HAWESKO HOLDING AG

(a stock corporation organized under the laws of the Federal Republic of Germany)

2,662,000 Ordinary Bearer Shares

The Offering (the ''Offering'') of ordinary bearer shares of HAWESKO Holding Aktiengesellschaft (''Hawesko'' or the ''Company'') (the ''Shares'') made hereby consists of an Offering of 2,662,000 Shares (together with any additional Shares in respect of which the over-allotment option (as described below) is exercised, the ''Offer Shares'') by AKM Holding GmbH & Co. KG, a commercial limited partnership organized under the laws of the Federal Republic of Germany (the ''Selling Shareholder''). See ''III. The Offering – General''. The Offering is being made to retail and institutional investors in the Federal Republic of Germany and to institutional investors outside of Germany, and is being underwritten by the financial institutions set forth elsewhere in this Offering Circular (the ''Underwriters''). See ''III. The Offering – General''. Outside of the United States the Offering is being made in reliance on Regulation S (''Regulation S'') under the U.S. Securities Act of 1933 by the Underwriters (the ''Securities Act''). In the United States the Offering is being made only to ''qualified institutional buyers'' in reliance on Rule 144A under the Securities Act (''Rule 144A''), as defined therein. Any offer and sale of Offer Shares in the United States will be made by Deutsche Bank AG through Deutsche Morgan Grenfell Inc., its U.S. broker-dealer affiliate (the ''U.S. Broker'').

Prior to the Offering there has been no public market for the Offer Shares. All of the Shares, including the Offer Shares, are expected to be admitted to official listing on the Frankfurt Stock Exchange and the Hamburg Stock Exchange (the ''Stock Exchanges'') on or about May 28, 1998.

The Selling Shareholder has granted an option, exercisable for 30 days from the commencement of trading of the Shares on the Frankfurt Stock Exchange, to Deutsche Bank Aktiengesellschaft to purchase up to an aggregate of 330,000 additional Shares, for the purpose of covering over-allotments. See ''III. The Offering General – General''.

Prior to the Offering, the Selling Shareholder held an aggregate of 2,922,000 Shares, or 68% of the Company's outstanding Shares. Upon completion of the Offering, the Selling Shareholder will no longer hold any Shares of the Company, assuming the exercise of the over-allotment option in full. See ''III. The Offering – General''. The Company will not receive any of the proceeds from the Offering.

The Offer Shares are in bearer form, carry voting rights, and rank *pari passu* in all respects with all other Shares of the Company. The Offer Shares will be entitled to dividends, if any, commencing with the fiscal year ending December 31, 1998 and for succeeding fiscal years. Dividends on the Offer Shares are subject to deduction of German withholding taxes. See ''Taxation of U.S. Investors'' and ''VIII. Taxation in the Federal Republic of Germany''.

For a discussion of certain factors that should be taken into account in deciding whether to purchase Offer Shares in the Offering, see ''Investment Considerations''.

Offer Price: DM 87.00 per Share

THE OFFER SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR UNDER THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

The Offer Shares are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. The Offer Shares will be represented by one or more global certificates, which will be deposited with Deutsche Börse Clearing AG (''DBC''), the German central securities depository. Interests in the Offer Shares will be credited on or about May 28, 1998, against payment therefor, to the accounts of subscribers through the book entry facilities of DBC, Cedel Bank, société anonyme (''Cedel Bank''), Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear system (''Euroclear Operator''), or certain other securities intermediaries who hold positions through DKV, Cedel Bank or the Euroclear Operator.

International Lead Manager

Deutsche Bank Aktiengesellschaft

U.S. Broker

Deutsche Morgan Grenfell Inc.

The date of this Offering Circular is May 26, 1998

This Offering Circular is highly confidential and is being furnished by the Company solely for the purpose of enabling a prospective investor to consider the purchase of the Offer Shares described herein. The information contained in this Offering Circular has been provided by the Company. No representation or warranty, expressed or implied, is made by Deutsche Bank AG or any affiliate thereof as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by Deutsche Bank AG or any affiliate thereof. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each offeree of the Offer Shares, by accepting delivery of this Offering Circular, agrees to the foregoing. No dealer, salesman or any other person has been authorized to give any information, or to make any representations, other than those contained in this Offering Circular, in connection with the offer contained in this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or Deutsche Bank AG or any affiliate thereof. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof of that the information contained herein is correct as of any time subsequent to its date. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any security in any jurisdiction in which such offer or solicitation is unlawful.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Offer Shares to which it relates or an offer to sell or the solicitation of an offer to buy Offer Shares in any circumstances in which such offer or solicitation is unlawful.

The Offer Shares are being offered in the United States only to qualified institutional buyers as defined in and in reliance on Rule 144A under the Securities Act. Each purchaser of Offer Shares offered hereby in reliance on Rule 144A under the Securities Act will be deemed to have made certain acknowledgments, representations and agreements as set forth below under ''U.S. Transfer Restrictions''. For so long as any of the Offer Shares sold in the United States remain outstanding and remain ''restricted securities'' within the meaning of Rule 144(a)(3) under the Securities Act, the Company will make available, upon the request of any purchaser or prospective purchaser of Offer Shares pursuant to Rule 144A, the information specified in, and meeting the requirements of, Rule 144(d)(4) under the Securities Act. Such obligation to provide such information will cease in the event that the Company becomes subject to, and complies with, the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''), or becomes exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

The distribution of this Offering Circular and the offer or sale of Offer Shares in certain jurisdictions is restricted by law. Persons into whose possession this Offering Circular may come should inform themselves about, and observe, any such restrictions.

This Offering Circular may only be passed on in the United Kingdom to a person who is of the kind described in Article 11(3) of the Financial Services Act (Investment Advertisements) (Exemptions) Order 1996, as amended, or is a person to whom the Offering Circular may otherwise lawfully be issued or passed on.

IN CONNECTION WITH THE OFFERING, DEUTSCHE BANK AKTIENGESELLSCHAFT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFER SHARES AT LEVELS WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. SUCH TRANSACTIONS MAY BE EFFECTED ON THE FRANKFURT STOCK EXCHANGE OR OTHERWISE.

Notice to New Hampshire Residents Only

Neither the fact that a registration statement or an application for a license has been filed under Chapter 421-b of the New Hampshire revised statutes with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the secretary of State of New Hampshire that any document filed under RSA 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer or client any representation inconsistent with the provisions of this paragraph.

Until 40 days after commencement of the Offering, an offer, sale or transfer of Offer Shares within the United States by any dealer (including dealers who are participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A thereunder.

Due to the restrictions on the offer and sale of securities in the United States under U.S. securities laws and regulations, there can be no assurance that any offer of preemptive rights will be open to U.S. holders of Offer Shares.

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INTRODUCTION

About this Offering Circular

On pages 3 to 81 this Offering Circular sets forth an English translation of pages 3 to 90 of the German prospectus dated May 26, 1998 (*Verkaufsprospekt/Börsenzulassungsprospekt*) (the ''German Prospectus'') which sets forth information regarding the Company and other matters, including a description of the Offering.

Presentation of Financial Information

In this Offering Circular, unless otherwise specifically stated to the contrary, ''DM'' and ''Deutsche Mark'' mean the lawful currency of the Federal Republic of Germany, and ''$'', ''U.S.$'', ''U.S. Dollar'' and ''dollars'' mean the lawful currency of the United States of America. The Company publishes its financial statements in Deutsche Mark.

The Group's consolidated financial statements are prepared in accordance with generally accepted accounting principles in Germany, which include the accounting principles set forth in the German Commercial Code (together, ''German GAAP''), which differ in certain respects from generally accepted accounting principles in certain other countries. The material differences between German GAAP, accounting principles generally accepted by the International Accounting Standards Committee (''IAS'') and generally accepted accounting principles in the United States (''U.S. GAAP'') that would be applicable to the Group are discussed herein under ''Summary of Significant Differences Between German Generally Accepted Accounting Principles, International Accounting Standards and United States Generally Accepted Accounting Principles''.

The Group's fiscal year ends on December 31, and references in this Offering Circular to any specific fiscal year are to the twelve-month period ended December 31 of such year.

Enforcement of Civil Liabilities

The Company is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany (''Federal Republic'' or ''Germany''). The members of the Company's Supervisory Board (*Aufsichtsrat*) and Management Board (*Vorstand*) are nonresidents of the United States. All or a significant portion of the assets of such persons and most of the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or to enforce against it in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The Company has been advised by its German counsel that there is doubt as to the enforceability in Germany, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States. In addition, awards of punitive damages and actions in the United States or elsewhere may be unenforceable in Germany.

MARKET INFORMATION

General

The principal trading markets for the Shares will be the Frankfurt Stock Exchange and the Hamburg Stock Exchange. Trading in the Shares is expected to commence on May 28, 1998.

The German Equity Market

The Frankfurt Stock Exchange, which is operated by the Deutsche Börse AG (the ''Deutsche Börse''), is the most significant of the German Stock Exchanges and accounted for approximately 78% of the turnover in exchange-traded securities in Germany in 1997. The aggregate annual turnover of the Frankfurt Stock Exchange in 1997 of approximately DM 7,000 billion for both equity and debt instruments (based on the Frankfurt Stock Exchange's practice of recording separately the sale and purchase components involved in each trade), made it the fourth largest stock exchange in the world behind New York, London and Tokyo in terms of turnover. As of December 31, 1997, the equity securities of 1,461 corporations, including 1,011 foreign corporations, were traded on the Frankfurt Stock Exchange.

Trading on the floor of the Frankfurt Stock Exchange commences each business day at 10:30 a.m. and continues until 1:30 p.m. Markets in listed securities are generally of the auction type, but listed securities also change hands in interbank dealer markets both on and off the Frankfurt Stock Exchange. Price formation is by out-cry, as determined by publicly commissioned specialists who are themselves exchange members but who do not, as a rule, deal with the public. Prices for actively traded stocks are quoted continuously during stock exchange hours. For all stocks, an official quotation is determined by auction around mid-session of each trading day.

In addition to maintaining a market in equity and debt securities, preemptive rights are freely transferable and may be traded on the German Stock Exchanges for a limited number of days prior to the final date of the exercise of the rights.

On behalf of the Frankfurt Stock Exchange, the Association of Members of the Frankfurt Stock Exchange (*Kursmaklerkammer Frankfurt am Main*) publishes an official daily list of quotations (*Amtliches Kursblatt*) containing the official spot prices (*Einheitskurse*) as well as the yearly high and low prices for all traded securities and continuous quotations for certain securities.

In November 1997, the Deutsche Börse replaced its computerised trading system known as IBIS by a new electronic trading system called ''Xetra''. Currently, the shares of the 100 companies comprising the DAX and M-DAX can be traded electronically for the full length of the trading day from 8:30 a.m. to 5:00 p.m. Trading in additional equities as well as bonds listed on the Deutsche Börse is planned to begin late in 1998. The electronic trading system is available to brokers and banks which are registered members of a German stock exchange. Xetra is integrated in the Frankfurt Stock Exchange and subject to its rules and regulations.

Transactions on the Frankfurt Stock Exchange (including transactions within the Xetra system) are settled on the second business day following the trade date. Transactions off the Frankfurt Stock Exchange (which may occur if one of the parties to the transaction is foreign) are generally also settled on the second business day following the trade date (although a different period may be agreed to by the parties).

Following the German banks' standard terms and conditions for securities transactions, customers' orders to buy or sell listed securities must be executed on a stock exchange unless the customer gives other specific instructions for an individual or an indeterminate number of transactions.

A quotation may be suspended by the management of the Frankfurt Stock Exchange if orderly stock exchange trading is temporarily endangered or if a suspension is necessary in order to protect the public interest. Trading activities on the Frankfurt Stock Exchange are monitored by the Stock Exchange Supervisory Agency (*Börsenaufsichtsbehörde*) for the state of Hessen as well as by a trading monitoring office operated by the Frankfurt Stock Exchange under the supervision of the Stock Exchange Supervisory Agency. General oversight of the securities markets in Germany is exercised by the Federal Supervisory Authority for Securities Trading (*Bundesaufsichtsamt für den Wertpapierhandel*), an independent federal agency established pursuant to the Federal Securities Trading Act (*Wertpapierhandelsgesetz*).

EXCHANGE RATES

The Deutsche Mark is a freely convertible currency. There are, except in limited embargo circumstances, no legal restrictions in Germany on international capital movements and foreign exchange transactions. However, for statistical purposes only, every individual or corporation residing in Germany (hereinafter, a ''Resident'') must report to the Deutsche Bundesbank, subject only to certain immaterial exceptions, any payment received from or made to an individual or corporation resident outside of Germany (hereinafter, a ''Non-resident'') if such payment exceeds DM 5,000 (or the equivalent in foreign currency). In addition, Residents must report any claims against or any liabilities payable to Non-residents if such claims or liabilities, in the aggregate, exceed DM 500,000 (or the equivalent in a foreign currency) during any one month.

The Deutsche Mark takes part in the European Monetary System (''EMS'') exchange rate mechanism, where it serves as an anchor currency. Within the EMS, exchange rates may fluctuate within permitted margins fixed by central bank intervention. Against non-EMS currencies, the Deutsche Mark has, in theory, fully flexible exchange rates, although central banks often try to confine short-term exchange rate fluctuations by intervening in foreign exchange markets. Fluctuations in the exchange rate between the Deutsche Mark and the U.S. dollar will affect the U.S. dollar equivalent of the Deutsche Mark price of the Shares.

The following table sets forth, for the periods and dates indicated, the average, high, low and period-end Noon Buying Rates for Deutsche Mark expressed in Deutsche Mark per U.S. dollar. The Noon Buying Rate is the rate announced in The City of New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the Deutsche Mark or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Deutsche Mark, as the case may be, at any particular rate or at all.

Year ended December 31,	Average(1)	High	Low	Period end
	(DM)			
1993	1.6610	1.7405	1.5675	1.7395
1994	1.6118	1.7627	1.4920	1.5495
1995	1.4260	1.5612	1.3565	1.4345
1996	1.5070	1.5655	1.4354	1.5387
1997	1.7394	1.8810	1.5413	1.7991
1998(2)	1.8117	1.8542	1.7590	1.7684

(1) The average of the Noon Buying Rate on the last business day of each month during the relevant period.
(2) Through May 26, 1998. On May 26, 1998, the Noon Buying Rate was DM 1.7684 to U.S. $1.00.

Pursuant to the Treaty establishing the European Community (the ''Treaty of Rome''), as amended by the Treaty on European Union signed at Maastricht on February 7, 1992 (the ''Maastricht Treaty''), Stage III of economic and monetary union (''European Monetary Union'') will commence on January 1, 1999 and a single unified currency (the ''euro'') will become the legal currency of those Member States of the European Community that satisfy the convergence criteria set forth in the Maastricht Treaty. Altogether, eleven Member States, including Germany, will be eligible to adopt the euro as their national currency upon its introduction of January 1, 1999. During a transitional period between January 1, 1999 and December 31, 2001, and for a maximum period of six months thereafter, national currency units of the participating Member States will be considered denominations of the euro and will continue to have legal tender status in their respective States of issue.

