

**Annual General Meeting
of Hawesko Holding AG
on 20 June 2005
Operettenhaus, Hamburg, Germany**

(The spoken word prevails.)

Mr. Alexander Margaritoff, chief executive officer:

Ladies and gentlemen,

I'd like to welcome you very cordially to this year's annual general meeting of shareholders of Hawesko Holding AG. Together with my colleagues – Mr Bernd Hoolmans, who is responsible for the specialist wine-shop division Jacques' Wein-Depot and Mr Sven Ohlzen, our chief financial officer – I am pleased to be able to take this opportunity to inform you of the results of fiscal year 2004 as well as the first months of fiscal year 2005.

Our annual report for 2004 has been published, and I would like to comment briefly on the general economic conditions we were faced with last year.

As was the case in 2002 and 2003, the consumption tendencies in Germany last year were all but satisfactory. The continuing weak growth of the German economy, political uncertainty and growing unemployment have caused the savings rate to remain high, with corresponding little money spent on consumption, particularly of quality goods.

This consumer restraint was also felt in the wine sector. Continuing the trend from 2003, expenditures for wine in Germany decreased in 2004 by about 3.4%. Particularly in our segment, the market for high-quality wine and champagne, this consumer restraint could be clearly felt. Thus it is all the more gratifying that our sales have grown by 2.5% in the past year, defying the market trend and that despite the stiff competition in this segment our market share has increased. Even more gratifying is the fact that we were able to increase our profit once again. Our EBIT, the result before interest and taxes, increased by nearly 10% to €16.5 million in 2004 – despite the fact that in 2004, as in the preceding years, we invested significant resources in new customers and distribution channels.

Now I would like to ask Mr Ohlzen to comment on the financial details of the past year.

Mr Sven Ohlzen, Chief Financial Officer:

Good morning, ladies and gentlemen! I am pleased to see that so many of you have come here today and thus shown your interest in Hawesko Holding AG.

From my perspective as Chief Financial Officer, I would like first to share with you the most important information regarding the past year and then explain a few trends that have become apparent in our development for several years.

I will close with a few key statements on our financial strategy as a whole and with information from the first quarter of this year.

First, some comments on fiscal year 2004. The consumer environment in Germany is currently as difficult as it has been at any time since the period just after the war. Nonetheless, as Mr Margaritoff has already indicated, Hawesko continued to grow in 2004 and increased sales once again by 2.5% to € 285 million.

Since the German market for wine as a whole has declined for the second year in a row, we were thus able to increase our share of the market, particularly in the higher-priced segment for wines over € 5 per bottle.

While the market saw a reduction in value of 3.4% and a reduction in volume of 1.2%, Hawesko succeeded in increasing quantities sold by 4%.

Increases in sales were achieved by the specialist wine-shop retail and by the wholesale business.

- ✍ The wine-shop business – i.e. Jacques' Wein-Depot – increased its sales by 3.2% and by 2.3% on a like-to-like basis to a total of € 96.5 million. This increase is based on more frequent return business and the addition of four locations to the Depot chain, giving it a total of 256 by the end of the year.

- ✍ Wholesale sales grew by 9.1% to € 94.9 million, primarily due to favorable market positioning that enabled us to offer many renowned products exclusively to the restaurant and catering industry, such as the wines from Baron Philippe de Rothschild, which we added to our product line in April of last year.

- ✍ Mail order sales in the period under review declined by 4.0% to € 94.2 million. The cause of this was primarily lower deliveries of Bordeaux subscription wines and declines in corporate gift-giving; the ordinary business was nearly identical to the year before.

The analysis of earnings shows a clearly positive picture for the Hawesko Group in 2004: The Group EBIT increased by 9.4% to € 16.5 million, proportionately greater than the increase in sales. The increase in the operation result from the previous year (7.1%) was thus exceeded once again.

The individual segments contributed as follows to the operating result:

- ✍ The EBIT of the stationary wine-shop retail increased by 16%, greater than the corresponding proportional increase in sales, reaching € 11.2 million. Particular contributions to this came from the greater gross profit margin, the

Jacques' customer card, new customer acquisition and from non-recurring revenues based on a periodic tax examination.

