previous year: € 16,166 thousand).

ROCE is a further important indicator for capital management. This is the rate of return, expressed as the operating result (EBIT) divided by the average capital employed, in other words by the balance sheet total (for the group) plus capitalised lease commitments less interest-free liabilities and provisions, as well as cash and cash equivalents. This indicator is not envisaged in the IFRS accounting standards, and its definition and method of calculation may vary from company to company. A long-term return on capital employed (ROCE) permanently higher than 16% is the aim. A rate of return of 25.3% was achieved in the year under review (previous year: 25.3%).

38. EMPLOYEES

The average number of employees was as follows:

GROUP

	2011	2010
Commercial and industrial employees	713	662
Apprentices	26	24
	739	**686**

The average number of employees of joint ventures included pro rata in the 2011 financial year was 21 (previous year: 20).

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 € 542 thousand and interest payments received totalling € 88 thousand. The cash inflows from current operations of € 16,924 thousand (previous year: € 21,826 thousand) include the changes in cash and cash equivalents from operating activities. In the previous year the cash inflows from investing activities of € 2,536 thousand included 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	2011	2010	*Change*
Cash in banking accounts and cash on hand	20,350	24,705	–4,355
Due to banks (current accounts)	–	–	–
Cash and cash equivalents at end of period	20,350	24,705	–4,355

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 € 49,383 thousand comprise the countries France (37%), Austria (24%), Switzerland (24%), Sweden (10%) and Czech Republic (5%). The total external sales outside Germany amounted to 14% (previous year: 12%).

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 *Globalwine 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 taxes and any deduction for minority interest (EBT).
- 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	2011	2010	2011	2010	2011	2010
SALES REVENUES	122,230	115,902	189,177	170,051	119,696	110,694
External sales	**122,153**	**115,843**	**181,039**	**161,768**	**108,164**	**100,013**
Internal sales	77	59	8,138	8,283	11,532	10,681
OTHER INCOME	**9,481**	**8,849**	**7,341**	**7,352**	**3,081**	**2,620**
External	9,481	8,849	7,180	7,172	1,483	1,297
Internal	–	–	161	180	1,598	1,323
EBITDA	**16,349**	**15,353**	**10,120**	**10,360**	**9,035**	**8,756**
DEPRECIATION AND AMORTISATION	**1,601**	**1,673**	**911**	**906**	**1,382**	**1,696** *)
EBIT	**14,748**	**13,680**	**9,209**	**9,454**	**7,653**	**7,060**
FINANCIAL RESULT	**–40**	**–22**	**–930**	**–1,031**	**–412**	**–306**
Financial income	6	5	60	29	10	14
Financial expense	–46	–27	–990	–1,060	–422	–320
RESULT FOR SEGMENTS BEFORE TAXES	**14,708**	**13,658**	**8,279**	**8,423**	**7,241**	**6,754**
TAXES ON INCOME						
CONSOLIDATED NET INCOME						
SEGMENT ASSETS	**38,694**	**36,186**	**113,545**	**102,578**	**56,668**	**46,515**
SEGMENT DEBTS	**22,971**	**21,516**	**63,005**	**62,527**	**29,986**	**21,297**
INVESTMENT	**1,533**	**1,453**	**1,078**	**2,140**	**614**	**1,152**

**) In 2010, amortisation of goodwill from the consolidation of capital amounting to € 276 thousand was carried out.*

SALES BREAKDOWN BY REGION	Group, consolidated	
€ '000	2011	2010
Germany	353,446	333,798
Rest of Europe	49,383	34,267
Other	8,580	9,647
	411,409	**377,712**