TAXATION OF U.S. INVESTORS

The following is a summary of certain United States federal income tax consequences of the ownership of Shares by an investor that purchases such Shares in connection with the Offering and holds the Shares as capital assets. The summary does not purport to address all material tax consequences of the ownership of Shares, and does not take into account the specific circumstances of any particular investors (such as tax-exempt entities, certain insurance companies, broker-dealers, traders in securities that elect to mark to market, investors liable for alternative minimum tax, investors that actually or constructively own 10 percent or more of the voting stock of the Company, investors that hold Shares as part of a straddle or a hedging or conversion transaction or investors whose functional currency is not the U.S. dollar), some of which may be subject to special rules. This summary is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) and Germany as in effect on the date hereof, as well as on the Conventions Between the United States of America and the Federal Republic of Germany for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital and to Certain Other Taxes (the ''Treaty'') and for the Avoidance of Double Taxation with Respect to Taxes on Estates, Inheritances, and Gifts (the ''Estate Tax Treaty''), all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

For purposes of this discussion, a ''U.S. Holder'' is any beneficial owner of Shares that is (i) a citizen or resident of the United States, (ii) a corporation organized under the laws of the United States or any State, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. An ''Eligible U.S. Holder'' is a U.S. Holder that (i) is a resident of the United States for purposes of the Treaty, (ii) does not maintain a permanent establishment or fixed base in Germany to which Shares are attributable and through which the beneficial owner carries on or has carried on business (or, in the case of an individual, performs or has performed independent personal services) and (iii) who is not otherwise ineligible for benefits under the Treaty with respect to income and gain derived in connection with the Shares. A ''Non-U.S. Holder'' is any beneficial owner of Shares that is not a United States person for United States federal income tax purposes.

The discussion does not address any aspects of United States taxation other than federal income taxation or any aspects of German taxation other than income taxation, gift and inheritance taxation and capital taxation. Prospective investors are urged to consult their tax advisors regarding the United States federal, state and local and the German and other tax consequences of owning and disposing of Shares. In particular, prospective investors are urged to confirm their status as Eligible U.S. Holders with their advisors and to discuss with their advisors any possible consequences of their failure to qualify as Eligible U.S. Holders.

Taxation of Dividends

German Taxation

Under German law, German corporations are required to withhold tax on dividends in an amount equal to 25 percent of the gross amount paid to resident and non-resident stockholders. In the case of a U.S. Holder, the German withholding tax is partially refunded under the Treaty to reduce the withholding tax to 15 percent of the gross amount of the dividend declared. In addition, so long as the German imputation system provides German resident individual stockholders with a tax credit in respect of dividends paid by German corporations, the Treaty provides that U.S. Holders are entitled to a further refund equal to 5 percent of the gross amount of the dividend declared. For United States federal income tax purposes, the benefit resulting from this refund is treated as a dividend received by the U.S. holder equal to 5.88 percent of the gross amount of the dividend actually paid, subject to a 15 percent German withholding tax equal to 0.88 percent of the dividend actually paid (15 percent of 5.88 percent).

A surtax on the German withholding tax is levied on the dividend distributions paid by a German resident stock corporation on or after January 1, 1995. The surtax amounts to 1.375 percent (5.5 percent × 25 percent) of the gross amount of the dividend actually paid. Since the Treaty reduces the German withholding tax imposed on U.S. Holders, such holders will be entitled to a full refund of this surtax.

German Refund Procedure

In order to obtain the 5 percent tax credit-related refund, the refund of the German withholding tax in excess of 15 percent and the refund of the 5.5 percent German surtax, U.S. Holders of Shares must submit to the German tax authorities directly (i) a claim for refund, (ii) the original bank voucher (or certified copy thereof) issued by the paying entity documenting the tax withheld, and (iii) an IRS Form 6166. The claim for refund must be filed within four years from the end of the calendar year in which the dividend is received.

Claims for refund are made on a special German claim for refund form, which must be filed with the German tax authorities: Bundesamt für Finanzen, Friedhofstrasse 1, 53221 Bonn, Germany. The German claim for refund forms may be obtained from the German tax authorities at the same address where the applications are filed, or from the Embassy of the Federal Republic of Germany, 4645 Reservoir Road, N.W., Washington, D.C. 20007-1998.

U.S. Holders may obtain a Form 6166, which is a certification of the U.S. Holder's last filed United States federal income tax return, by filing a request with the office of the Director of the Internal Revenue Service Center at the following address: Internal Revenue Service Center, Philadelphia, Pennsylvania, Foreign Certificate Request, P.O. Box 16347, Philadelphia, PA 19114-0447. Requests for certification are to be made in writing and must include the U.S. Holder's name, social security number or employer identification number, tax return form number, and tax period for which certification is required. The Internal Revenue Service will send the certification (IRS Form 6166) directly to U.S. Holders. The issued IRS Form 6166 will be valid for a period of three years from the date of the last filed return to which it relates.

United States Federal Income Taxation

U.S. Holders

Under the United States federal income tax laws, and subject to the passive foreign investment company (''PFIC'') rules discussed below, U.S. Holders will include in gross income the gross amount of any dividend paid (before reduction for German withholding taxes) by the Company out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes) as ordinary income when the dividend is actually or constructively received by the U.S. Holder. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution includible in income of a U.S. Holder will be the U.S. dollar value of the Deutsche Mark payments made, determined at the spot Deutsche Mark/U.S. dollar rate on the date such dividend distribution is includible in the income of the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in income to the date such payment is converted into U.S. dollars will be treated as ordinary income or loss. Such gain or loss will generally be income from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain.

Subject to certain limitations, the German tax withheld in accordance with the Treaty and paid over to Germany will be creditable against the U.S. Holder's United States federal income tax liability. To the extent a refund of the tax withheld is available to a U.S. Holder under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against the U.S. Holder's United States federal income tax liability. See ''Taxation of Dividends – German Refund Procedure'', above, for the procedures for obtaining a refund of tax.

For foreign tax credit limitation purposes, the dividend will be income from sources without the United States, but generally will be treated separately, together with other items of ''passive income'' (or, in the case of certain holders, ''financial services income'').

Non-U.S. Holders

Dividends paid to a Non-U.S. Holder in respect of Shares will not be subject to United States federal income tax unless such dividends are effectively connected with the conduct of a trade or business within the United States by such Non-U.S. Holder (and are attributable to a permanent establishment maintained in the United States by such Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for such Non-U.S. Holder to be subject to United States taxation on a net income basis in respect of income from Shares), in which case the Non-U.S. Holder generally will be subject to tax in respect of such dividends in the same manner as a U.S. Holder. Any such effectively connected dividends received by a non-United States corporation may also, under certain circumstances, be subject to an additional ''branch profits tax'' at a 30 percent rate or such lower rate as may be specified by an applicable income tax treaty.

Taxation of Capital Gains

German Taxation

Under the Treaty, a U.S. Holder will not be liable for German tax on capital gains realized or accrued on the sale or other disposition of Shares.

U.S. Holders

Subject to the PFIC rules discussed below, upon a sale or other disposition of Shares, a U.S. Holder will recognize gain or loss for United States federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. Holder's tax basis (determined in U.S. dollars) in such Shares. Generally, such gain or loss will be capital gain or loss, will be long-term capital gain or loss if the U.S. Holder's holding period for such Shares exceeds one year and any such gain will be income from sources within the United States for foreign tax credit limitation purposes. Long-term capital gain of a non-corporate U.S. Holder is generally subject to a maximum tax rate of 28 percent in respect of property held for more than one year and to a maximum tax rate of 20 percent in respect of property held in excess of 18 months.

Non-U.S. Holders

A Non-U.S. Holder will not be subject to United States federal income tax in respect of gain recognized on a sale or other disposition of Shares unless (i) the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (and is attributable to a permanent establishment maintained in the United States by such Non-U.S. Holder, if an applicable income tax treaty so requires as a condition for such Non-U.S. Holder to be subject to United States taxation on a net income basis in respect of gain from the sale or other disposition of the Shares) or (ii) in the case of a Non-U.S. Holder who is an individual, such holder is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions apply. Effectively connected gains realized by a corporate Non-U.S. Holder may also, under certain circumstances, be subject to an additional ''branch profits tax'' at a 30 percent rate or such lower rate as may be specified by an applicable income tax treaty.

PFIC Rules

The Company believes that Shares should not be treated as stock of a PFIC for United States federal income tax purposes, but this conclusion is dependent on the characterization of the Company's assets and activities and is a factual determination made annually and thus may be subject to change.

In general, the Company will be a PFIC with respect to a U.S. Holder if, for any taxable year in which the U.S. Holder held the Company's Shares, either (i) at least 75 percent of the gross income of the Company for the taxable year is passive income or (ii) at least 50 percent of the value (determined on the basis of a quarterly average) of the Company's assets is attributable to assets that produce or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25 percent by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If the Company is treated as a PFIC, a U.S. Holder that did not make a mark-to-market election, as described below, would be subject to special rules with respect to (a) any gain realized on the sale or other disposition of Shares and (b) any ''excess distribution'' by the Company to the U.S. Holder (generally, any distributions to the U.S. Holder in respect of Shares during a single taxable year that are greater than 125 percent of the average annual distributions received by the U.S. Holder in respect of the Shares during the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the Shares). Under these rules, (i) the gain or excess distribution would be allocated ratably over the U.S. Holder's holding period for the Shares, (ii) the amount allocated to the taxable year in which the gain or excess distribution was realized would be taxable as ordinary income, (iii) the amount allocated to each prior year, with certain exceptions, would be subject to tax at the highest tax rate in effect for that year and (iv) the interest charge generally applicable to underpayments of tax would be imposed in respect of the tax attributable to each such year.

Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC.

For taxable years beginning after 1997, a U.S. Holder of shares in a PFIC that are treated as ''marketable stock'' may also make a mark-to-market election. Stock, such as the Shares, that is traded on a foreign exchange will be treated as ''marketable stock'' only pursuant to a determination by the IRS that the exchange has rules sufficient to ensure that the market price of the stock represents a legitimate and sound fair market value. No such determination has yet been issued with respect to any foreign exchange. An electing shareholder will not be subject to the PFIC rules described above. Instead, in general, an electing shareholder will include in each year as ordinary income the excess, if any, of the fair market value of the Shares at the end of the taxable year over their adjusted basis and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted basis of the Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The electing U.S. Holder's basis in the Shares will be adjusted to reflect any such income or loss amounts.

A U.S. Holder who owns Shares during any year that the Company is a PFIC must file Internal Revenue Service Form 8621.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividend payments (or other taxable distributions) in respect of Shares made within the United States to a non-corporate United States person, and ''backup withholding'' at the rate of 31 percent will apply to such payments if the holder or beneficial owner fails to provide an accurate taxpayer identification number in the manner required by United States law and applicable regulations, if there has been notification from the Internal Revenue Service of a failure by the holder or beneficial owner to report all interest or dividends required to be shown on its federal income tax returns or, in certain circumstances, if the holder or beneficial owner fails to comply with applicable certification requirements. Certain corporations and persons that are not United States persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on Internal Revenue Service Forms W-8 or W-9.

In general, payment of the proceeds from the sale of Shares to or through a United States office of a broker is subject to both United States backup withholding and information reporting unless the holder or beneficial owner certifies its non-United States status under penalties of perjury or otherwise establishes an exemption. United States information reporting and backup withholding generally will not apply to a payment made outside the United States of the proceeds of a sale of Shares through an office outside the United States of a non-United States broker. However, United States information reporting requirements (but not backup withholding) will apply to a payment made outside the United States of the proceeds of a sale of Shares through an office outside the United States of a broker (i) that is a United States person, (ii) that derives 50 percent or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States, (iii) that is a ''controlled foreign corporation'' as to the United States, or (iv) with respect to payments made after December 31, 1999, that is a foreign partnership if 50 percent or more of its income or capital interests are held by United States persons or it is engaged in the conduct of a trade or business in the United States unless the broker has documentary evidence in its files that the holder or beneficial owner is a non-United States person or the holder or beneficial owner otherwise establishes an exemption.

Amounts withheld under the backup withholding rules may be credited against a holder's tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the United States Internal Revenue Service.

Gift and Inheritance Taxes

The Estate Tax Treaty provides that an individual who is not a German citizen and whose domicile is determined to be in the United States for purposes of the Estate Tax Treaty will not be subject to German inheritance and gift tax (the equivalent of the United States federal estate and gift tax) on the individual's death or making of a gift in relation to Shares unless the Shares (i) are part of the business property of a permanent establishment located in Germany or (ii) are part of the assets of a fixed base of an individual located in Germany and used for the performance of independent personal services. An individual's domicile in the United States, however, does not prevent imposition of German inheritance and gift tax with respect to an heir, donee, or other beneficiary who is domiciled in Germany at the time the individual died or the gift was made.

The Estate Tax Treaty also provides a credit against United States federal estate and gift tax liability for the amount of inheritance and gift tax paid in Germany, subject to certain limitations, in a case where Shares are subject to both German inheritance or gift tax and United States federal estate or gift tax.

German Net Worth Tax

Based on a decision of the German Federal Constitutional Court dated June 22, 1995, the German net worth tax is no longer levied as of January 1, 1997. In any event, a U.S. Holder will not be subject to German net worth tax with respect to Shares under the Income Tax Treaty.

Other German Taxes

There are no German transfer, stamp or similar taxes that would apply to U.S. Holders who purchase or sell Shares.

U.S. SELLING RESTRICTIONS

Each Underwriter has acknowledged and agreed that the Offer Shares have not been, and will not be, registered under the Securities Act or under the securities laws of any State of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Underwriter has represented and agreed that it has not offered or sold, and will not offer or sell, any Offer Shares constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S in which connection such Underwriter has represented and agreed that neither it, nor any of its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Offer Shares (terms used in this paragraph having the meanings given them in Regulation S). Deutsche Bank Aktiengesellschaft has represented and agreed that it has not offered or sold, and will not offer or sell, through Deutsche Morgan Grenfell Inc., any Offer Shares constituting part of its allotment within the United States except to those who it reasonably believes to be qualified institutional buyers (as defined in Rule 144A) in which connection it has represented and agreed that it is a qualified institutional buyer and that it has taken or will take reasonable steps to ensure that the purchaser of such Offer Shares is aware that such sale is made under the provisions of Rule 144A, and that neither it nor any person acting on its behalf has made or will make offers or sales of the Offer Shares in the United States by means of any form of general solicitation or general advertising (within the meaning of Regulation D) in the United States. Each Underwriter has represented and agreed, that it has not entered and will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution of the Offer Shares, except with its affiliates or with the prior written consent of the Company.

U.S. TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Offer Shares.

Each purchaser of Offer Shares offered in reliance on Rule 144A (''Restricted Shares'') will be deemed to have represented to and agreed with the Company and the Underwriters as follows (terms used herein that are defined in Rule 144A or Regulation S are used herein as defined therein):

(1) The purchaser (A) is a qualified institutional buyer, (B) is aware that the sale of the Restricted Shares to it is being made in reliance on Rule 144A, (C) is acquiring such Restricted Shares for its own account or for the account of a qualified institutional buyer, as the case may be, and (D) is aware that such Restricted Shares are restricted securities and may not be deposited into any unrestricted deposit facility in respect of previously issued Ordinary Shares established or maintained by a depositary bank, unless at the time of such deposit such Restricted Shares are eligible for transfer in accordance with Rule 144(k) under the Securities Act.