- ✍ Wholesale showed a decrease of 6.6% in EBIT versus the previous year, with a total of € 3.7 million. Pressure was put on the EBIT primarily by an unscheduled goodwill amortisation of the subsidiary company Château Classic, as well as by a market trend toward the purchase of less expensive wines and launching costs for the distribution of the Philippe de Rothschild wines.
- ✍ The EBIT in the mail order segment decreased by 15.3% to € 4.6 million. In addition to revenue developments, this was due to non-recurring costs from the streamlining of operations in Austria. The operating result was strengthened by a reduction in shipping costs for mail order.

The logistics area, which is included under "Other" was able to achieve a positive EBIT in 2004 after two years of negative operating results; that is the result of the process optimisations achieved here.

At the Group level, the EBIT was less impacted than in the previous year. Costs for the holding, central administration and consolidation items were reduced by nearly a quarter to € 3.1 million euros. This was due to liquidation of reserves for tax risks as a result of the tax audit and one-off sum related to consolidation and restructuring in Austria.

The overall result of these individual developments is increased earning power and profitability for the Hawesko Group. The operating margin shows this: our EBIT rose from 5.4% to 5.8% of sales. Our medium-term objective continues to

be an EBIT margin of 7%. This has been broken down in detail to the segment level. The personal responsibility for achieving these goals has been clearly defined at the segment level; the responsible managers report directly to the Board of Management.

After all deductions for interest, taxes and minority shares, there were increased consolidated earnings of € 6.3 million. Net earnings as percentage of sales remained stable compared with the previous year. Earnings per share amounted to € 1.44, up from € 1.37 the year before.

The key reasons for this positive development can be summarised as follows: strict cost control and lasting improvement of all processes.

We cut back on costs where it becomes necessary. For example, it became evident that the mail-order business in Austria would not achieve the success we had hoped for; as a result we concentrated our business there on *Jacques'* and on the wholesale business. But where business is growing – for example selling Philippe de Rothschild wines in wholesale – we are naturally willing to spend money to give it a boost.

In this context, let us take a look at the profit and loss statement more closely: Personnel costs went up as a percentage of sales from 9.9 % to 10.2 %. This increase is due on the one hand to one-off severance payments, on the other hand to the build-up of selling activities in wholesale which were necessary for the new Philippe de Rothschild wines. Advertising expense increased from 8.1 % to 8.3 % of sales, which also had mainly to do with the selling activities for the Rothschild wines. But we also got cost reimbursements from the suppliers. This

is the main reason, aside from the tax reimbursements from the tax audit completed in 2004, for the increase in other operating income.

No process or area in the Group is exempt from periodic review and improvement. As an important example of this, I would like to highlight the key core competency in logistics. Wine must be handled with especial care. Therefore, appropriate handling of the product throughout the entire value chain is one of the most critical quality criteria in the wine trade. We refuse to compromise in this regard. This is especially important with the rapid growth of the volume we have to deliver. In the last four years this volume has increased by 25% – to about 45 million bottles per year – and at the same time we have succeeded in lowering the transport costs per bottle significantly. This success is due to our special expertise in internal logistics and the unrelenting, strict quality control to which our long-established outside logistics partners are subject.

In concluding the P&L review, I would like to add two remarks regarding the financial result and the tax ratio: Financing expenses rose by € 0.9 million; this was entirely due to the fact that interest derivatives were valued at market rates in accordance with the provisions of IAS 39. The tax ratio increased from 52.7% to 53.4%. This is in part because full provisions were made for the potential risk of back tax payments, which may arise for all domestic Group companies as a result of the tax audit; in part also because unscheduled depreciation occurred in the deferred-tax asset.

A look at the Group balance sheet shows the further improvements in our financial structure. Equity increased by 2.3 percentage points compared to the previous year. In the last four years, the equity ratio before dividend payment has increased from 33% to 44% of the balance sheet total (previous year: 42%). At

the same time we were able to reduce borrowings again, in fact by more than 60% (versus the previous year: 40%). With this we continue the successful process of systematically strengthening our balance sheet as we have done for years. Despite the well-known difficulties in the market during the past five years, Hawesko has consistently reduced the share of external capital and built up equity capital. Outside capital has been reduced to a third of what it was in the year 2000. This is accompanied by an improvement in the equity ratio of nearly 11 percentage points. Since 2000 it has risen by a third.