Miscellaneous		*Total*		*Reconciliation/ consolidation*		*Group, consolidated*	
2011	2010	2011	2010	2011	2010	2011	2010
20,688	19,768	451,791	416,415	−40,382	−38,703	411,409	377,712
53	**88**	**411,409**	**377,712**			**411,409**	**377,712**
20,635	19,680	40,382	38,703	−40,382	−38,703	–	–
2,322	**2,174**	**22,225**	**20,995**	**−3,177**	**−2,946**	**19,048**	**18,049**
904	731	19,048	18,049	–	–	19,048	18,049
1,418	1,443	3,177	2,946	−3,177	−2,946	–	–
−3,555	**−3,197**	**31,949**	**31,272**	**73**	**27**	**32,022**	**31,299**
1,418	**1,285**	**5,312**	**5,560**	**–**	**–**	**5,312**	**5,560**
−4,973	**−4,482**	**26,637**	**25,712**	**73**	**27**	**26,710**	**25,739**
925	**3,144**	**−457**	**1,785**	**0**	**0**	**−457**	**1,785**
1,431	4,158	1,507	4,206	−1,419	−879	88	3,327
−506	−1,014	−1,964	−2,421	1,419	879	−545	−1,542
−4,048	**−1,338**	**26,180**	**27,497**	**73**	**27**	**26,253**	**27,524**
				−8,102	**−7,228**	**−8,102**	**−7,228**
						18,151	**20,296**
174,709	**171,303**	**383,616**	**356,582**	**−166,512**	**−154,799**	**217,104**	**201,783**
14,711	**14,517**	**130,673**	**119,857**	**−9,310**	**−10,866**	**121,363**	**108,991**
1,124	**310**	**4,349**	**5,055**			**4,349**	**5,055**

INFORMATION BY REGION	*Investment*		*Non-current assets*	
€ '000	2011	2010	2011	2010
Germany	4,123	4,926	41,967	47,419
Rest of Europe	226	129	4,780	5,186
GROUP, CONSOLIDATED	**4,349**	**5,055**	**46,747**	**52,605**

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 24 March 2011 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 24.9. During the period under review, there were business relationships between the Supervisory Board or Board of Management and the companies included in the consolidated financial statements.

The members of the Supervisory Board were paid the following total remuneration for their activities in the 2011 financial year (previous year in brackets):

€ '000	*Variable remuneration*	*Fixed remuneration*	*Attendance fees*	*Remuneration for services rendered in person*	*Total*
Prof Dr Dr Dr Franz Jürgen Säcker	44	8	29	45	126
	(44)	(8)	(28)	(7)	(87)
Gunnar Heinemann	33	6	16	–	55
	(32)	(6)	(9)	–	(47)
Thomas R Fischer	22	4	11	–	37
	(25)	(4)	(8)	–	(37)
Jacques Héon (until 20/06/2011)	11	2	7	–	20
	(25)	(4)	(12)	–	(41)
Angelika Jahr-Stilcken (until 19/08/2010)	–	–	–	–	–
	(14)	(2)	(3)	–	(19)
Detlev Meyer (from 28/09/2010)	22	4	7	–	33
	(6)	(1)	(3)	–	(10)
Manfred Middendorff (until 14/05/2010)	–	–	–	–	–
	(20)	(4)	(8)	–	(32)
Kim-Eva Wempe (from 20/06/2011)	11	2	3	–	16
	–	–	–	–	–
TOTAL	**143**	**26**	**73**	**45**	**287**
	(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 € 136 thousand were purchased from a vineyard owned by Mr Meyer during the financial year. Goods to the value of € 96 thousand were moreover sold to PIUS WEINWELT GmbH & Co. KG, over which Detlev Meyer exercises considerable influence.

In addition, sales of € 176 thousand were realised in 2011 with Gebr. Heinemann KG, of which Gunnar Heinemann is a managing partner.

Furthermore, the son of the Chairman of the Board of Management was taken on by Hawesko Holding AG as a trainee in the year under review, and received remuneration of € 4 thousand for this activity.

The members of the Board of Management were paid the following total remuneration for their activities in the 2011 financial year (previous year in brackets):

€ '000	*Fixed*	*Variable*	*Total*
Alexander Margaritoff	982	872	1,854
	(982)	(958)	(1,940)
Bernd Hoolmans	450	388	838
	(550)	(426)	(976)
Bernd G Siebdrat	254	504	758
	(254)	(554)	(808)
Ulrich Zimmermann	240	137	377
	(190)	(107)	(297)
TOTAL	**1,926**	**1,901**	**3,827**
	(1,976)	(2,045)	(4,021)

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

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 Zimmermann is not responsible, compensation rises to 100% of the fixed remuneration.

The Board of Management member Bernd Hoolmans was granted a retirement pension from reaching the age of 65, as well as invalidity pay. A provision totalling € 148 thousand (previous year: € 126 thousand) was recognised for this commitment at 31 December 2011.

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. This amount is included in the above total remuneration.