(2) The purchaser understands that the Restricted Shares have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A)(i) to a person the purchaser reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A that purchases for its own account or for the account of a qualified institutional buyer, (ii) in offshore transactions complying with Regulation S, (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), or (iv) otherwise pursuant to an available exemption from the registration requirements of the Securities Act and (B) in accordance with all applicable federal and state securities laws of the United States. **No representation can be made as to the availability of the exemption provided by Rule 144 for resales of the Restricted Shares.**

(3) The purchaser acknowledges that the Company, Deutsche Bank AG and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Shares for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

The following text is a translation of pages 3 to 90 of the German Prospectus.

I. GENERAL INFORMATION

Responsibility for the Contents of the Prospectus

HAWESKO Holding Aktiengesellschaft (hereinafter also referred to as ''HAWESKO'', the ''Company'' or, together with its subsidiaries Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG (''Hawesko''), Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG (''JWD'') and CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG (''CWD''), the ''HAWESKO-Group'' or the ''Group'') and the undersigned members of the banking syndicate (the ''Banking Syndicate'') assume the responsibility for this prospectus (*Verkaufsprospekt/Börsenzulassungsprospekt*) (the ''Prospectus'') pursuant to the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) in conjunction with Section 45 of the German Stock Exchange Act (*Börsengesetz*) and declare that, to their knowledge, the information contained in this Prospectus is correct and no material information has been omitted.

Availability of Documents

The annual reports of the Company as well as documents mentioned in this Prospectus, insofar as they concern the Company, may be obtained or examined at the Company's administrative offices at Hamburger Strasse 14-20, D-25436 Tornesch bei Hamburg, as well as at the offices of Deutsche Bank Aktiengesellschaft, Taunusanlage 12, D-60325 Frankfurt am Main. Any interim reports published by the Company in the future will be available at the same addresses.

Subject of the Prospectus

The subject of the Prospectus as sales prospectus are bearer shares without par value of HAWESKO Holding Aktiengesellschaft (the ''Shares''), namely DM 13,310,000 bearer Shares (2,662,000 Shares without par value) and an additional DM 1,650,000 bearer Shares (330,000 Shares without par value) (Greenshoe), from holdings of existing Shares.

The subject of the Prospectus as listing prospectus are DM 22,000,000 bearer Shares (4,400,000 Shares without par value) of the Company.

II. SUMMARY OF THE PROSPECTUS

The following summary is supplemented by detailed information presented elsewhere in this Prospectus as well as by the pro forma consolidated financial statements. (For the pro forma financial statements see ''IX. FINANCIAL SECTION''.)

The HAWESKO Group

The HAWESKO Group is in the business of selling wine and champagne as well as sparkling wine, high quality spirits, accessories and gourmet food items. The HAWESKO Group engages in three main forms of distribution: mail-order sales, specialized wine trade and wholesaling, including supplying the hotel and restaurant industry. In fiscal 1997, approximately 59 % of the pro forma sales of the Group were achieved through mail-order, 37 % through the specialized wine trade and 4 % through wholesale outlets.

Hawesko is by far the largest German company in the wine mail-order business. It supplied approximately 192,000 (preponderantly private) customers across Germany in 1997. JWD is the German market leader in the specialized wine trade. With approximately 100 franchise partners, it operates more than 135 wine retail stores across Germany. CWD supplies restaurants and other resellers with wine, champagne, sparkling wine and spirits. CWD is also the exclusive importer of ''Bollinger'' champagne into the Federal Republic of Germany.

Summary of the Offering

Offer Shares

The Offering consists of DM 13,310,000 bearer Shares (2,662,000 Shares without par value) from holdings of existing Shares.

Over-Allotment Option

As the global coordinator and lead manager, Deutsche Bank Aktiengesellschaft has also been granted the option to purchase up to an additional DM 1,650,000 Shares (up to 330,000 Shares without par value) from holdings of existing Shares (''Greenshoe''). This option may be exercised within 30 calendar days from the time the Shares are first publicly traded.

Existing Shareholders

Prior to the Offering, 68 % of the Company's nominal capital of DM 22,000,000 is held by AKM Holding GmbH & Co. KG, Alzey (''AKM'' or the ''Selling Shareholder''), which belongs to the METRO Group, and 30 % is held by Mr. Alexander Margaritoff, Hamburg. An additional 2 % is held by members of the family of Mr. Alexander Margaritoff.

Global Coordinator

Deutsche Bank Aktiengesellschaft.

The Offering

The Offering consists of a public Offering of Shares in the Federal Republic of Germany through Deutsche Bank Aktiengesellschaft (lead manager) and Bayerische Vereinsbank Aktiengesellschaft, Commerzbank Aktiengesellschaft, DG BANK Deutsche Genossenschaftsbank, Dresdner Bank Aktiengesellschaft, M.M. Warburg & Co Kommanditgesellschaft auf Aktien and Westdeutsche Landesbank Girozentrale, as well as a private placement in the rest of Europe through the Banking Syndicate during the period from May 18 to May 26, 1998.

In the United States of America, the Offering will be made by Deutsche Bank Aktiengesellschaft, through Deutsche Morgan Grenfell Inc., to qualified institutional buyers according to and in reliance on Rule 144A of the U.S. Securities Act of 1933.

Price Range, Purchase Price and Number of Shares Allocated

The offer price per Share (the ''Offer Price'') will be determined in agreement with the Selling Shareholder on the basis of the order book prepared during the book-building.

The price range of DM 79 to DM 92 was established on May 15, 1998 and was available from the Banking Syndicate as of May 18, 1998. The Offer Price per Share of DM 87.00 was established on May 26, 1998 by Deutsche Bank Aktiengesellschaft in agreement with the Selling Shareholder and will be available from the Banking Syndicate as of May 27, 1998. As of May 27, 1998, investors who placed their purchase orders through a member of the Banking Syndicate will be able to ascertain from such bank how many Offer Shares were allotted to them. The Offer Price will be payable on May 28, 1998.

Nominal Capital of the Company

DM 22,000,000 (consisting of 4,400,000 Shares).

Listing

The Company's total nominal capital was admitted to trading with official quotation on the stock exchanges in Hamburg and Frankfurt am Main (the ''Stock Exchanges'') on May 6, 1998. Trading of the Shares of the Company on the Stock Exchanges is expected to begin on May 28, 1998.

Lock-ups

Mr. Alexander Margaritoff, the members of the family of Mr. Alexander Margaritoff holding Shares, AKM Holding GmbH & Co. KG and METRO AG each have undertaken not to offer, market or sell, directly or indirectly, any additional Shares they may hold following the completion of the Offering for a period of 12 months from the time the Shares are first publicly traded, without the prior approval of Deutsche Bank Aktiengesellschaft. This restriction also applies to any transaction that is economically equivalent to a sale, for instance the issuance of option and conversion rights on the Company's Shares, or similar transactions.

For the same period the Company has undertaken

aa) not to announce or implement a capital increase from its authorized capital;

bb) not to propose to its General Meeting a vote authorizing a capital increase; and

cc) not to issue financial instruments with conversion rights on the Company's Shares and not to enter into similar transactions,

without the prior approval of Deutsche Bank Aktiengesellschaft.

The above does not apply to the issuance of convertible bonds under the Management Share Option Plan or to the issuance of Shares to employees from authorized capital.

Voting Rights

Each Offer Share entitles its holder to one vote.

Dividend Rights

The Offer Shares have full dividend rights for fiscal 1998.

Use of Proceeds

As Selling Shareholder, AKM Holding GmbH & Co. KG will receive the net proceeds of approximately DM 232 million from the Offering and will pay to the members of the Banking Syndicate commissions in connection with the Offering in the amount of approximately DM 9.7 million.

The Company will bear the other costs of the Offering totalling approximately DM 4 million, including the commission for, and other costs incurred in connection with, the stock exchange listings, consulting fees as well as publication expenses.

Settlement

The Offer Shares will be delivered against payment on May 28, 1998.

The Offer Shares are represented by permanent global certificates with global dividend coupons, which have been deposited with the Deutsche Börse Clearing AG, Frankfurt am Main. Currently, there are no plans to print individual share certificates.

Selected Pro Forma Financial Information for the HAWESKO-Group

	Fiscal Year ended December 31,		
	1997	1996	1995
		DM thou.	
Profit and Loss Account			
Sales (net)	277,055	239,361	210,643
Other operating income	8,520	7,091	6,597
Cost of materials	–147,290	–126,211	–108,079
Personnel expenses	–24,591	–20,401	–17,910
Depreciation on intangible and tangible fixed assets	–4,298	–3,602	–3,308
Other operating expenses	–79,024	–66,835	–58,973
Results before participations and financial results and taxes	30,372	29,403	28,970
Results from participations and financial results	–1,079	–1,008	–914
Results from ordinary business activities	29,293	28,395	28,056
Income taxes	–8,987	–8,611	–8,587
Other taxes	–109	–125	–172
Net income	20,197	19,659	19,297

	December 31,		
	1997	1996	1995
		DM thou.	
Balance Sheet			
Assets			
Fixed assets	27,484	23,786	24,186
Inventories (less prepayments on inventories)	54,512	38,166	32,257
Receivables and other assets	31,651	30,010	21,124
Liquid funds	2,002	1,805	8,245
Prepaid expenses	469	79	52
Total assets	116,118	93,846	85,864
Liabilities and Shareholders' Equity			
Shareholders' equity	18,956	35,390	35,560
Accruals	10,492	5,742	12,961
Liabilities	86,670	52,714	37,343
Total liabilities and shareholders' equity	116,118	93,846	85,864

	Fiscal Year		
	1997	1996	1995
Other Key Figures			
Operating Cash Flow as per HFA/SG (DM thou.)*	25,795	13,160	**
Net income per share*** as per DVFA**** (DM)	5.28	5.04	4.95
Investments in fixed assets (DM thou.)	8,055	3,282	3,810
Employees (annual average)	325	227.5	213

* Calculation according to Statement 1/1995 of the main technical committee German Institute of Chartered Accountants and the financial accounting committee of the Schmalenbach-Gesellschaft.

** Due to the fact that no pro forma consolidated financial statements have been prepared for fiscal 1994, a cash flow statement for fiscal 1995 is not available.

*** Calculation based on nominal capital of DM 20 million, as set forth in the pro forma consolidated financial statements as of December 31, 1997, adjusted for the conversion of the nominal capital into 4 million Shares. In April 1998 the nominal capital was increased to DM 22 million.

**** DVFA Commission for methodology of financial analysis. (Deutsche Vereinigung für Finanzanalyse und Anlageberatung).

III. THE OFFER

General

The Offering consists of a public Offering in the Federal Republic of Germany as well as a private placement in the rest of Europe and in the United States of America from May 18, 1998 to May 26, 1998. The Offering comprises an aggregate DM 13,310,000 (2,662,000 Shares) (or DM 14,960,000 (2,992,000 Shares) should the over-allotment option described below be exercised in full) Shares of the Company held by the Selling Shareholder.

The Banking Syndicate for the Offering consists of Deutsche Bank Aktiengesellschaft (lead manager and global coordinator), and Bayerische Vereinsbank Aktiengesellschaft, Commerzbank Aktiengesellschaft, DG BANK Deutsche Genossenschaftsbank, Dresdner Bank Aktiengesellschaft, M.M. Warburg & Co Kommanditgesellschaft auf Aktien and Westdeutsche Landesbank Girozentrale. In the Federal Republic of Germany, the Offer Shares will be offered under the lead-management of Deutsche Bank Aktiengesellschaft. Outside Germany, the Offer Shares will be offered by the Banking Syndicate in a private placement. In the United States of America, the Offering will be made by Deutsche Bank Aktiengesellschaft through Deutsche Morgan Grenfell Inc. to qualified institutional buyers within the meaning of and in reliance upon Rule 144A of the U.S. Securities Act of 1933.

The price range per Offer Share was established on May 15, 1998 and could be ascertained from the Banking Syndicate from May 18, 1998. The Offer Price per Offer Share of DM 87.00 was established on May 26, 1998 by Deutsche Bank Aktiengesellschaft in agreement with the Selling Shareholder on the basis of the order book prepared during the bookbuilding and it will be available from the Banking Syndicate as of May 27, 1998. As of May 27, 1998, investors who placed their purchase orders through a member of the Banking Syndicate will be able to ascertain from such bank how many Offer Shares were allotted. The Offer Price will be payable on May 28, 1998. The Offer Shares will be delivered against payment on May 28, 1998.

The DM 13,310,000 Shares (2,662,000 Shares) from holdings of existing Shares will be broadly placed by way of a public offering in Germany through the Banking Syndicate under the lead-management of Deutsche Bank Aktiengesellschaft.

Pursuant to the underwriting agreement, Deutsche Bank Aktiengesellschaft, as global coordinator and lead manager of the Banking Syndicate, has been granted an option to purchase up to an additional DM1,650,000 Shares (330,000 Shares) from the Selling Shareholder at the Offer Price, less applicable underwriting commissions and fees, for the purpose of covering over-allotments (''Greenshoe''). The option may be exercised within 30 days of the first public trading of the Shares.

Existing Shareholders

Prior to the Offering, 68% of the Company's nominal capital of DM 22,000,000 (4,400,000 Shares) is held by AKM Holding GmbH & Co. KG, Alzey, which belongs to the METRO Group, 30% by Mr. Alexander Margaritoff, Hamburg, and 2% by members of Mr. Alexander Margaritoff's family.

In the Offering, AKM is selling its entire interest in the Company, and the METRO Group, which has held its interest as a financial investment, is relinquishing its holdings in the Company. For the METRO Group, this is part of its policy of concentrating on its core businesses which do not include the mail-order business.

For details regarding the relationships between the Company and the METRO Group, see ''VI BUSINESS DESCRIPTION – Consortium agreement'' and ''IX. FINANCIAL SECTION – Discussion and analysis of results of operations and financial condition of the pro forma HAWESKO Group – Liquidity, capital resources, investments – Capital resources''.

Lock-ups

Mr. Alexander Margaritoff, the members of the family of Mr. Alexander Margaritoff holding Shares, AKM Holding GmbH & Co. KG and METRO AG each have undertaken not to offer, market or sell, directly or indirectly, any additional Shares they may hold following the completion of the Offering for a period of 12 months from the time the Shares are first traded publicly, without the prior approval of Deutsche Bank Aktiengesellschaft. This restriction also applies to any transaction which is economically equivalent to a sale, for instance the issuance of option and conversion rights on the Company's Shares and similar transactions.

For the same period, corporation has undertaken

aa) not to announce or implement a capital increase from its authorized capital;

bb) not to propose to its General Meeting a vote authorizing a capital increase;

cc) not to the issue financial instruments with conversion rights on the Company's Shares and not to enter into similar transactions;

without the prior approval of Deutsche Bank Aktiengesellschaft.

This does not apply to the issue of convertible bonds under the Share Option Plan for Management or to the issuance of employee Shares from authorized capital.

In the underwriting agreement, the Company, the Selling Shareholder and Mr. Alexander Margaritoff have agreed to indemnify the members of the Banking Syndicate against certain liabilities in connection with the Offering.

Voting Rights

Each Offer Share entitles its holder to one vote.

Dividend Rights

The Offer Shares have full dividend rights for fiscal 1998.

Listing

The Company's total nominal capital of DM 22,000,000 Shares (4,400,000 Shares) was admitted to trading with official quotation on the Stock Exchanges in Hamburg and Frankfurt am Main on May 26, 1998.

It is expected that official quotation on the Stock Exchanges will commence on May 28, 1998.