Parallel to the strengthening of its financial power, in recent years Hawesko has also steadily improved the efficiency of how the capital is used. Altogether tied-up capital has been reduced significantly: In 2000, the balance sheet total was still € 176.5 million. By the end of 2004 it was at € 153.8 million. This is despite an increase in sales of 23% in the same period. With this, the traditionally most important factor in retail, capital turnover, was increased by 41% in the last four years, from 1.35 to 1.86. Whereas in 2000 74 cents of capital were used for every euro of sales, today only 53 cents are used – about 25% less.

The key figure for ROCE (return on capital employed) also reflects our renewed increase in profitability. If one compares the profit before taxes, financial and extraordinary results with the average annual capital used, then the interest paid on it is 17.2%, i.e. 2.7 percentage points above the previous year. We have thus already achieved a high level, but we want to increase ROCE a little more in the coming years. Accordingly we have set down targets for each segment as well as for the entire Group.

Now a quick look at the flow of funds analysis. Hawesko has achieved high cash flow continuously since 2001. Over the past four years, we have enjoyed high

cash flow margins, which with reference to the cash flow from current operations are between 6% and 8.5% of sales. In the year under review, cash flow went down from € 23.0 million to € 19.8 million; this can be attributed to special effects in the previous year. In 2003 the inventories of Bordeaux wines were reduced, primarily in the mail order segment, at the same time as the delivery of the popular 2000 vintage.

Among banks, cash flow from ongoing business activity is likewise of especial significance as a criterion for creditworthiness, because it offers good coverage for the interest charges. Hawesko has achieved a corresponding credit rating among banks – “investment grade” – that is above-average in the market sector.

Free cash flow has been a particular focus of our attention, because it is especially important for both the credit standing of the company and the amount of the dividend.

We define free cash flow as the cash flow from current operations after deducting interest and capital expenditures for tangible assets and intangible fixed assets. These capital expenditures include depreciation for maintaining operating capacity as well as growth investments to increase competitiveness. In the last five years, Hawesko has achieved a total free cash flow volume of more than € 56 million. In the reporting year 2004, it was € 13.7 million. The supervisory board and management board have proposed distribution of a dividend of € 1.25 per share from this free cash flow, altogether more than € 5.5 million.

If you look at the history of dividend distribution, our shareholders thus benefit from our success with high, consistent dividends, taking into account the earnings trend. We do everything we can to keep the level of free cash flow high

so we can offer such dividend security in future years as well. With this policy, we appeal to investors who place value on attractive ongoing yields in addition to capital gains. It is well known, after all, that the number of dividend-oriented portfolios is currently on the increase.

However, our shareholders also participate in our success from the perspective of capital gains. In the two-year comparison for 2003-2004 with comparable European firms in the food and drink sector, the Hawesko share has shown clearly better development. It has also significantly outperformed the blue chip European Dow Jones 600 index.

Balance sheet strength, efficiency and dividend security are, in our opinion, key quality criteria of strong shares in today's market environment. Our financial strategy is based steadily building these strengths at Hawesko, because we want to remain fit for the challenges ahead. Part of this too is that we create and maintain the financial potential necessary for an active, formative role in the sector.

Ladies and gentlemen,

As you may see from today's agenda, we request you to approve a profit and loss transfer agreement with our subsidiary that is the fully-liable partner of *Jacques' KG*, where the operations of the wine-shop business are put together. The intent is then to merge *Jacques' KG* into this subsidiary. The result will be that you, ladies and gentlemen, as shareholders of Hawesko Holding AG will be in a position as if the business activities of *Jacques'* and Hawesko Holding AG were not run under separate legal entities. We expect even better efficiencies in

the Group by virtue of this measure and also a sustained improvement in earnings.