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 his total remuneration up until the end of his contract. The maximum compensation amounts to three years' pay. Calculation of the compensation is based on the last completed financial year.

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 2011 financial year.

The balance sheet includes provisions for obligations in respect of the Board of Management and Supervisory Board totalling € 2,158 thousand (previous year: € 2,311 thousand).

At 31 December 2011, the Supervisory Board held 2,650,495 (previous year: 2,650,495) and the Board of Management 2,876,901 (previous year: 2,874,093) shares – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,698,000 (previous year: 2,695,192) 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	2011	2010
Audit of financial statements	242	230
Other services	36	22
TOTAL	**278**	**252**

46. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 2 January 2012 Hawesko Holding AG acquired 70% of the shares of *Wein & Vinos GmbH*, with its registered office in Berlin (cf. Note 7).

No other materially significant events occurred after the balance sheet date.

Hamburg, 13 March 2012

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 2011

	Registered office	*Equity* € '000	*Share-holding* %	*Net earnings 2011* € '000
A. DIRECT SHAREHOLDING				
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH	Hamburg	5,165	100	8,369 [1)]
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Düsseldorf	537	100	14,665 [1)]
CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG	Hamburg	512	100	1,615
Verwaltungsgesellschaft CWD Champagner- und Wein-Distributionsgesellschaft m.b.H.	Hamburg	35	100	1
C.C.F. Fischer GmbH	Tornesch	20	100	–1
Wein Wolf Holding GmbH & Co. KG	Bonn	7,239	100	3,225
IWL Internationale Wein Logistik GmbH	Tornesch	26	100	–323 [1)]
Le Monde des Grands Bordeaux Château Classic SARL	Saint Christoly/ Médoc (France)	2,386	90	670
Sélection de Bordeaux SARL	Saint Christoly/ Médoc (France)	6	100	–2
Globalwine AG	Zurich (Switzerland)	766	83.96	309
B. INDIRECT SHAREHOLDING				
Shareholdings of HAWESKO GmbH: *Winegate New Media GmbH*	Hamburg	26	100	0
Carl Tesdorpf GmbH	Lübeck	–458	97.5	186
The Wine Company Hawesko GmbH	Hamburg	–1,472	100	–1,043
Verwaltungsgesellschaft Hanseatisches Wein- und Sekt-Kontor HAWESKO m.b.H.	Hamburg	26	100	0
Shareholdings of Jacques' Wein-Depot Wein-Einzelhandel GmbH: *Jacques' Wein-Depot Weinhandels m.b.H.*	Salzburg (Austria)	154	100	93
Viniversitaet Die Weinschule Gesellschaft mit beschränkter Haftung	Düsseldorf	25	100	25 [1)]
Jacques-IT GmbH	Vaterstetten	25	100	6 [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	593
Verwaltungsgesellschaft Wein Wolf Import GmbH	Salzburg (Austria)	65	100	6
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	431	100	59

	Registered office	Equity € '000	Share-holding %	Net earnings 2011 € '000
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	3,360	100	2,803
Wein Wolf Import GmbH	Bonn	49	100	3
Wein Wolf Holding Verwaltungs GmbH	Bonn	33	100	1
Gebrüder Josef und Matthäus Ziegler GmbH	Freudenberg	3,656	100	470
Alexander Baron von Essen Weinhandels-gesellschaft mbH	Tegernsee	978	92.5 [3)]	365
Global Eastern Wine Holding GmbH	Bonn	720	50	575
Shareholdings of Wein Wolf Import GmbH & Co. Vertriebs KG: *Weinland Ariane Abayan GmbH & Co. KG*	Hamburg	1,431	100 [2)]	2,136
Weinland Ariane Abayan Verwaltungsgesellschaft mbH	Hamburg	26	100	1
Deutschwein Classics GmbH & Co. KG	Bonn	49	95	–26
Deutschwein Classics Verwaltungsgesellschaft mbH	Bonn	30	95	1
Shareholding of Weinland Ariane Abayan GmbH & Co. KG: *Alexander Baron von Essen Weinhandelsgesellschaft mbH*	Tegernsee	978	51	365
Shareholding of Global Eastern Wine Holding GmbH: *Global Wines, s.r.o.*	Prague (Czech Republic)	1,709	66.6	914

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, 13 March 2012

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 2011. 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, 22 March 2012

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Niklas Wilke	ppa. Matthias Kirschke
Wirtschaftsprüfer	Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

The Supervisory Board reports below on its activities in the 2011 financial year. Hawesko Holding AG is again able to post an excellent result for the financial year. What makes this all the more remarkable is that it was initially assumed there would be at least some degree of slowdown in 2011 after a surprisingly healthy performance in the 2010 financial year. Yet the good business performance was carried over well into the 2011 financial year. The wholesale segment maintained its recovery, especially in the first half of the year. *Jacques' Wein-Depot* achieved like-for-like sales growth for a sixth successive year and opened in eight new locations, the highest number of new outlets in any year since 2003.