Use of Proceeds

As Selling Shareholder, AKM Holding GmbH & Co. KG will receive the net proceeds of approximately DM 232 million from the Offering and will pay to the Banking Syndicate in connection with the Offering the amount of DM 9.7 million.

The Company will bear the other costs of the Offering, totalling approximately DM 4 million, including the commission for, and other costs incurred in connection with, the stock exchange listing, consulting fees and publication expenses.

Settlement

The Offer Shares will be delivered against payment on May 28, 1998.

The Offer Shares are represented by permanent global certificates with global dividend coupons which have been deposited with the Deutsche Börse Clearing AG, Frankfurt am Main. Currently, there are no plans to print individual share certificates.

Securities Identification Numbers

The German Securities Identification Number (WKN) for the Shares is 604 270. The International Securities Identification Number (ISIN) for the Shares is DE 000 604 270 8 and the Common Code is 008675902.

Symbol for Stock Exchange Trading

HAW

IV. INVESTMENT CONSIDERATIONS

Prospective investors should pay particular attention to the following aspects, in addition to those discussed elsewhere in this Prospectus, before making any decision to purchase Offer Shares in the Offering.

Competition

The market segments in which the HAWESKO Group is active, i.e. in the areas of mail-order, retail and wholesale marketing of wine, champagne, sparkling wine, and spirits, are characterized by intense competition among market participants. The HAWESKO Group must defend its competitive position in this market against other suppliers of the same products, such as food stores, department stores, specialty wine shops and other mail-order firms. The Group is also in competition with suppliers of competing products, such as the promoters of beer and fruit juices and other non-alcoholic beverages, that have captured a growing portion of the beverage market over the last few years. The Group's competitors also include a number of strong retail concerns and department store chains that have the financial means to compete with the HAWESKO Group in the wine stores or mail-order business since there are no other significant barriers to market entry. The HAWESKO Group is of the view that, given its broad customer base, the good relations it has with well-known producers, its favorable cost structure and its modern logistics and data processing technology, it has an advantage over new competitors entering the market. However, competitors with the necessary financial strength and endurance may over time be able to establish similar conditions.

The METRO Group has agreed not to compete with the HAWESKO Group in the latter's core business areas for a period of two years.

Availability of high quality wines

Wines and products made from wine represent virtually all of the business activity of the HAWESKO Group. In the event of a lasting disruption in product supply, such as the destruction of wine harvests through climate changes or pest infestations, the HAWESKO Group would find itself in intense competition for a reduced harvest, and hence a limited supply, against many other sellers of wine and wine products. Such a competitive situation already exists in the area of high-priced Bordeaux wines, where the supply is not sufficient to meet demand even in years with harvests of relatively low quality. The HAWESKO Group has always been successful in securing adequate allotments of such wines even in times of limited market supply. The HAWESKO Group believes that because of its good relationships with producers in the various growing areas, it will continue to be in a position to secure deliveries of high-quality wines, even when circumstances are difficult. Nevertheless, it is possible, in case of an extremely poor harvest or an adverse shift in growing conditions, that delivery bottlenecks could arise.

Business disruptions

In the mail-order and wholesale business, the Company is especially dependent on the continuing functioning of its data processing facilities, which are used both to manage its inventories and to establish and maintain its links to customers and suppliers. Disruptions in these facilities could lead to interruptions in the Company's business that, if not speedily remedied, could seriously damage customer relations, due to late or missed deliveries. The Company, by its own estimation, has sufficient insurance protection against interruptions occasioned by technical breakdowns, fire and similar causes; however, such insurance does not cover the damage that repeated events of this kind would do to the Company's goodwill with its customers. The Company also protects itself against data loss by keeping backup copies of all records, which are made periodically and kept in a separate place. In early 1999, the Company will install a second complete computer facility, so that electronically stored data will be available at two computer facilities in separate locations, and EDP capabilities will be assured even in the case of a total failure of one of the two systems. At this time, however, such a comprehensive backup system does not yet exist.

In both its mail-order and its wine stores business, HAWESKO Group is, moreover, dependent on reliable highway transportation for its wares. If its major suppliers – particularly in France and Italy – were subject to any lengthy interruption in long-distance trucking services because of strikes, the Company could possibly suffer negative consequences.

The agency structure of the wine stores business

Across Germany, JWD maintains more than 135 wine stores, which are operated by independent representatives (agency partners) as agencies of JWD. If an agency contract is unilaterally cancelled, the partner has the right under certain conditions, pursuant to the provisions of section 89b of the German Handelsgesetzbuch (Commercial Code), to demand compensation for the advantages that the principal will henceforth derive from the customer goodwill that the partner has built. Such payments are limited to one year's average earnings of the partner. If JWD were to cancel a large number of agency contracts, and continue the wine trade in those areas, this could result in substantial compensation payments to partners. The Company regards this risk as slight, however, since situations in which it would cancel any large number of agency contracts would be likely to arise only in the case of insufficient turnover in the respective agencies.

The dividing line between independent representatives and employees has been the subject of debate in recent years. Therefore there is a risk that the independent representative status of the agency partners is not upheld for legal reasons and that one or several agency partners would be deemed employees of JWD. The Company, however, is of the view that the contractual relationship with its agency partners, fully meets the criteria of an independent representative.

Health risks

The turnover of the HAWESKO Group is based almost exclusively on the sale of alcoholic beverages. The use of alcohol in large quantities and over a long period of time can have damaging effects on health. For this reason, many countries in the past have taken steps to limit the consumption of alcohol. These measures can take the form of higher taxes on alcohol consumption or restrictions on opportunities to purchase or advertise alcoholic beverages. Since the mail-order business in particular is directly dependent on broadly based advertising, restrictions on such activities would have a negative impact on sales. An increase in the consumption tax on alcoholic beverages would translate directly into higher prices and could lead to a general decline in sales of alcoholic beverages and thus to a decline in sales of the HAWESKO Group. Should market conditions make it impossible to pass such price increases on to consumers, the

Group's earning power could be reduced. The Company is not aware at the present time of any major initiative in Germany or in the European Union for measures aimed generally at reducing the consumption of alcoholic beverages.

Major stockholder and future sale of Shares

Following the Offering, Mr. Alexander Margaritoff will hold 30% of the Company's capital stock, and a blocking minority among the shareholders of HAWESKO Holding AG. According to the Aktiengesetz (the Stock Corporation Act) and the Company's bylaws, a majority of at least 75% of the nominal capital represented at the General Shareholders Meeting is required for certain corporate actions. It is further possible that Mr. Margaritoff may enter into arrangements with other shareholders to attain a dominant position in the Company.

Mr. Margaritoff has agreed with the Banking Syndicate that for a period of 12 months following the allotment of the Shares, he will not dispose of his 30% shareholding in the Company without the consent of the lead manager. After the expiry of that period, he is free to dispose of any Shares which he may hold. If Mr. Margaritoff should avail himself of that possibility, this could have an unfavorable impact on the market value of the Shares. Mr. Margaritoff has stated to the Company that he has no current intention to reduce his holdings of the Company's Shares.

Absence of a public market, determination of the Offer Price, market price volatility

Prior to the commencement of trading in the Company's Shares in the official segment of the Stock Exchanges, there existed no public market for the Company's Shares. The offer price of the Shares will be set by Deutsche Bank AG, in agreement with the Selling Shareholder, once the book building is completed. There can be no assurance that the Offer Price of the Shares will correspond to the price at which the Shares are actually traded following the Offering, nor that an active market for the Shares will develop and be maintained thereafter. Changes in the Company's earnings position and that of its competitors, and changes in the general business conditions of the industry, in macroeconomic conditions or in financial markets could cause Share prices to fluctuate significantly. Generally speaking, securities markets have experienced considerable price and turnover volatility over the last several years. Such volatility could in future have unfavorable effects on trading in the Shares, regardless of the Company's results of operation or its financial position.

Reliability of Opinions and Forecasts

The opinions and forecasts reflected in this Prospectus are exclusively those of HAWESKO Holding AG and its management. Opinions and forecasts are all statements which include expressions such as ''expects'', ''believes'', ''assumes'', ''is of the opinion'' and similar terms. Such statements reflect the present opinion of HAWESKO Holding AG in respect of possible future events which are subject to certain risks. In particular, the opinions and forecasts contained in this Prospectus are based exclusively upon the information available to HAWESKO Holding AG and its management and on a number of assumptions which may or may not turn out to be correct. A large number of factors could have the effect that actual events, including the financial position and the profitability and productivity of HAWESKO Holding AG, deviate substantially from the forecasts. Neither HAWESKO Holding AG nor its management guarantee the correctness of its opinions and forecasts.

V. HISTORY AND STRUCTURE OF THE BUSINESS

The mail-order business of the HAWESKO Group was founded in 1964 at the initiative of Peter Margaritoff, father of the current chairman of the board, Alexander Margaritoff, under the trading name ''Hanseatisches Wein- und Sekt-Kontor'' (HAWESKO), in Hamburg. In 1988 the business relocated to more spacious premises in Tornesch, some 20 km north of Hamburg. Since 1988 majority ownership of the mail-order business has been in the hands of what is today the METRO Group. Besides the METRO Group, Mr. Alexander Margaritoff had a 25% share in the mail-order business. In fiscal 1997 the mail-order business accounted for about 59% of the total pro forma sales of the HAWESKO Group.

The wine stores business was founded in 1974 under the trade name ''Jacques' Wein-Depot''. The first ''Jacques' Wein-Depot'', which still exists, was opened in the Lohhausen district of Düsseldorf. As of 1984, responsibility for the individual stores was transferred to independent agency partners on the basis of agency contracts, and this system became established as the basic structure of JWD. Since 1993 virtually all the stores have been run by independent partners (see ''Wine stores business – Agency system''). Horten AG (today part of the METRO Group) acquired ownership of the wine stores business of the HAWESKO Group in 1983. In 1997, the wine stores business accounted for about 37% of the total pro forma sales of the HAWESKO Group.

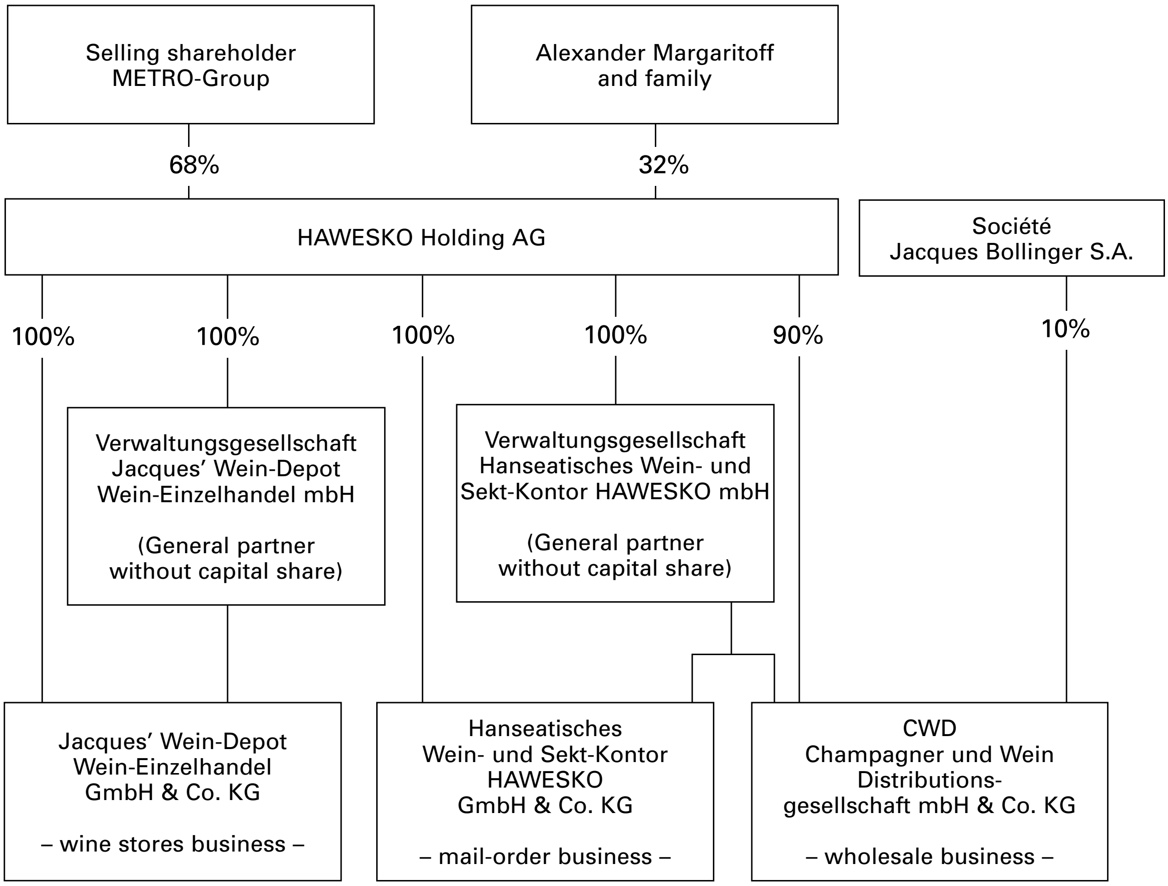
The wholesale trade in wine, champagne and spirits was initiated in 1986 as a new business for Hawesko, through CWD Champagner und Wein Distributionsgesellschaft mbH. In addition to Hawesko, the champagne producer, Société Jacques Bollinger S.A., whose products are sold in Germany exclusively by CWD, holds a 10% interest in CWD. In 1997 the wholesale business accounted for about 4% of the total pro forma sales of the HAWESKO Group.

At the end of 1997, Mr. Alexander Margaritoff and the METRO Group brought their wine businesses together under the umbrella of HAWESKO Holding AG, in order to prepare the HAWESKO Group for its stock market launch under the business leadership of Mr. Alexander Margaritoff. The limited liability companies engaged in the three business areas (Hawesko, JWD and CWD) were contributed to HAWESKO Holding AG and were converted to limited partnerships. The essential responsibilities of HAWESKO Holding AG are henceforth to provide strategic leadership for the Group, including setting its broad business goals, developing its business, identifying and taking advantage of the potential for synergies, supervising overall results, and ensuring optimal use of financial resources. It is not envisaged that HAWESKO Holding AG will assume operating responsibilities. The creation of a holding company makes it possible, on the one hand, to provide a high degree of transparency and flexibility within the Group, and on the other hand ensures a lean business structure and simple hierarchy that can maintain the closest possible contact with its markets and its customers.

Pursuant to an agreement dated April 24, 1998, Mr. Alexander Margarithoff acquired a further 5%, and members of his family purchased 2%, of Shares of HAWESKO Holding AG from the METRO Group.