I would like to close with some statements regarding the first quarter of the current fiscal year 2005. Sales for this period are 3.5% lower than the previous year, due in fact to the development in the mail order segment. Some effects are apparent in this, which we anticipated and have already considered in our annual budget. For example, a very successful anniversary advertisement from the beginning of last year could not be repeated due to its nature; I am referring to the 40th anniversary celebration of the establishment of the business with the "40 bottles of Pétrus for € 40 each" campaign. Furthermore mail order sales in Austria were eliminated, since we have focused our activities there entirely on *Jacques' Wein-Depot* and wholesale under the *Wein-Wolf* banner. Sales in the other segments – Jacques' and wholesale – were maintained or increased in the first quarter, despite the fact that the early Easter holiday this year meant three fewer selling days.

In the operating result for the first three months, we posted a slight improvement from € 1.9 million in the previous year to the current € 2.0 million despite the decrease in sales. The underlying reason for this is the elimination of the goodwill amortisation; as you may know, according to the new IFRS standards since the beginning of this year there is no more scheduled depreciation for goodwill. With regard to financing expenses and tax ratio, we are likewise in a better position than in the previous year, so that the earnings of € 0.20 per share for the period were twice as high as in the same period of the previous year.

We are satisfied on the whole with the further course of business in April and May: Although sales are a bit below our expectations – business is difficult

especially in mail-order. But we have made up, for the most part, the sales deficit of 3.5 % at the end of March against the previous year. EBIT and after-tax profit are above last year and well within our planned range. For this year as a whole we assume an increase in sales and EBIT as well as the after-tax result and earnings per share. Of course, as is the case in every year, the course of business in the fourth quarter is of great importance here.

Ladies and gentlemen, I would like to thank you for your attention and return the podium to Mr. Margaritoff.

Mr. Alexander Margaritoff, Chief Executive Officer:

Ladies and gentlemen,

Before I discuss the development of the Hawesko Group in detail, I would like to comment briefly on the German wine market and the positioning of Hawesko Holding AG in that market.

Since 2000, the market on which the Hawesko Group focuses, namely the market for premium wines and champagnes in Germany, has become considerably more difficult. During 1998 and 1999, under the auspices of the stock market boom and in anticipation of the millennium celebrations, when it was practically standard etiquette to purchase everything that was good and expensive, particularly with regard to wine and champagne, but a period of disillusionment began in 2000. The terrorist attacks of September 11, 2001, as well as the subsequent wars in Afghanistan and Iraq, the worldwide campaign of terror and the end of the dot.com boom have thrown a cloud over the global economy and drastically reduced the demand for luxury goods.

In Germany, the adversity of the economic situation and the declining propensity to buy were exacerbated by the conversion to the euro, endless debates about tax increases and painful reforms, as well as zero growth and rising unemployment. Since 2001, the demand for consumer goods in Germany compared to the standard of living is lower than ever.

This consumer restraint has delivered a beating to the market for premium wines. In 2001, roughly €1.36 billion euros were spent on wines priced at over € 5 per bottle, but in 2004 this figure had declined to € 1.08 billion – a drop of more than 20%. If we look at the market for wines costing over € 3 per bottle, the decline is even more significant. While in 2000 nearly every fourth bottle of wine sold in Germany was more expensive than € 3, only every eighth bottle fell into this category in 2004. The drop in champagne consumption – and this consumption has always been a reliable indicator of the economic mood in the country – reflects the market development. While in 1998 over 19 million bottles of champagne were sold in Germany, last year only 11.5 million bottles of champagne were sold – a drop of 40% in six years.

This negative development in our core market is combined with a demand for premium wines and champagnes that was never particularly high in Germany to begin with. Compared to our neighbors in France, Belgium or Switzerland, our culinary standards are rather low. We Germans prefer to spend our money on cars or vacation jaunts rather than fine food and drink. Until recently, Germans drank primarily beer and spirits. More money was spent for wine than beer for the first time in Germany in 2002. Furthermore, we Germans are still not prepared to spend more than an average of € 2.11 per bottle of wine. In the Netherlands and Denmark, the average price is considerably higher, and in Switzerland and England it is more than double. The "cheap is cool" attitude, which has become positively grotesque in the

last few years, has also put a damper on the demand for premium wines and champagnes.