The mail-order segment benefited from the acquisition of a large number of new customers and grew further – not least thanks to the activities of *The Wine Company* in the Swedish market. The agreement to acquire a majority interest in *Wein & Vinos* paved the way for making further inroads into the increasingly important area of e-commerce. The Hawesko Group thus secured its strongest ever market position and preserved its sound financial basis. These strengths, which the company has already carved out for itself in the German market, can now serve as the basis for continued growth both in Germany and internationally.

INTERACTION BETWEEN BOARD OF MANAGEMENT AND SUPERVISORY BOARD

In the 2011 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 kept informed by the Board of Management about the situation of the company both at regular meetings and in individual conferences, supported the Board of Management in an advisory capacity, oversaw it throughout 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. The focus of its deliberations was on the economic development of the group companies and the future direction of Hawesko Holding AG.

The Supervisory Board held four ordinary meetings and one extraordinary meeting in the 2011 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 principles of corporate governance and their implementation in the company, personnel matters, risk management within the group, and strategic business plans. The following topics were in addition considered by the full board:

- Possible additional growth opportunities for *Jacques' Wein-Depot*
- The even stronger focus of *Carl Tesdorpf – Weinhandel zu Lübeck* on the top market segment
- The proposal that the Shareholders' Meeting of the company appoint PricewaterhouseCoopers AG as auditors of the consolidated and annual financial statements for the 2011 financial year
- The recommendation to the Shareholders' Meeting to elect Kim-Eva Wempe as a new member of the Supervisory Board and considerations on candidates for the vacant sixth seat on the Supervisory Board
- Personnel matters concerning the subsidiaries
- The acquisition and internationalisation strategy
- The acquisition of a majority interest in *Wein & Vinos*
- The future focus of the Supervisory Board's work
- The developments and trends in the worldwide market for Bordeaux wines and their impact on the business performance of *Château Classic – Le Monde des Grands Bordeaux*
- The business plans for 2012 and the outlook for 2013 and 2014

Pursuant to Section 8 of the articles of incorporation, an individual investment project involving a sum of more than € 2.5 million, the acquisition of other companies and the disposal of investments in companies with a value of more than € 0.5 million require the prior approval of the Supervisory Board. These must be carried by a majority of two-thirds of the votes. In the 2011 financial year, the Board of Management applied for approval of the acquisition of a majority interest in *Wein & Vinos*; following detailed examination this was granted unanimously by the Supervisory Board.

Outside its meetings, too, the Supervisory Board was given regular, up-to-date, detailed reports by the Board of Management on the development of the group. By way of the internal reporting system, each month the Supervisory Board was sent the key financial data, and its trends compared with the target and prior-year figures and the market expectations were presented and explained in detail. The Supervisory Board has acknowledged these planning and accounting documents, considered them in depth and been able to assess their plausibility and appropriateness.

All the members of the Supervisory Board were present at all the Supervisory Board meetings.

The annual financial statements prepared by the Board of Management, the consolidated financial statements and the combined management report of the group and the parent company for the 2011 financial year, including the bookkeeping, were examined by PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Hamburg, appointed as auditors by the Shareholders' Meeting of 20 June 2011. The auditors did not find any cause for objection and issued their unqualified opinion. The Audit and Investment Committee simultaneously monitored the independence of the auditors and in this connection obtained the corresponding declaration.

The Board of Management submitted the annual and consolidated financial statements, the combined management report for the group and the parent company for the 2011 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 2012, the 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 23 March 2012. Based on the conclusions of its examination, the Supervisory Board raises no objections. It ratifies the annual and consolidated financial statements for 2011 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 2011 financial year for the distribution of a dividend of € 1.60 per no-par share.