The present holding structure of the HAWESKO Group can be summarized as follows:

Holding Structure of the HAWESKO Group



Interests of HAWESKO Holding AG pursuant to Section 24 of the Stock Exchange Admissions Regulation[1)]

Shareholder	Location	Capital	Share-holding	Book Value of Share-holding[2)]	Stock-holding of HAWESKO Holding AG[3)]	Net income for 1997 before advanced distribution	Reserves 31.12.97	Obligations to HAWESKO Holding AG at 31.12.97	Activity
		in DM thousand		in DM million			(DM)		
Hanseatisches Wein und Sekt Kontor HAWESKO GmbH & Co. KG	Hamburg	10,001	100%	107,9	none	9,301,005	0	none	Mail-order sales of wine and champagne
Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG	Düsseldorf	1,452	100%	6,5	none	7,069,507	0	none	Wine store sales
CWD Champagner und Wein Distributionsgesell-schaft mbH & Co. KG ...	Hamburg	1,004	100%	5,5	none	523,663	600,000	none	Wholesale trade in wine and champagne

1) At December 31, 1997, the HAWESKO Group did not yet exist in its present form. The relevant shareholdings were brought into HAWESKO Holding AG and converted from limited liability companies into limited partnerships only as of December 31, 1997/January 1, 1998. The numbers shown in the table thus relate to the limited liability companies. The general partners of the partnerships are limited liability companies with a stated capital of DM 50,000 that have no business activity apart from their functions within the respective partnership. They are therefore not described herein.

2) The book values quoted are those shown for the companies on the balance sheet of HAWESKO Holding AG at December 31, 1997.

3) By way of a special distribution all three companies have paid the dividends for fiscal 1997 to their former shareholders. In the case of the former Hawesko GmbH, the special distribution was DM 9.3 million; for the former Jacques' Wein-Depot Wein-Einzelhandel GmbH the special distribution amounted to DM 6.8 million; and for the former CWD Champagner und Wein Distributionsgesellschaft mbH it totalled DM 520,000.

VI. BUSINESS DESCRIPTION

Overview

The HAWESKO Group is one of the largest-volume wine merchant businesses in Germany, with pro forma net sales of DM 277.1 million for fiscal 1997. The Group's range of products includes, besides its main line of wines and champagnes, sparkling wine and high-quality spirits, gourmet items and accessories. The HAWESKO Group sells its products to private consumers through mail-order and in more than 135 wine stores, known as ''Wein-Depots''. A special wholesale division delivers to business customers, in particular to the hotel and restaurant industry.

The relevant market for the businesses of the HAWESKO Group is the German wine market. Wines compete directly with other beverages such as beer, juices and mineral water. For the years 1994 to 1996, the share of wine in the beverage consumption of private households rose from 10.5% in 1994 to 11% in 1995, and to 12.7% in 1996 (Source: GfK Panel Services). After a temporary decline in the early 1990s, the wine market for the wine sector business years 1994/1995 to 1996/97 performed as follows, in terms of total volumes and consumption per capita:

The German Wine Market*

	1994/95	1995/96	1996/97	1995/96	1996/97
				(Change from previous year in %)	
Business year					
Total sales volume (in millions of hecto litres) ..	18.0	18.8	18.6	4.6	3.6
Per-capita consumption (in litres)	22.1	22.8	22.9	3.2	0.4
Consumption share of imported wines (in %) ...	57.2	60.2	61.0	5.2	1.3
Consumption share of domestic wines (in %) ...	42.8	39.8	39.0	(–)7.5	(–)2.1

* Including sparkling wines
Source: Deutscher Weinbauverband

Wines are sold in Germany through distribution channels of various kinds. The mail-order business and the wine stores operated by the HAWESKO Group are in direct competition not only with other businesses of a similar nature, but also with direct sales by wine producers, food shops, department stores and cash & carry beverage outlets. The following table shows the percentage share (by volume of trade) of the various sales channels in the years from 1994 to 1996 for the wine market in the Federal Republic of Germany:

Wine Market Distribution Channels in Germany 1994-1996

	1994	1995	1996	1995	1996
		(in %)		(% change from previous year)	
Producers	19	19	21	0	10.5
Wine stores (incl. mail-order)*	8	8	8	0	0
Food stores	63	64	62	1.6	(–)3.2
Department stores	1	1	1	0	0
Cash & carry beverage outlets	2	2	3	0	50
Other sales outlets	7	6	5	(–)16	(–)20

Source: GfK Haushaltspanel
* The share of mail-order in wine store sales is about 2%, according to a study by the German Wine Fund

Strategy

The HAWESKO Group's strategy aims to increase earnings and sales, and principally comprises the following elements:

Strengthening and expanding market position

The business divisions of the HAWESKO Group are devoted to selling higher-quality wines. They have been making steady headway in an intensely competitive market and have gained a position of market leadership in Germany in the area of mail-order and wine stores sales. The HAWESKO Group sees substantial potential for further growth in all three areas of its business, and expects to be able to increase its sales volumes and earnings further. In the area of mail-order and wine stores sales the Group plans to achieve continuous expansion of its market position by maintaining its range of premium and in some cases high-end wines, stressing customer-oriented service, and targeting new customers. Likewise, the wine stores division intends to continue expanding its network of wine stores to win new customers and to reinforce the position of its existing stores. Its network of wine stores is expected to grow from around 135 today to about 200 by the year 2000.

The HAWESKO Group is also considering expanding its business to other countries, in Europe and beyond.

The ''three pillars'' concept

An essential element of the Group's strategic approach is to bring the three business divisions – mail-order, wine stores, and wholesale – together under the umbrella of HAWESKO Holding AG. The Company believes that this kind of marketing coverage will give it a comprehensive presence in the market for high-quality wines, champagne and sparkling wine. This will also enable it to respond quickly and flexibly to shifting market demands. Since the wine stores business of Jacques' Wein-Depots serves a different clientele from that of the mail-order business, the Group has retained the differentiated approach and the independence of the two business divisions.

Relations with wine producers

The HAWESKO Group has positioned itself as an ideal partner for producers of high-quality wines, and thus has been able to secure its sources of supply. Both its size and its multi-channel approach to marketing high-quality wines represent a strategic advantage for the HAWESKO Group in that it can offer producers the kind of assured sales volume that would otherwise require them to deal with a host of small and medium-sized wine dealers. Because of its careful selection of the wines it carries and the information and advice it offers its targeted customers, producers know that by dealing with the HAWESKO Group they can protect the prestige of their brands and promote recognition of their products. The HAWESKO Group is making increasing inroads into the preserve of the traditional wine merchants, who because of their more limited sales volumes are at a competitive disadvantage. In particular it offers an attractive marketing alternative to producers who are reluctant to run the risk of long-term damage to their trademark prestige by having their products sold through discount shops and supermarket chains.

Customer relations

A key element of the HAWESKO Group's strategy is its particular customer orientation. The Group's success in all of its businesses lies essentially in its continuous efforts to pinpoint and analyze customer preferences and then to focus on those needs. Indeed the basic idea of both the mail-order business and the wine stores business is based on an understanding of customers' needs. Part of the Group's strategy is to make sure that the services it offers are continuously adapted to customer desires. Especially in the mail-order business, but also in the wine stores business, the HAWESKO Group has developed a comprehensive analytic ability that allows it to tailor its Offerings to customers on an individual basis.

Motivating workers and agency partners

Another essential element of the Group's success lies in the high degree of motivation of its workers and managerial staff, as well as that of its agency partners. Efficient and friendly service and a consistently high quality of advice to customers can only be achieved if employees and partners are properly motivated and can identify thoroughly with their business. The HAWESKO Group intends to build on these strengths through a simple hierarchical structure and a teamwork-oriented approach in each area of its business. It will give its staff the chance to share in the success of the business by Offering them shares and stock options in the Company and a system of performance-related bonuses. (See ''General Information on the Company – Share Option Plan for Management''.)

The Mail-order Business

Hawesko is the market leader in the mail-order wine business in Germany (see ''The Mail-order Business – Competition''). In 1997 Hawesko achieved net pro forma sales of DM 163.8 million. The mail-order business accounted for approximately 59% of the Group's total pro forma net-sales in 1997. Net-sales in the mail-order business related mainly to end-users: in 1997 some 23% of mail-order sales were for seasonal gifts.

Products

The product range offered in the mail-order business consists of wine and champagne as well as sparkling wine and high-quality spirits. This beverage selection is complemented by gourmet food items, such as fine olive oils and spices, as well as a selection of wine-related literature and accessories, e.g. wine glasses.

The wine selection covers a wide range of grape varieties and wine regions. Reflecting consumer preferences in the German market, the Group's mail-order sales in 1997 were dominated by French wines (51%) and Italian wines (22%). The selection offered also includes wines from Australia, Austria, Bulgaria, Chile, Germany, Hungary, Israel, New Zealand, Portugal, South Africa, Spain, Switzerland and the USA.

Hawesko's mail-order market Offerings consist primarily of the higher and top quality wines. Prices begin at DM 7.00 a bottle, and lie predominantly between DM 10.00 and DM 30.00 a bottle. The selection also includes some top-priced Bordeaux wines ranging up to DM 400.00 a bottle and higher.

The choice of products is complemented by a gift service that can put together gift sets containing a variety of selected wines, gourmet food items and accessories.

Customer base

The Company attributes the success of its mail-order business primarily to the constant effort it has been making to expand its broad base of customers and to retain their loyalty. In fiscal 1997 Hawesko had 192,000 active customers who placed at least one order with Hawesko during the course of the year. At the end of fiscal 1997 Hawesko's overall customer list included some 600,000 entries.

The Company uses its customer list, as part of its computerized DMIS business and marketing information system, for systematic analysis of customer interests. Selected sales data, e.g. on the frequency, size, composition and timing of orders, provide the marketing department with valuable information for use in producing catalogues and theme-related Offerings (see ''Marketing''), and as an aid to optimizing the product selection.

In addition to the constant cultivation of its existing clientele, the Company focuses on winning new customers. Its main efforts in this regard are focused on newspaper advertising and direct mailings. In fiscal 1997 the Company intensified its advertising campaign in the German business press.

Marketing

In its mail-order business, Hawesko pursues an intensive product marketing strategy by sending out catalogues and letters, posting advertisements, and telemarketing.

The key marketing instrument is the approximately 130-page main catalogue which appears each year in May and November and of which approximately 350,000 copies are printed, featuring approximately 500 products. Hawesko sees the informative and attractive presentation of its main catalogue as an important factor in attracting new customers and increasing orders from established customers. The catalogue presents the product range with color illustrations supplemented by precise descriptions of the specific conditions for the cultivation of each wine, its provenance, the winegrower or producer, nuances of taste and the price/quality ratio of the individual product. In addition, the catalogue contains informative articles on specific areas of wine cultivation and vineyards as well as recommendations for combining the listed wines with choice menus.

Besides the main catalogue, Hawesko sends out theme-related offers 15 to 18 times a year, for instance for champagne or remainder items, to groups of customers which were compiled through the DMIS distribution and marketing information system based on analyses of customer files according to sales criteria and consumer preferences. The Company also uses DMIS to monitor the success of the marketing strategies in order to constantly increase their effectiveness. The numerous mailings to individual customers every three to four weeks help to maintain contact and an increased presence with the customer.

In the area of gift services, Hawesko sends out a special catalogue each autumn which includes approximately 60 attractively illustrated gift suggestions.

The catalogues and descriptions are compiled by Hawesko employees using photographs taken by external photographers. The catalogue is printed and mailed by external service providers.

Hawesko is of the opinion that, in addition to the catalogues, alternative means of marketing and addressing the customer are becoming increasingly important. Hawesko has increased its use of active telemarketing in its call center (see ''Order processing'') for interested customers in order to promote remainder items and, particularly high quality wines. Hawesko is also experimenting with new media and technologies such as e-mail and its own website on the Internet.

Order processing

It has been important for Hawesko to make shopping by catalogue as simple and convenient as possible, and it considers its delivery system one of the best. Hawesko was one of the first commercial wine enterprises in Germany to institute ordering via an extensive call center. The call center currently employs around 30 people who take orders from 8 a.m. to 8 p.m. Monday to Friday, and during special promotions from 10 a.m. to 6 p.m. Saturdays and Sundays as well.

The call center employees have been trained in general customer service as well as in wine-specific sales consulting through seminars and wine tastings.

Hawesko also accepts orders by mail, fax and through the Internet. In fiscal 1997, approximately 48% of orders were made by mail, roughly 30% by telephone and 20% by fax. Less than 2% of orders were placed through the Internet.

Hawesko has been successful in its attempts to make order processing and delivery to the customer so efficient that approximately 90% of orders are delivered within 48 hours after receipt of the order. Orders received by telephone are immediately entered in the distribution and marketing information system DMIS. The customer service employee confirms the availability of the product, verifies the customer data and confirms the order. Orders received by mail, fax or through the Internet are entered by employees in order processing. Confirmed orders are electronically processed overnight and organized according to individual shipments (see ''Warehouse, commissioning and logistics). DMIS optimizes the commissioning process by combining orders from similar parts of the commissioning area, thereby shortening the distance employees must cover when collecting the goods. The deliveries assembled according to the directions on the commissioning orders are forwarded to the packaging department and prepared for shipping. Shipments for similar destinations in Germany are packaged at the same time; those with long transportation distances are assembled as early as possible, those going a relatively short distance later in the day. DMIS registers the shipment of goods, thus keeping track of the inventory in the commissioning area. Replacement goods are automatically requested from the warehouse as soon as the stock in the commissioning area runs low. Through remote data transmission from the transportation company, DMIS also receives information overnight regarding the respective location of the goods and confirmation of delivery.

With the deadline commitments of pre-Christmas gift services, Hawesko guarantees that orders received by a specific date in December will be delivered before Christmas.

Hawesko generally submits its invoices together with the goods delivered. One exception is for gift services when the invoices are usually forwarded prior to shipping the goods. According to the Company's general terms and conditions, shipments must be paid within 20 days of delivery. Hawesko reserves ownership of the goods until they have been paid in full.

Other methods of payment are sometimes applied in the case of high-quality Bordeaux wines. The customer is offered subscriptions by means of which they can secure a certain amount of these wines, which are bottled at a later date. The subscriptions are made in June and July of the year following the harvest of the respective vintage. The customers pay for the subscribed wines immediately after they place the order. Hawesko sells approximately 50% of the top quality Bordeaux wines it acquires each year through subscriptions, the other half through catalogue sales or special mailings.

Because of the favourable composition of the customer base there are very few losses due to defaults in payment, which in fiscal 1995, 1996 and 1997 amounted to less than 1% of sales.

Purchasing

The main countries producing the wines offered by mail-order by the HAWESKO Group are France and Italy. Hawesko also purchases wines from other countries such as Australia, Austria, Bulgaria, Chile, Germany, Hungary, New Zealand, Portugal, South Africa, Spain, Switzerland, and the USA. Hawesko almost exclusively purchases estate-bottled wines from the producers. However, due to the special market situation, certain high-quality Bordeaux wines must be purchased from so-called négocients. Producers are selected with an emphasis on a proven reputation or renown for high and top-quality wines. The Company is one of the biggest importers of champagne and finest quality Bordeaux wines into Germany. Contact with the winegrowers is made on trips to the areas of cultivation as well as at trade fairs. The Company's purchasing department currently has 6 teams, each consisting of a buyer and a managing clerk who are specialized in certain regions or parts of the product range. Two teams split various regions of France, and there are teams for the growers in Italy, Europe and overseas, and for gift services and accessories.

As a rule, wine is purchased neither during the visits to the areas of cultivation nor at trade fairs, but only after intensive tasting of the wines at Hawesko. This provides for controlled conditions as similar as possible for all wine tasting, thus ensuring the comparability of results and a reliable selection of fine wines. The decision on a purchase of the tasted wine is made either by the buyer in charge or by a purchasing and marketing team, depending on the size of the purchase.