However, the languishing demand is complemented by a supply of high-quality wines and champagnes in Germany which is little more than mediocre. For decades, the standard of German winegrowers was not determined by the quality of the wine, but the quantity. While French winegrowers, for instance, were limited by law to yields of 40 or 50 hectoliters per hectare in their vineyards in order to maintain certain quality standards, far more than 100 hectoliters per hectare was not uncommon. Furthermore, there are still no "standard-bearers" for wine in Germany. Extraordinary personalities such as the Rothschilds in France, Piero Antinori in Italy or Miguel Torres in Spain, who produce premium wines over many decades and serve as figureheads for the sector do not exist in Germany. The situation in retailing is also desperate. Wine is often sold not as a special cultural product, but piled up as a basic commodity next to Pampers or cornflakes. This is made worse by charmless, careless forms of display and often sales personnel who are out of their depth or incompetent. In no other country is the power of the discounters as great as in Germany. For instance, in England or France discounters account for only 10 to 20% of food retail, but in Germany they make up 45% of the market. Nearly 30% of all bottles of wine sold is purchased at ALDI alone. While our neighbors market wine as an integral part of quality of life, price thresholds are the key to marketing in Germany – 99 cents, € 1.49, € 1.99, etc.

Today, the question at hand is: How will the market for premium wines and champagnes in Germany develop over the next several years? Will the market continue to suffer in the current economic wasteland with dithering politicians and rampant unemployment? Will consumer restraint continue along with the domination of price wars and bargain basement offers in the retail sector? Or will we succeed in

promoting a certain culinary culture and understanding for higher-priced wines in Germany as well? Will the market for premium wines continue to shrink, or is the worst behind us and will we now have the opportunity to gain a larger share of overall consumption with high-quality wines?

There are many indications that the market in general has undergone a certain transformation, in which "cheap" is no longer the only criterion for purchase and the good things in life are becoming more important again. The needs-based economy has been obsolete for some time. Customers still want to save money, but only on basic goods, so that they can afford certain luxuries in other areas. They take cheap flights to their vacation destinations, but once there, they stay in good hotels. Basic foodstuffs are purchased at ALDI or Lidl, so that the rest can be bought at upmarket retail stores. But: "cheap is cool" isn't enough any more, because buying cheap is no fun!

Today, customers are no longer satisfied with conventional offers: they are very well informed, proactive and impatient, suspicious and fickle. They have learned to differentiate in their buying, are selective and pay attention to quality and service. They want adventure, fun and a sense of well-being. They want to be taken seriously, and seek competent service and advice. They want quality and lasting value. Merely cheap is not enough: clever ideas, unique and intelligent shopping experiences, products with a particular image, history and individuality are required as well.

What does this transformation signify for the wine market? Of course cheap wine will have its own space on the shelves of the German discounters and food retailers in the coming years. But wine meets the new demands and consumer desires as almost no other product can. All these feelings – the yearnings for quality, individuality, a sense of well-being and fun – are better fulfilled by high-quality wine in all its variety

than by almost any other product on the market. Thus it is no surprise that wine, especially premium wine, is setting trends worldwide. We Germans have more to catch up on in this area than any other advanced country, as revealed in a newly published study by Vinexpo. It states that the international wine trade grew by roughly 13% between 2003 and 2008, while wine imports in Germany grew by approximately 12% in the same period. However, the value of the imported wines consumed is set to rise by 28%, according to the study. In other words: The average price of the imported wines drunk will probably be 12 to 15% higher in 2008 than it is today. Because the discount sector will still be subject to strong price pressure, it stands to reason that the high-priced wine imports, i.e. the segment in which the Hawesko Group achieves 95% of its sales, will undergo especially strong growth of up to 20%, according to the study.

Despite the continuing difficult economic situation and consumer restraint, we believe that premium wine in Germany offers great opportunities via the changes in the market and consumer behavior. However, in order to utilise these, we have to respond proactively to consumers' desires, offer quality in our products and services, and stimulate customers' emotions, because "cheap is cool" - but "chilling out" with a good bottle of wine is even better!