SUPERVISORY BOARD COMMITTEES

The Audit and Investment Committee met five times in 2011, and the Personnel and Nominating Committee four times.

WORK OF THE AUDIT AND INVESTMENT COMMITTEE

The Audit and Investment Committee met before the publication of each quarterly financial report and discussed these pursuant to Article 7.1.2 of the German Corporate Governance Code. At its meeting on 1 March 2011 it discussed the 2010 accounts in the presence of the auditors. On 6 September 2011 the committee was informed at length of the Board of Management's intention to acquire a majority interest in the company *Wein & Vinos*, and defined detailed requirements for the resolution to be put to the full board. At its meeting on 2 November 2011 it determined the main focus of the audit.

WORK OF THE PERSONNEL AND NOMINATING COMMITTEE

At its meeting on 21 February 2011 the Personnel and Nominating Committee considered the proposals for the election of a new Supervisory Board member, as well as personnel matters affecting the subsidiaries. On 19 May 2011 it dealt with this aspect in greater depth, and also with the review of the Board of Management's remuneration in accordance with the current requirements of stock corporation law. On 18 August 2011 it again discussed this matter and also approved the involvement of Mr Hoolmans as board member of the International German Wine And Spirits Association. On 15 November 2011 the committee again considered the review of the Board of Management's remuneration and ways of improving the efficiency of its work.

CORPORATE GOVERNANCE

On 24 March 2011 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 113); the document is also available on the Internet at www.hawesko-holding.com. The Supervisory Board assessed its efficiency in a self-evaluation process.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD

With effect from the close of the Shareholders' Meeting on 20 June 2011, the term of office of Jacques Héon on the Supervisory Board ended. To him is due our sincere thanks for his dedicated, active work on this board. At the same time Kim-Eva Wempe, personally liable managing partner of Gerhard D. Wempe KG, was elected as a new Supervisory Board member.

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, 23 March 2012

The Supervisory Board

Prof Dr Dr Dr Franz Jürgen Säcker
Chairman

CORPORATE GOVERNANCE DECLARATION AND CORPORATE GOVERNANCE REPORT OF HAWESKO HOLDING AG, HAMBURG, 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. A *Compliance Officer* ensures that the principles of the Compliance Code passed by the Board of Management and Supervisory Board are observed.

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 2011 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. 3 Sentence 4 of German Stock Corporation Law, does not exceed 10% of the capital stock either at the time of this authorisation taking effect or at the time of issuance of the shares. 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, because 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 unilateral 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 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: as far as possible, decisions concerning business operations are taken and implemented by the individual subsidiaries. This organisational structure is useful because the wine trade depends to a great extent on exploiting personal contacts with both producers and customers. The parent company Hawesko Holding AG normally holds 100% or a majority of the shares in the subsidiaries, which are active predominantly in the wine trade. The significant 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, holding 30.0% of the shares through 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 through 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, in particular for carrying out individual investments of a value of more than € 2.5 million and for the acquisition of other companies or the disposal of investments in companies of a value of more than € 0.5 million. A reporting system informs the Supervisory Board members monthly of key financial data compared with the target and prior-year figures, and explains them. At least four ordinary meetings of the Supervisory Board as well as meetings of its committees take place each year.

According to the articles of incorporation the Supervisory Board comprises six members, elected by the 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 sub-committees 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.

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 2011, as well as in the Notes to the consolidated financial statements and Notes to the individual financial statements. No stock option schemes or similar securities-based incentive systems exist.

SHARES OF HAWESKO HOLDING AG IN THE OWNERSHIP OF MEMBERS OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD

At 31 December 2011, the Supervisory Board held 2,650,495 (no change from previous year) and the Board of Management 2,876,901 (previous year: 2,874,093) shares – directly and indirectly – in Hawesko Holding AG, of which the Chairman of the Board of Management held 2,698,000 (previous year: 2,695,192) directly and indirectly.