Hawesko does not commit itself to long-term purchase contracts for wines. It does, however, enter into exclusive agreements for certain products over periods of up to five years. The Company sells some of these products under its own brand names, which it registers and establishes on the market. The Company loses its exclusive rights if it ceases to purchase certain minimum amounts.

As a rule, Hawesko commissions a transportation company to move the purchased products to the main warehouse in Tornesch. The shipments received are randomly checked by carrying out another tasting and comparison with samples kept at the Company's previous tasting. In fiscal 1997, there were only 5 complaints in a total of approximately 4,000 shipments. Chemical analyses are generally carried out randomly or in special cases.

In fiscal 1997, Hawesko purchased approximately 15.4 million bottles of wine from a total of approximately 300 suppliers. The proportion attributed to one individual supplier has never exceeded 5% on a DM basis. Hawesko is convinced that due to the overall increase in the production of quality wines, it will continue to be able to acquire these products at a reasonable price in the growing regions. Market shortages currently only occur in the case of very fine Bordeaux wines from 100 leading estates in the region. The producers generally allocate these wines amongst their customers on the basis of amounts purchased in previous years and the cordiality of their business relations. The Company estimates that its buyers' position is good due to its business contacts over a long period of time and the consistently high amount of purchased products. Hawesko considers it necessary to keep up the good business relations with the wine producers, in particular those of the highest quality wines, by maintaining steady purchase volumes. In total, this applies to approximately 4% of the wines offered by Hawesko, with which 2.5% of sales are generated.

The suppliers normally grant the Company payment periods of between 30 and 80 days. The Company frequently does not take advantage of this and therefore receives a discount of approximately 2%. However, in the case of Bordeaux wines from the leading estates, the method of payment is different. These wines are purchased 6 months after the harvest, that is between April and June of the following year. At the time of purchase, the first payment is made, followed by successive payments for the remaining amount until the time of delivery one and a half years later. If these advance payments are made to middlemen or agents, the Company requires a bank guarantee for and the assignment of claims with respect to delivery of the wine. If advance payments are made directly to the estates, the Company waives this safeguard.

Warehouse, commissioning and logistics

By far the largest mail-order wine merchant in Germany, the Company's sales amounted to 10.5 million bottles (excluding gift services) in fiscal 1997. The Company believes that its cost-efficient, service-oriented and flexible logistics play a major role in its success in the mail-order business. Thus, in August 1997 the Company began operating a modern logistics center to which all wine deliveries are made, in which the wine is stored and from which shipments to customers are assembled and passed to the shipping services.

The logistics center is favorably located near highways A23 and A7 in Tornesch, approximately 20 km north of Hamburg, and can therefore be easily reached by the delivery trucks. The heart of the logistics center is an air-conditioned, fully automatic high shelf warehouse with room for around 4.2 million bottles in 8,250 pallet spaces that can be accessed by automatic shelf-operating devices. At the moment, according to plan, approximately 50% of the capacity of this warehouse is used. It can be cost-efficiently increased by a further 13,000 pallet spaces. Should a further increase in warehouse capacity be required, the Company has the option to purchase an adjacent property of approximately 30,000 m^2.

Material flow in the high shelf warehouse is completely automated so that the warehouse does not need to be accessed except for maintenance purposes and no pallet needs to be moved by hand within the warehouse. The high shelf warehouse, including the conveyer technology, is controlled through industrial standard processing software (SPS). Three software units, one material flow program, one warehouse administration program, and the distribution and marketing information system DMIS are required for controlling the high shelf warehouse processes. These three software units are in constant communication with each other. The material flow program controls the conveyer technology. The warehouse administration program controls incoming and outgoing products and constantly checks the inventory in the warehouse with the distribution and marketing information system. This process includes an automatic inventory check so that inventory need no longer be taken by hand in the high shelf warehouse.

In the main hall (6,200 m^2) adjacent to the high shelf warehouse, about 2,000 shipments in approximately 5,000 boxes are assembled daily by 50 to 100 employees, depending on the season (see ''Employees''). If required, more pallets are requested from the high shelf warehouse and automatically forwarded to the commissioning area. Individual bottles or original bundles are then removed from the pallets by hand, assembled into shipments and prepared for shipping on the packaging tables. Shipments to customers are packaged in cardboard boxes with environmentally friendly packing material. The Company is able to use this comparably uncomplicated method of packaging because the shipping companies selected by Hawesko guarantee careful transportation of the bottles to the customer.

In the case of gift services, assembly of the gift sets, preparation of address labels with the information provided by the customer, enclosure of greeting cards and packaging by hand does not take place within the normal commissioning process. The necessary short-term increase in staff is covered by seasonal workers (see ''Employees'').

The Company collaborates with leading shipping companies which guarantee complete service throughout Germany. According to the Company, approximately 90% of all shipments reach the customer within 48 hours of receiving the order. The delivery charges for shipping are flat rates and therefore do not depend on the distance of the destination from the central warehouse in Tornesch.

Competition

In the mail-order business, there are about 10 other large domestic and foreign companies besides Hawesko and approximately 50 smaller companies. The main competitors are:

Ludwig van Kapff GmbH
Weinart/Grand Cru Select Weinhandelsgesellschaft mbH
Savour Club GmbH
Weinland Keiler (now Mövenpick Weinland)
ALPINA Burkard Bovensiepen
Brogsitter's Weingüter, Privat-Sektkellerei
Fegers & Unterberg & Berts

Bremer Weinkolleg
Pro Idee GmbH & Co. KG.

The mail-order wine business in Germany achieved a sales volume of DM 315 million in 1996 and DM 305 million in 1995 (Source: macrom Marketingforschung & Consult GmbH). With sales of DM 163.8 million, DM 142.1 million and DM 127.5 million in fiscal 1997, 1996 and 1995, respectively, Hawesko has a market share of approximately 45% and is clearly the leader in this sector.

Wine Stores Business

Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG (''JWD'') currently operates more than 135 wine stores across Germany and is the leader in wine store retailing. In 1997, the wine stores business achieved sales of DM 101.7 million, 37% of the total pro forma net sales of the HAWESKO Group.

The four key elements of the JWD concept are the network of over 135 stores organized as an agency system, the uniform product supply of approx. 200 wines from table wine to high-quality Bordeaux, the opportunity for the customer to taste all the wines in the stores and the monthly mailings to more than 320,000 customers across Germany.

Products / Product range

The range of wines offered by JWD at the stores consists of two components: a standard range of approximately 150 wines that are always available at the individual stores, and a changing selection of approximately 50 wines that are offered on a monthly basis within the framework of special offers. In fiscal 1997, 85% of sales were generated from the standard range. The remaining 15% of sales were made from the changing selection.

JWD has concentrated mainly on middle and high quality wines at prices between DM 6 and DM 20 per bottle. The average sales price is around DM 10 per bottle. In addition, JWD offers so-called ''bag in box'' wine containers containing 5 to 10 liters. These are designed in such a way that the wine keeps for up to 6 months, even if small amounts are removed frequently. In fiscal 1997, about 14% of JWD's sales was made with ''bag in box''products.

In fiscal 1997, 57% of JWD's sales concerned French wines, 23% Italian and 10% Spanish wines; the remaining 10% was derived from wines from Australia, Chile and other countries. JWD is endeavoring to expand its range of international wines. Besides its main wine selection, the stores also offer a limited amount of aperitifs, spirits and selected gourmet food products. Besides wines produced by certain well known estates, JWD's product range also includes numerous wines produced by lesser known growers, since quality wines whose brand names are not as well known can be purchased at a much better price. The fact that these wines are less well known does not affect sales to JWD customers, as they are able to try the wines at the store and make their decisions based on taste rather than name. JWD also deals mainly in estate-bottled wines purchased directly from the producer. It is also a business policy of JWD to carry only wines that are not available through other distributors in Germany. However, JWD does not endeavor to legally protect such exclusivity.

Due to the focus and organization of wine purchasing system, JWD can react very flexibly and quickly to any change in market trend, for instance, the increased demand for red wines in the past two years or the growing interest in Spanish and Chilean wines.

Customers

JWD estimates that customers between 30 and 60 years of age from the middle and upper income levels, in particular, are interested in the products it offers. These customers tend to have a high level of education and a definite interest in culture.

JWD assumes that its target group comprises 10% of all households in Germany. The monthly mailings to around 320,000 addresses only address approximately 8% of this market. JWD sees a large potential to increase its customer base in the expansion of its network of stores.

Agency system

From its central administration in Düsseldorf with 40 employees, JWD controls a network of independent agencies. More than 135 stores with 100 agency partners are currently included in this system. The number of stores has increased from 20 in 1979, to 50 in 1983, to 100 in 1994 and now exceeds 135.

The stores are run by independent commercial representatives (agency partners) who, as a rule, operate one or two stores. According to JWD, the agency system provides the benefits of combining a lean structure and close proximity to markets and customers that are typical for local, dedicated retailers with qualified specialty departments in the parent store for areas such as purchasing, quality control, marketing, organization of EDP, supply logistics, administration, construction and equipment. According to JWD, the high motivation and independence of agency partners is an essential prerequisite for individual advice and consultation which satisfies the customer's high expectations. The combination of central administration at JWD with decentralized management of individual stores also forms the basis for an expansion of the store network.

The locations of the individual stores are selected by JWD and are mainly cities with a population of at least 100,000. Certain selection criteria have emerged based on JWD's experiences. JWD does not aim at ''top'' locations in the inner city, but prefers locations that can easily be reached by car, for instance on the way home from work. Opening additional stores in large cities such as Munich and Hamburg did not lead to a drop in sales at already existing stores in the locality, but rather led to an increase in sales due to a higher level of recognition of all the local stores.

The design of the stores is more or less uniform and is carried out for JWD by external companies. By selecting favourable locations and a standardized appearance, the stores can be opened without a large capital investment and with relatively low start-up risks.

The store leases are not entered into individually by the agency partners, but centrally by JWD with the respective lessors, and as a rule, are based on a standard contract drawn up by JWD. The standard contract is a fixed lease of 5 years with 1 or 2 options for an extension of a further 5 years. In order to provide for termination of the lease if the store should not be profitable, JWD usually reserves a one-time special right of termination after 2 years. Since JWD does not depend on highly priced inner-city locations for operating its stores, it can, in its opinion, achieve relatively low cost leases.

After selecting the locations for the stores, JWD then looks for suitable agency partners. Regardless of their professional background, the partners must have an affinity for food and drink, in particular for wine, and must be in a position to offer qualified advice regarding the wines offered by JWD. In addition, sales talent and commercial understanding are required. JWD enters into an agency and a lease contract with the partner selected. In the agency contract, the partner is obligated to operate the wine store and not to sell any wines and beverages except those provided by JWD. All sales of products supplied by JWD are made in the name of JWD and for its account. This does not apply to the supplementary specialty food items and accessories on sale in some stores. The partner receives 20% of the net earnings on JWD products sold in his store, plus value added tax. Within the framework of the lease contract with JWD, the partner is committed to pay for the completely furnished and stocked store a set lease rate based on sales volume, on average 6% of net sales, which approximately covers JWD's costs for rent and depreciation.

Settlement between JWD and the partners occurs on a monthly basis. Due to the electronic cash registers in the stores which communicate via modem with JWD's computer system, JWD remains constantly informed of sales at the individual stores and how they are distributed among the individual groups of goods. Up to 60% of sales at the stores are non-cash, the remaining 40% are cash sales. Non-cash sales are automatically credited to JWD accounts. With regard to cash sales, the partners are obligated to weekly payments on account. The stores' sales are not calculated based on cash register receipts, but monthly on the basis of stocks, so that differences in inventory have to be covered by the agency partner.

The expense of providing wines for tasting at the stores is carried by JWD as well as the cost of centralized advertising and the regular deliveries to the stores. It is the partners' choice, whether to employ any staff for whose remuneration they are responsible. The stores' relatively short opening hours which are, on average, 25 hours a week, resulting from the late opening times (usually in the afternoon), limit the necessity for additional staff and, therefore, the costs. As commercial representatives, the storeowners are independent merchants and are responsible for their social security (old-age pension, health and accident insurance) as well as that of their employees. According to JWD, the flexible opening hours and the low staff costs are a key condition for cost-leadership in the wine stores business.

Marketing

The key marketing instrument with which JWD addresses its customers is the monthly brochure which contains, in addition to general information on wines, an introduction to a particular wine selection in each issue and is sent out to more than 320,000 customers each month. Customer addresses are only available to JWD if the customers have provided them on a list at the stores in order to receive the monthly mailings or have responded to other JWD promotions. In addition, JWD also sends out regular mailings through advertising agencies in order to canvass new customers. These mailings include coupons for wine on which the recipient's name is printed. This permits an analysis of the mailings when the coupons are redeemed at the stores, and allows for an extension of the customer data base.

JWD believes that the monthly mailings are extremely important for sales. According to experience, if mailings are discontinued, sales can drop by up to 20% in the affected areas.

Another key element of JWD's marketing concept is to provide the stores' customers with qualified advice as well as the opportunity to taste the wines as they would be able to at the vintner's estate (''Wine tasting – just as you would at the grower's''). With the exception of very fine wines, this is possible with all the wines offered by JWD. Furthermore, the wine tasting provides for a very informal atmosphere which permits the customer easy access to wines. Finally, part of JWD's marketing endeavors are regular workshops and consultations with the partners, which ensure consistently high-quality advice for customers. Price reductions and discounts are not regular marketing measures employed by JWD.

Besides the key marketing measures, the individual stores organize special events such as summer parties, special tastings and vernissages, thus ensuring a steady flow of consumers and a high degree of recognition of the stores. In addition, there is a so-called friendship-canvassing program in which customers receive a bonus when they recommend JWD to friends.

Purchasing

The sourcing of wines is carried out by a purchasing team consisting of 8 employees (including laboratory) from the head office in Düsseldorf. Five employees (of which two are oenologists) taste approximately 4,000 wines per year, of which 250 are purchased. Contact to the growers is made through visits to the regions of cultivation and at trade fairs. However, the decision on purchases is only made after a tasting at the head office in Düsseldorf. Since JWD also purchases wines from smaller or lesser-known estates, JWD's quality control is of particular importance. Before being forwarded to the stores, each delivery received is tasted and analyzed by two chemists in JWD's own laboratory. This is to determine whether the wine delivered corresponds to the sample that was originally tasted and contains no additives. New wines are first tested as part of the changing selection within the framework of the monthly wine promotions. If the wine proves to be popular, it is added to the standard product range. In principle, JWD does not enter into any long-term purchase obligations. The respective purchase volume is indicated to the grower one year in advance, but no legally binding agreement is made. This permits JWD to reduce the amount to be delivered, whereas the grower is free to change the indicated prices. In principle, JWD hedges purchases in foreign currencies only in the amount of the value of the orders placed.

JWD procures wines from approximately 150 producers; none of them account for more than 6% of JWD's sales. To a certain extent, JWD also purchases Bordeaux wines of high quality and, in this connection, makes a down payment to the producer. In order to secure the delivery, JWD requests bank guarantees from some of its suppliers.

Logistics

JWD does not maintain its own warehouse, but has transferred all storage services to an external company which maintains a warehouse in Bocholt for JWD without any long-term contractual obligations to either party. All stores are supplied and restocked from there once a week. Transportation to the stores is also carried out by the external company. Transportation of wine deliveries to the central warehouse is organized by JWD through various transportation and shipping companies. The entire warehouse inventory is turned over up to 4 times a year.