In the past fiscal year, the Hawesko Group proved impressively that success in the premium wine segment is indeed possible, even in an adverse environment. Contrary to market trends, we have increased our customer base as well as Group sales. In addition, our profit before interest and taxes also rose by a good 9%. We did not achieve this through aggressive pricing, but rather by focusing on the customer and the quality of our wines. Thus, for example, through our selective approach to customers at Jacques' and in the mail order segment, we have achieved considerable savings, which enabled us to intensify the customer dialogue in other areas. Not the

quantity of the customer contacts, but rather the quality thereof, gave us a decisive advantage and led to increases in the price per bottle and revenues per order, to name just two examples. In the wholesale segment, we increased sales by 9% in contrast to the overall market trend, as we have expanded our network of representatives and marketed the Group's new exclusive products, such as the wines of Barony Rothschild, much more efficiently. In the specialist wine-shop retail segment, we acquired nearly 100,000 new customers thanks to our targeted customer approach. We also increased customer frequency through personalised advertising and intensive coaching of our partners at the depots. By means of a great number of small and large measures, we have succeeded in attracting new customers and interesting current customers in high-quality wine and champagne, without using price as an incentive.

This success also makes us optimistic for the current year. Although we still see no improvement in the general economic situation, we believe that we can increase sales and profit this year as well by continuing our efforts with regard to customers and the quality of the wine.

What steps will we take to achieve our objectives in 2005?

In specialist wine-shop retail, for example, we will continue to place more emphasis on the successful series of vintner wines and introduce our customers to personalities from the world of wine and the products they create. Here the decisive sales argument is not the price, but rather the vintner who produced the wine, with his history, tradition, expertise and quality.

We are doing something similar in mail order. In 2005, we will send fewer price incentive mailings to our customers, emphasizing more informative advertisement, in

which the quality of the wine, its history and its characteristics stimulate the urge to buy.

In fact, it is knowledge regarding the wine that drives interest in the product, and it can be increased by consultation and education. This is a central focus of our efforts in the Group.

Thus in the past year alone more than 8,000 prospects have become further acquainted with the subject of wine through our wine education company, the Viniversitæt, and this year our target is 10,000 customers for our courses. In the gift business, we have made it our goal to use personal conversations and consultation to inspire greater numbers of customers to take advantage of our comprehensive services for yuletide gift shipments. We are making similar efforts for wholesale. In that area, we have significantly expanded our network of representatives and used intensive training to lay the groundwork for more effective customer consultations. These measures also include wine tours to all the renowned winegrowing regions of the world for our representatives as well as for key account customers. At Jacques' too, we have used wine tours with our partners to achieve great progress in the subject of wine and quality in recent years.

With a multitude of measures designed to bring the wine closer to the customer and increase interest in this unique product, and by placing the emphasis on service, quality and efficiency, we believe that we are on track for a successful year in 2005.

The price trend of the Hawesko share in recent months underscores the fact that we are not alone in our positive estimate of the business. After shares fluctuated between 20 and 26 euros during the course of last year, the development since the beginning of January with an increase to over € 32 has been extremely gratifying. A critical

factor in this jump in price was most likely a study published in January that discussed our business model in depth and set an upside target for our share price that is significantly above the present level. With this study and the more than 100 accompanying analyst discussions of the past weeks and months, we have succeeded in attracting a much greater circle of prospects for the Hawesko share among banks and investment companies. Within a short period of time, the number of institutional investors that have become involved with Hawesko has increased considerably. At the same time, the liquidity of the share has nearly doubled. The solid performance of Hawesko over the last two to three years and intense efforts in investor relations have resulted in our share becoming better known, more desirable and more stable than ever before.

These investor relations efforts, which were awarded the “Best Investor Relations Deutschland” prize in 2003, are not the only area to win the approval of trade experts. We are very proud that last year the German Mail Order Congress awarded us the prize for the best mail order catalog in Germany. This year we were honored to receive the Meininger Award for the best-managed wine company in Germany. All these awards and honors as well as the results of recent years show us that we are on the right path with the focus on customers and the quality of our wines.

These achievements, however, have not been the result of an individual effort, but rather of committed, efficient teamwork by all employees of the Group. Therefore my colleagues on the management board and I would like to take this opportunity to thank our employees and our partners in *Jacques' Wein-Depot* and *Wein Wolf* for all their efforts. With their support, we at Hawesko will succeed in taking another big step forward in 2005.