Hamburg, 23 March 2012

The Supervisory Board The Board of Management

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

MEMBERS OF THE BOARD OF MANAGEMENT

Alexander Margaritoff, Chairman and Chief Executive Officer, Hamburg

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

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) 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 hc
Franz Jürgen Säcker

Chairman [1) 2)]

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)]

Managing Partner of Gebr. Heinemann KG, Hamburg

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

Jacques Héon [2)]

(until 20 June 2011)

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

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

- 43. Hanseatische Grundbesitz GmbH & Co. KG, Hamburg;
- Bianco Footwear A/S, Kolding, Denmark;
- Bianco International A/S Kolding, Denmark;
- BPE Unternehmensbeteiligungen G.m.b.H., Hamburg;
- CAM Private Equity Consulting & Verwaltungs-GmbH, Cologne;
- HF Fonds X. Unternehmensbeteiligungs-GmbH, Hanover

Detlev Meyer [2)]

Managing Director of Tocos Beteiligung GmbH, Neustadt am Rübenberge

- Belux AG, Muttenz, Switzerland;
- Bianco Footwear A/S, Kolding, Denmark;
- Bianco International A/S Kolding, Denmark;
- HF-Fonds IX Unternehmensbeteiligungsgesellschaft mbH, Hanover;
- Vitra Holding AG, Muttenz, Switzerland

Kim-Eva Wempe [2)]

(since 20 June 2011)

General and Managing Partner of Gerhard D. Wempe KG

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 Dr Dr Säcker is Chairman.

PARENT COMPANY STATEMENTS

of Hawesko Holding Aktiengesellschaft for the 2011 financial year

PARENT COMPANY STATEMENT OF INCOME OF HAWESKO HOLDING AG

for the period from 1 January to 31 December 2011

€ '000 (Rounding differences are possible)	2011	2010
Other operating income	1,914	12,120
Personnel expenses		
a) Salaries	–4,362	–4,535
b) Social securities and social maintenance costs	–102	–132
Depreciation and amortisation	–17	–21
Other operating expenses	–2,325	–2,174
Income from profit-transfer agreements	23,034	21,218
Investment income	4,931	5,198
Income from other investments and loans included in financial assets	–	3,270
Other interest and similar income	1,529	920
Write-down of financial assets	–	–35
Expenses from loss-transfer	–323	–295
Interest and similar expenses	–328	–178
RESULTS FROM ORDINARY ACTIVITIES	**23,951**	**35,356**
Taxes on income	–4,840	–4,015
Other taxes	–1	–1
NET INCOME FOR THE YEAR	**19,110**	**31,340**
Profit carryforward from previous year	1,047	428
Withdrawal from treasury stock reserve	–	221
Appropriation to other revenue reserve	–4,500	–15,221
UNAPPROPRIATED PROFIT FOR THE YEAR	**15,658**	**16,768**

PARENT COMPANY BALANCE SHEET OF HAWESKO HOLDING AG

at 31 December 2011

ASSETS € '000 (Rounding differences are possible)	31/12/2011	31/12/2010
FIXED ASSETS		
INTANGIBLE ASSETS		
Software	–	–
PROPERTY, PLANT AND EQUIPMENT		
Land, land rights and buildings, including buildings on third-party land	26	30
Operating equipment and fixtures	74	85
FINANCIAL ASSETS		
Shares in affiliated companies	78,999	78,999
Advance payments on shares in affiliated companies	433	107
	79,531	**79,220**
CURRENT ASSETS		
RECEIVABLES AND OTHER ASSETS		
Receivables from other affiliated companies	69,688	61,736
Other assets	826	552
CASH IN BANKING ACCOUNTS	16,175	20,558
	86,689	**82,846**
PREPAID EXPENSES	**20**	**20**
	166,240	**162,086**

SHAREHOLDERS' EQUITY AND LIABILITIES € '000 (Rounding differences are possible)	31/12/2011	31/12/2010
SHAREHOLDERS' EQUITY		
Subscribed capital	13,709	13,709
Capital reserve	64,067	64,067
Other reserve	55,238	50,738
Unappropriated profit for the year	15,658	16,768
	148,671	**145,282**
PROVISIONS		
Provisions for taxation	3,746	2,681
Other provisions	2,794	2,811
	6,539	**5,492**
LIABILITIES		
Due to banks	3,953	3,281
Trade accounts payable	162	16
Due to affiliated companies	1,036	3,116
Other liabilities	5,604	4,899
	10,755	**11,312**
DEFERRED TAX LIABILITIES	**274**	**–**
	166,240	**162,086**
CONTINGENCIES		
LIABILITIES ARISING FROM GUARANTEES FOR AFFILIATED COMPANIES	**740**	**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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KEY FINANCIAL DATA OF HAWESKO GROUP