Competition

JWD is in competition with approximately two to three thousand wine retailers. These are at a disadvantage due to their small size and their organization as individual stores with very few branches. According to the Company's estimates, JWD is by far the largest wine retailer in Germany with a share of about 10% of the wine store retail market.

In addition, JWD competes with companies across the spectrum of retail food stores (discounters, supermarkets, C&C department stores, gas stations, etc.) as well as with winegrowers marketing their own products.

Wholesale Business

Supplying restaurants and hotels, wholesalers and retailers with wine, champagne, sparkling wine and spirits is CWD's task within the HAWESKO Group. In 1997, CWD accounted for 4% of the Group's pro forma sales.

Products/Product range

CWD's product range includes wine, champagne, sparkling wine and spirits. Due to the resale demand structure, its product range is not as wide as that of Hawesko. Of the product range, approximately 400 items are actively promoted. In 1997, wine made up 78% of CWD's sales, sparkling wine 19%, and spirits and other products 3%. The relatively high share of sparkling wines is mainly due to the fact that CWD has exclusive distribution rights for Bollinger and Maxim's champagne in Germany. In 1997, CWD sold approximately 110,000 bottles of each brand. In return for the exclusive rights, with certain exceptions, CWD does not sell any other brands of champagne, in the area in which it has exclusivity.

Customer groups

CWD has formed the following four strategic business units, each of which is responsible for a specific group of customers:

Business sector	Share of CWD sales in 1997
Restaurants/hotels	16.5%
Wine retailers/retailers	31.6%
Wine wholesalers	8.5%
HAWESKO Group	43.4%

CWD canvasses its customers by means of regular mailings as well as telemarketing. As a rule, CWD puts out a catalog twice a year in March and September. Other mailings cover topics concerning specific regions and producers, in particular for products for which CWD has exclusive distribution rights, or new products. Each mailing reaches approximately 15,000 customers and prospective buyers. CWD also gains new customers through Hawesko which, if it identifies customers as resellers, refers them to CWD.

Order processing

On an organizational level, CWD has close ties to Hawesko and uses its logistics facilities. However, CWD has its own, separate storage area and commissions other logistics services companies than Hawesko. CWD receives approximately 60% of its orders by fax, approximately 35% by telephone and approximately 5% by mail. The minimum order for CWD customers is 24 bottles. An average order includes approximately 120 bottles. Through a structured discount system, the cost benefits of larger orders are passed on to the customer. However, CWD considers it one of its main competitive advantages that it is in a position to supply the resellers with very small quantities of wine within three days and at favourable terms. This is of particular importance to customers in the restaurant sector, since they rarely maintain their own wine cellars.

Competition

CWD is in competition with about 50 companies supplying hotels and restaurants, wine retailers and wholesalers. With pro forma sales of DM 11.3 million in 1997, CWD's size remains considerably smaller than the three leading wholesalers who, according to the Company's estimate, have sales amounting to approximately DM 80 million to DM 100 million each. The competitors are often limited to specialized product ranges or specific business sectors (e.g. wholesalers) and often sell their products via commercial agents, which CWD does not do.

Environmental Protection

The HAWESKO Group is purely a trading house and does not maintain any production facilities. As a result, the HAWESKO Group's business operations do not produce any materials that might adversely affect the environment. The HAWESKO Group's properties consist solely of commercially used sites which, until they were developed by the Group itself or on its behalf, were used only for agricultural purposes or by industries that do not generate any ground pollution. Therefore, the Company assumes that the sites have not been previously polluted. However, the Company has only had soil analyses carried out for the property on which the logistics center is located.

The Company's business operations generate a large amount of packaging materials, because most of the beverages are supplied in non-returnable bottles and, because a considerable amount of packaging material is required in order to ensure safe shipping. For this reason, the Company has joined a waste recycling system (''Duales System'') and has the right to mark the packaging it uses with a special green recycling symbol. As long as the current laws regarding the disposal and recycling of packaging materials essentially remain the same, the Company assumes that its costs for disposing of the materials will not increase significantly.

Employees

The HAWESKO Group employed on a pro forma basis an average of 325 people in fiscal 1997; of these, 223 were salaried employees and 102 were industrial workers.

On December 31, 1997, 336 employees were working in the mail-order business. Throughout the year the number of employees varies due to the high seasonal requirement for gift services. During the first six months of the year, approximately 50 people are employed in the commissioning department. From the middle until the end of the year the number of staff regularly increases to about 100 employees in this department. The additional staff are always temporary, their employment being for a fixed term, albeit with complete social insurance coverage.

Within the wine stores business, 42 people were employed on December 31, 1997 (this is equivalent to 39 employees on a full-time basis). In addition, there are agency contracts with 100 independent commercial agents who operate JWD stores and, on their part, employ about 400 people. The Company does not consider the agency partners and their employees to be JWD staff.

Hawesko and JWD have works councils and the implementation of a works councils on the level of HAWESKO Holding AG is planned. Since the Company does not consider the agency partners and their employees to be staff of the HAWESKO Group, the current number of employees in the HAWESKO Group is under 500. For this reason, neither HAWESKO Holding AG nor the limited liability companies, which are general partners of the limited partnerships Hawesko, JWD and CWD, are obliged to appoint a supervisory board according to the Employees Representation Act of 1952 (*Betriebsverfassungsgesetz*).

The collective bargaining agreements for retail trade in Schleswig-Holstein and the collective bargaining agreement for wholesale and foreign trade in Schleswig-Holstein apply to Hawesko's employment relations. The collective bargaining agreement for retail trade in the area of North Rhine-Westphalia apply to JWD's employment relations. A key element in the structure of employee remuneration is that the Company endeavors to let its employees participate in the Company's success by paying performance and success-related salaries and bonuses in numerous departments.

Litigation

Within the framework of their regular business activities, the HAWESKO Group's companies are parties to legal disputes and proceedings. However, the management does not expect any resulting negative effects on the economic and financial position of the Group.

Research and Development, Patents and Licenses

As a pure trading house, the HAWESKO Group does not carry out any research and development with regard to the products it sells. However, due to the great importance of EDP applications, in particular for the mail-order business, Hawesko has developed, in cooperation with a software company, some computer programs, primarily the DMIS program, a distribution and marketing information system. The Company sees this information system for management as providing quick access to all key data providing a distinct competitive advantage for the Company. Therefore, the Company plans to develop more programs according to its requirements. To date, the Company has not sold any programs to third parties and has, therefore, not derived any revenues from these developments. However, the Company does not exclude this possibility in the future.

The HAWESKO Group holds no patents and, with the exception of a distribution license for the DMIS plus program, has not granted any licenses. The Company has acquired licenses only to the extent that they are required in order to operate its EDP facilities using a series of standard software programs. The HAWESKO Group's business activities do not depend in any way on patents or licenses.

Important Agreements

Consortium agreement

On December 29, 1997, the shareholders of Jacques' Wein-Depot Wein-Einzelhandel GmbH and the Hanseatische Wein- und Sekt-Kontor HAWESKO GmbH, Mr. Alexander Margaritoff and AKM Holding GmbH & Co. KG (''AKM'') as well as AKM's parent company METRO AG, and FUBA Beteiligungs AG, the current HAWESKO Holding AG, concluded a consortium agreement which sets forth the measures required for the Offering and listing of shares of HAWESKO Holding AG . Such measures for creating the current corporate structure of the HAWESKO Group have, essentially, been implemented. In addition, the consortium agreement sets forth a series of terms that will have an effect on the business activities of the Company beyond the creation of the current corporate structure. Essentially, the terms are as follows:

In conjunction with the contribution of JWD to FUBA -Beteiligungs AG AKM was obliged to give FUBA Beteiligungs AG a series of representations and warranties, in particular in respect of proper bookkeeping and preparation of balance sheets, correct management of business operations, complete fulfillment of obligations arising from employment contracts, presence of all the permits required for business operations, arm's length terms in all agreements entered into with third parties, the absence of legal or financial risks arising from contractual relations with third parties with respect to a legal evaluation as an employment relationship with the respective legal employment, social insurance and fiscal consequences. In the event of violations of these representations and warranties, AKM would be obligated to pay damages. AKM would not be liable for consequential damages. Claims for damages may only be made within 3 months of the discovery of the violation. Any enforcement of claims for damages would be barred after the end of the year following the year the claim was made, at the latest by the end of the year 2000.

Mr. Alexander Margaritoff and AKM have made representations and warranties such as those described above with regard to the contribution of their respective interests in Hanseatische Wein- und Sekt-Kontor HAWESKO GmbH and CWD Champagner und Wein Distributionsgesellschaft mbH to FUBA Beteiligungs AG.

Leasing agreement

In 1997, in a sale and leaseback transaction, Hawesko built its logistics center and leased it back from TIEDO Grundstücks-Vermietungsgesellschaft mbH & Co., Objektlager Nord KG, Düsseldorf, (single purpose company). The total contracted investment cost for the building was DM 12.7 million and DM 7.2 million for the high shelf warehouse. The leasing agreements for the building and the warehouse set out that during the first 10 years of the term of the lease the Company has to pay the lessor a fixed annual lease at a rate of 8.1% and 10.3% respectively of the total investment costs. After expiry of the first interest period in the year 2007, the leasing payments will be adjusted to reflect capital market conditions. In addition, the Company is obligated to pay the lessor a share of the administration costs and to provide a loan to the lessor after the first lease period.

In two supplementary agreements to the leasing agreements it was agreed that the lessor has the right to sell to the Company the high shelf warehouse in 2011 at the agreed residual value of DM 722,000 (put-option). At the same time, the Company has the right to purchase (call option) both the building and the warehouse at the agreed residual value of DM 8.7 million.

Properties Owned and Business Premises

The following overview shows the locations, the use and the approximate size of the most important properties owned or leased by companies of the HAWESKO-Group

Location	Use	Approx. area in m^2	Lease/ Ownership
Tornesch, 14-20 Hamburger Strasse	Administration Hawesko and CWD, commissioning and gift services	14,600	Owned
Tornesch, Hamburger Strasse (opposite administration building)	Parking lot	7,000	Owned
Tornesch, 24 Grosser Moorweg	Logistics center, warehouse Hawesko and CWD	40,800	Leased
Düsseldorf, 49 Bilker Allee	Administration JWD	1,550	Rented
Franchises at more than 135 locations	Wine stores	Each 150 on average	Rented

VII. GENERAL INFORMATION ON THE COMPANY

Establishment, Registered Office and Corporate Purpose

The Company was established on October 10, 1997 by Deutsche Bank AG, Frankfurt am Main, as FUBA Beteiligungs AG, Frankfurt am Main (''FUBA'') with a nominal capital of DM 100,000. On December 23, 1997, AKM Holding GmbH & Co. KG, Alzey, purchased all of the shares of FUBA which, until then, had not been conducting any business.

Pursuant to the post-formation and capital contribution agreement (*Nachgründungs- und Einbringungsvertrag*) (the ''First Contract'') of December 29, 1997 between FUBA and AKM of December 29, 1997, AKM contributed all of its shares in Jacques' Wein-Depot Weinhandels-GmbH, Düsseldorf, to FUBA by way of a capital increase against a contribution in kind.

Pursuant to the post-formation and capital contribution agreement (*Nachgründungs- und Einbringungsvertrag*) (the ''Second Contract'') of December 29, 1997 among FUBA, Mr. Alexander Margaritoff and AKM, Mr. Alexander Margaritoff and AKM contributed all of their shares of Hanseatisches Wein- und Sektkontor HAWESKO GmbH, Hamburg, and CWD Champagner und Wein Distributionsgesellschaft mbH, Hamburg, respectively, to FUBA by way of a capital increase against a contribution in kind.

By resolution of FUBA's General Meeting of January 12, 1998, its registered office was moved to Hamburg. The change of registered office was entered in the Hamburg Commercial Register on February 27, 1998 under No. HRB 66708.

FUBA's extraordinary shareholders meeting of March 2, 1998 approved the post-formation and capital contribution agreement with AKM and Mr. Alexander Margaritoff of December 29, 1997. The Second Contract was concluded with the provision that a merger of Hanseatisches Wein- und Sektkontor HAWESKO GmbH with FUBA be concluded by December 31, 1998. Subsequently, the parties to the capital contribution agreement agreed to delete this condition without replacement. FUBA's General Meeting of April 20, 1998 approved this measure.

According to the resolutions of the shareholders' meetings of April 20, 1998, Hanseatisches Wein- und Sektkontor HAWESKO GmbH, Jacques' Wein-Depot Wein-Einzelhandel-GmbH and CWD Champagner und Wein Distributionsgesellschaft mbH each were transformed into Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG, Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG and CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG. These changes in legal form are expected to be entered in the Commercial Registers of the District Courts of Hamburg (Hawesko, CWD) and Düsseldorf (JWD) in the near future.

By resolution of FUBA's General Meeting of April 20, 1998, that Company's name was changed to HAWESKO Holding AG. The name change was entered into the Commercial Register of the Hamburg District Court on April 30, 1998.

The **registered office** of the Company is Hamburg.

The **Corporate purposes** of the Company are the coordination of the businesses of its subsidiaries in the trade of wine and other alcoholic beverages, the support of the management and administration of the subsidiary companies, as well as the holding and administration of interests in other companies (holding function).

The Company has the right to carry out any measures and business activities that are suitable to promote its business purpose, including the establishment of branches and the acquisition and establishment of other enterprises as well as the holding of interests therein in Germany and abroad. The Company also has the right to allow such enterprises to manage their own businesses, either in whole or in part.

Capital

By resolution of FUBA's extraordinary shareholders meeting of March 2, 1998, the nominal capital of the Company was increased by DM 19,900,000 from DM 100,000 to DM 20,000,000 against contributions in kind by issuing 3,980,000 new bearer shares of par value DM 5 each while precluding the subscription right of the existing shareholders.

The new shares were issued as follows:

a) In return for contributing all shares (*Geschäftsanteile*) of JWD GmbH (capital: DM 1,000,000), the value of this contribution in kind having been determined to be DM 6,500,000, AKM received 1,300,000 bearer shares of par value DM 5 each, amounting to a (Geschäftsanteile) total nominal value of DM 6,500,000.

b) In return for contributing shares (Geschäftsanteile) of HAWESKO GmbH in a total nominal amount of DM 7,500,000 (75% of total capital), the value of which had been determined to be DM 7,900,000, AKM received 1,580,000 new bearer shares of par value DM 5 each, a total nominal amount of DM 7,900,000.

c) In return for contributing shares (Geschäftsanteile) of CWD GmbH in a total nominal amount of DM 260,000 (65% of total capital), the value of which had been determined to be DM 500,000, AKM received 100,000 new bearer shares of par value DM 5 each, amounting to a total value of DM 500,000.

d) In return for contributing shares (Geschäftsanteile) of HAWESKO GmbH in a total nominal amount of DM 2,500,000 (25% of total capital), the value of which had been determined to be DM 4,600,000, Mr. Alexander Margaritoff received 920,000 new bearer shares of par value DM 5 each, a total nominal amount of DM 4,600,000.

e) In return for contributing shares (Geschäftsanteile) of CWD GmbH in the total nominal amount of DM 100,000 (25% of total capital), the value of which had been determined to be DM 400,000, Mr. Alexander Margaritoff received 80,000 new bearer shares of par value DM 5 each, a total nominal amount of DM 400,000.