2002	2003	2004	2005	2006	2007	2008	2009
267.4	278.8	285.8	287.0	302.6	333.7	338.8	338.5
114.8	117.1	119.6	119.5	122.2	130.9	135.6	138.4
42.9%	42.0%	41.9%	41.6%	40.4%	39.2%	40.0%	40.9%
20.4	21.4	22.1	23.3	22.9	23.3	30.0	27.1
7.6%	7.7%	7.7%	8.1%	7.6%	7.0%	8.9%	8.0%
5.7	5.7	5.3	4.4	4.3	5.0	4.5	4.7
14.7	15.7	16.8	18.9	18.6	18.3	25.5	22.4
5.5%	5.6%	5.9%	6.6%	6.1%	5.5%	7.5%	6.6%
4.4	5.9	5.7	10.7	10.8	6.7	14.6	13.1
18.3	24.6	21.4	24.3	12.7	17.9	24.7	28.8
−0.4	−3.6	−4.8	−5.2	−5.6	−2.6	−5.8	−7.1
14.4	17.9	14.4	17.1	5.6	13.6	17.5	20.8
−4.4	−4.8	−5.5	−8.8	−7.6	−8.8	−10.6	−11.9
66.5	59.1	58.7	56.6	57.3	48.9	44.7	46.5
114.9	110.7	106.6	106.0	114.5	127.7	125.4	127.1
60.4	61.7	59.9	61.6	64.9	62.6	66.6	70.2
33.3%	36.3%	36.2%	37.9%	37.8%	35.4%	39.1%	40.5%
181.4	169.9	165.3	162.6	171.9	176.6	170.1	173.6
106.5	103.8	98.1	94.9	99.8	103.9	102.9	103.1
8.0%	8.9%	10.1%	11.5%	11.1%	10.5%	14.7%	13.0%
13.5%	15.1%	17.2%	19.9%	18.6%	17.6%	24.8%	21.7%
0.53	0.69	0.65	1.22	1.23	0.76	1.67	1.48
0.50	0.55	0.63	0.70	0.85	1.00	1.20	1.35
–	–	–	0.30	–	–	–	–
0.50	0.55	0.63	1.00	0.85	1.00	1.20	1.35
8,628	8,811	8,822	8,797	8,806	8,805	8,742	8,835
7.69	10.30	12.60	16.75	20.40	22.70	19.43	23.00
67.8	90.8	111.3	148.0	180.2	200.5	171.7	203.4
558	568	580	566	551	609	614	657

€ million	2010	2011
Net sales	377.7	411.4
Gross profit	150.1	162.7
– as % of net sales	39.7%	39.6%
Operating result before depreciation (EBITDA)	31.3	32.0
– as % of net sales	8.3%	7.8%
Depreciation and amortisation	5.6	5.3
Operating result (EBIT)	25.7	26.7
– as % of net sales	6.8%	6.5%
Consolidated net income (after taxes and minority interests)	20.0	17.9
Cash flow from current operations	21.8	16.9
Cash flow from investing activities	+2.5	−4.1
Free cash flow	23.8	12.3
Proposed dividend distribution for the current year (parent company)	−15.7	−14.4
Non-current assets	52.6	46.7
Current assets	149.2	170.4
Equity less proposed dividend	77.8	81.4
– as % of balance sheet total	38.6%	37.5%
Total assets	201.8	217.1
Capital employed	101.8	105.5
Return on total assets	13.7%	12.8%
Return on capital employed	25.3%	25.3%
Earnings per share (€) [1)]	2.24	1.99
Regular dividend per share (€) [1)]	1.50	1.60
Bonus dividend payment (€) [1)]	0.25	–
Total dividend per share (€) [1)]	1.75	1.60
Total shares [1)] (average number outstanding in the year, ’000)	8,915	8,983
Year-end share price (€) [1)]	29.42	35.23
Market capitalisation at end of year (€ million)	264.3	316.5
Total employees (average for year)	696	750

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

Financial Calendar

10 May 2012	Annual press conference Analyst conference Interim report at 31 March 2012
18 June 2012	Annual Shareholders' Meeting
3 August 2012	Half-year interim report
6 November 2012	Interim report at 30 September 2012
Early February 2013	Press release with preliminary figures for 2012
Early May 2013	Annual press conference Analyst conference Interim report at 31 March 2013


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