The new shares are entitled to dividends from January 1, 1998, on.

The audit report on the capital increase against contributions in kind and the post formation audit report of Niethammer, Posewang & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, and of Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft, Hamburg, dated as of February 27, 1998, conclude that:

1. the information provided by the Supervisory Board in the post-formation report is correct and complete,

2. the value of the shares (Geschäftsanteile) of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, CWD Champagner und Wein Distributionsgesellschaft mbH and Jacques' Wein-Depot Wein-Einzelhandel GmbH to be contributed is no less than the issue price of the shares to be granted in return,

3. no special benefits were granted on the occasion of the contribution of the shares (Geschäftsanteile).

The capital increase against non-cash contributions and its implementation were entered in the Commercial Register of the Hamburg District Court on March 26, 1998.

The subscribed capital then amounted to DM 20,000,000, consisting of 4,000,000 bearer shares of par value DM 5 each.

FUBA's general meeting of April 20, 1998 resolved to convert the bearer shares of par value DM 5 each to shares without par value, in the ratio of 1:1.

FUBA's General Meeting of April 20, 1998 also resolved to increase the Company's nominal capital from DM 20,000,000 by DM 2,000,000 to DM 22,000,000 by issuing 400,000 new bearer shares without par value against payments partly in cash and partly in kind. The new shares will be entitled to dividends from January 1, 1998 on. They will be purchased at par value; in addition, DM 16,000,000 will be paid into capital reserves.

Shareholder AKM Holding GmbH & Co. KG has been authorized to purchase 300,000 of the 400,000 new shares, and shareholder Mr. Alexander Margaritoff to purchase 100,000 of the new shares.

Shareholder Mr. Alexander Margaritoff has subscribed for and purchased 100,000 new bearer shares without par value and paid DM 4,500,000 in cash to the Company in return.

AKM Holding GmbH & Co. KG, Alzey, has subscribed and purchased 300,000 new bearer shares without par value and contributed in return a claim acquired from METRO AG to repayment of a partial amount of DM 13,500,000 of METRO AG's original credit balance as of April 17, 1998 to Hanseatisches Wein- und Sektkontor HAWESKO GmbH's current clearing account with METRO AG, in addition to all rights, including interest and incidental claims, in accordance with the non-cash contribution and transfer agreement of April 17, 1998 (Sacheinbringungs- und Übertragungsvertrag) between AKM Holding GmbH & Co. KG and the Company.

FUBA's General Meeting of April 20, 1998, approved the contribution and transfer agreement of April 17, 1998 between AKM Holding GmbH & Co. KG and FUBA Beteiligungs AG.

The audit report on the capital increase against non-cash contributions and post-formation acquisition of Niethammer, Posewang & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, and Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, of April 20, 1998, concludes that:

1) the statements of the Supervisory Board in the post-formation report are complete and correct,

2) the value of the claim to be contributed is no less than the issue amount of the shares to be given as quid pro quo,

3) no special benefits were bestowed on the occasion of the contribution of the claim.

The resolution to increase capital and its implementation was entered in the Commercial Register at the Hamburg District Court on April 30, 1998.

The fully paid **subscribed capital** now amounts to **DM 22,000,000**, and consists, in accordance with the bylaws, of 4,400,000 bearer shares without par value (No. 1 — 4,400,000).

Mr. Alexander Margaritoff has acquired an additional 5% and members of the family of Mr. Alexander Margaritoff 2% of the shares of the Company from AKM under an agreement dated April 24, 1998.

Before the Offering, AKM, a wholly-owned subsidiary of METRO AG, Cologne, therefore, held 68% and Mr. Alexander Margaritoff and members of his family together 32% of the nominal capital.

After the Offering AKM and Mr. Alexander Margaritoff and members of his family will hold 7.5% and 32% respectively (0% and 32% respectively if full use is made of the Greenshoe.)

The form of the share certificates to be issued and of the dividend and renewal coupons shall be determined by the Executive Board subject to the approval of the Supervisory Board. Insofar as it is legally permissible, the shareholders' claim to individual share certificates may be excluded.

FUBA's general meeting of April 20, 1998 also authorized the Executive Board to increase the capital with the approval of the Supervisory Board up to March 31, 2003 through the issuance of new shares against cash or contributions in kind, once or more than once, up to the amount of DM 11,000,000. The shareholders have, in principle, preemptive rights; the Executive Board is, however, authorized to preclude shareholders' preemptive rights with respect to fractional amounts. Furthermore, with the approval of the Supervisory Board, the Executive Board is authorized to preclude the shareholders' preemptive rights if the value of the new shares does not exceed 10% of capital at the time the authorization comes into effect or at the time the new shares are issued, and the issue price of the new shares is not much lower than the price on the stock exchange within the meaning of Section 186, Paragraph 3, Sentence 4 of the German Stock Corporation Act. Furthermore, with the approval of the Supervisory Board, the Executive Board may exclude preemptive rights for a part of the authorized capital, not exceeding 10% of the capital if the capital increase against contributions in kind occurs for the purpose of acquiring companies or holdings in companies. Finally, preemptive rights for a partial amount of up to DM 440,000 may be excluded in order to issue shares to staff members. If preemptive rights are not excluded, the shares are to be purchased by financial institutions on the condition that they offer them for subscription to shareholders.

The Company intends, immediately after the listing of its shares on the Stock Exchanges, to enable its employees to acquire interests in the Company, by issuing shares for employees from authorized capital.

Management

In accordance with the articles of association, the **Supervisory Board** consists of six members elected by the general meeting.

As long as he holds at least 10% of the nominal capital, shareholder Alexander Margaritoff has the right to appoint one third of the Supervisory Board members. He must make use of this right at a general meeting by addressing a written statement to the Executive Board and the Supervisory Board naming the members he has appointed.

Currently, the following are members of the Supervisory Board:

Siegfried Kaske,
– Chairman, –
Member of the Executive Board of METRO AG,
Blieskastel

Lovro Mandac,
Speaker of the Executive Board of Kaufhof Warenhaus AG,
Cologne

Dr. Wolf-Dietrich Loose,
Member of the Executive Board of METRO AG,
Idstein

The general meeting of Hawesko Holding AG of May 19, 1998 elected the following persons as members of the Supervisory Board:

Dr. Hubertus Schwarz
Attorney at Law
Hamburg

Dr. Norbert Käsbeck
Member of the Executive Board of Commerzbank AG
Frankfurt am Main

Dr. Carl H. Hahn
Former Member of the Executive Board of Volkswagen AG
Wolfsburg

The respective terms of such members commence upon the withdrawal of the three current members of the Supervisory Board and ends upon the expiration of the maximum term pursuant to §102 of the Stock Corporation Act. The three current members have withdrawn from the Supervisory Board as of the end of May 26, 1998.

The general meeting of Hawesko Holding AG of May 19, 1998 further appointed the following persons, designated by Alexander Margaritoff, as members of the Supervisory Board:

Hans Meyer
Free-lance Direct Marketing Advisor
Rheinheim

and

Günter Nawrath
Former Chairman of the Supervisory Board
of Otto-Versand (GmbH & Co.)
Aumühle

The sixth member of the Supervisory Board will be elected in the near future.

In addition to the reimbursement of his/her expenses, each member of the Supervisory Board receives a compensation in the amount of DM 15,000. The chairman of the Supervisory Board receives twice this amount and the deputy chairman 1½ times this amount. The Company reimburses each member of the Supervisory Board for the turnover tax on his compensation.

In accordance with the articles of association, the **Executive Board** of the Company consists of at least two persons. Currently, the members of the Executive Board are as follows:

Alexander Margaritoff

– Chairman –

Following his schooling at the boarding school ''Le Rosey'' in Switzerland, Mr. Alexander Margaritoff (born 1952), Hamburg, concluded his studies at the University of Sussex, England, with a B.A. in Economics and an M.A. in Contemporary European Studies. From 1979 to 1981 he was employed with Bank für Gemeinwirtschaft in Frankfurt am Main.

In 1981 he joined his father's business, then HAWESKO GmbH, where he later became chief executive. He is responsible for all the subsidiaries of HAWESKO Holding AG, and in particular for the wine mail-order business.

Sven Ohlzen

Between 1980 and 1983, Mr. Sven Ohlzen (born 1957), Hamburg, trained in commercial shipping with the Deutsche Afrika-Linie in Hamburg. In 1986 he earned his degree in business administration in Hamburg (Diplom-Betriebswirt).

From 1986 to 1987 he was assistant to the chief executive of Stockmann GmbH, Minden, and from 1987 to 1992 section controller, business manager, holder of a general commercial power of attorney (Prokurist) and manager of two subsidiary companies of Dralle Dienstleistungs-KG, Hamburg.

In 1992 he joined HAWESKO GmbH. In 1993 he was given the general commercial power of attorney (Prokura) and was, at first, responsible for controlling, accounting and personnel. At HAWESKO Holding AG he is responsible in particular for finances and controlling for the subsidiaries.

Bernd Hoolmans

Mr. Bernd Hoolmans (born 1950), Düsseldorf, concluded his studies at the Justus-Liebig University in Gießen with a degree in economics in 1975.

From 1976 to 1979 he was a trainee with Horten AG, Düsseldorf. Thereafter, he was employed as a marketing consultant in Frankfurt am Main and Cologne. From 1986 to 1992 he was again employed at Horten AG, Düsseldorf, serving for five years as director of sales, and human resources development.

In 1993, Mr. Hoolmanns became chief executive of JACQUES' Wein-Depot Wein-Einzelhandel GmbH, Düsseldorf. At HAWESKO Holding AG, he is responsible mainly for the wine retail stores business.

The Company is legally represented by a member of the Executive Board if the Supervisory Board has granted him sole power of representation; otherwise, by two members of the Executive Board or by one member of the Executive Board jointly with a holder of a general commercial power of attorney (Prokurist).

Sole power of representation and exemption from the restrictions of Section 181 of the Civil Code (BGB) may be granted.

Resolutions by the Executive Board are adopted by majority vote.

Mr. Alexander Margaritoff and Mr. Sven Ohlsen are also senior managers at Hawesko and CWD. Mr. Bernd Hoolmans is also chief executive of JWD.

The total remuneration of the senior managers and Executive Board members of the consolidated companies was DM 3,385,000 for fiscal 1997 compared to DM 3,214,000 for the preceding year (See the Notes to the Pro Forma Consolidated Profit and Loss Account.) Of the above amounts DM 2,257,000 in fiscal 1997 and DM 2,279,000 in fiscal 1996 were ''tantièmes'', profit-related payments. The fixed annual salary of the three members of the Executive Board of HAWESKO Holding AG will, effective January 1, 1998, be DM 2,847,000. This includes remuneration for their management services to subsidiaries of Hawesko. The members of the Executive Board will, in addition, receive a profit-related payment totalling 4.45% of the total net income of the Company for fiscal 1998 and 3.65% of total net income of the Company for the years thereafter (calculated pursuant to Section 86, Para. 2 German Stock Corporation Law.)

A substantial portion of the total remuneration of the members of the Executive Board will, beginning with fiscal year 1998, be paid to the chairman of the Executive Board who also holds a 30% interest in Hawesko. His special contribution to the success of the Group was taken into consideration in the determination of his total compensation. One can nevertheless not exclude the possibility that the German tax authorities may consider, that because the chairman of the Executive Board also holds an interest in the Company, part of his total compensation is to be considered a hidden profit distribution. (Section 8, Para. 3, Sentence 2 German Corporation Income Tax Law). Unlike current salary payments, a hidden profit distribution would not reduce the income of Hawesko for purposes of the corporation and trade taxes and would therefore, increase its tax liability. If the tax authorities should, on these grounds, require the payment of back taxes at a future time, these back taxes may be expected to apply to several past years and could, therefore, influence the net income of the Company negatively in the year in which they are payable.

Share Option Plan for Management

The Company has created the basis for a Share Option program for the managers of the HAWESKO Group. This program is designed to give the persons responsible for the development of the Company further incentives to ensure the success of the Company and its shareholder value. Therefore, the option rights can only be exercised if the market price of Hawesko shares develops successfully after their initial quotation on the Stock Exchanges.

For this purpose, FUBA's General Meeting of April 20, 1998, with the approval of its Supervisory Board, authorized the Executive Board to issue interest-bearing convertible bonds once or more than once until March 31, 2003 up to a total nominal amount of DM 440,000 with a maturity of at least 3 and maximum 5 years which, according to the terms of the bonds, entitle the buyer to acquire new HAWESKO Holding AG shares. Legal subscription rights for the shareholders are not granted. The total amount of convertible bonds issued may not exceed DM 220,000 per year.

The convertible bonds are to be purchased by a German financial institution on condition that they be bought by a certain group of managers of the HAWESKO Group (hereinafter referred to as the ''Entitled Persons'') which has the exclusive right to exercise the right of conversion. The group of Entitled Persons and the nominal values of the convertible bonds are determined by the Executive Board and, insofar as members of the Executive Board will also be Entitled Persons, by the Supervisory Board. The respective rights are not transferable by the Entitled

Persons. The right of conversion may only be exercised provided the holders of the convertible bonds have an unterminated employment relationship with companies of the HAWESKO Group. In case of death or retirement as well as termination of the association of a company with the HAWESKO Group, special terms may be arranged.

Entitled Persons have the right to exchange the convertible bonds in whole or in part for shares in HAWESKO Holding AG. Each convertible bond of a nominal value of DM 5 can be exchanged for a share in HAWESKO Holding AG. In accordance with the terms of the bonds, the right of conversion may be exercised during a period of up to four weeks following the last ordinary General Meeting of the Company before the respective bond becomes due, however, no earlier than April 1, of the respective year.

The conversion price for the purchase of a share without par value of HAWESKO Holding AG corresponds to the official price of shares of Hawesko on the Frankfurt Stock Exchange on the first stock exchange day after the last ordinary General Meeting of the Company before the respective convertible bonds mature, divided by a performance coefficient. The performance coefficient is determined by the development of the price of HAWESKO shares in relation to the development of the Midcap exchange index of Deutsche Börse AG (hereinafter referred to as ''MDAX'') on the basis of two reference periods. Section 9, Paragraph 1 of the German Stock Corporation Act remains unaffected. If the performance coefficient is higher than one, it will be multiplied by a factor of 1.25 in order to determine the conversion price.

The development of HAWESKO Holding AG's shares is defined as the relation of the arithmetic mean of the stock exchange prices in the second reference period to the respective mean in the first reference period. The applicable market price is the respective official price of HAWESKO Holding AG's shares on the Frankfurt Stock Exchange on all trading days during the reference periods. The development of the MDAX is defined as the ratio of the arithmetic mean of its daily closing values on all stock exchange trading days in the second reference period to the respective mean in the first reference period. If convertible bonds are issued before the start of official trading of the shares of HAWESKO Holding AG on the Stock Exchanges, the placement price of HAWESKO shares determined at the time of introduction of the shares to the stock exchange is used in order to determine the conversion price, instead of the arithmetic mean of the official prices of the HAWESKO share on the Frankfurt Stock Exchange during the first reference period.

The reference periods are periods of twenty stock exchange trading days. The first reference period starts with the issue of the convertible bonds, the second reference period is the period from the twenty-fifth to the sixth day of stock Exchange trading before the last ordinary General Meeting of HAWESKO Holding AG before the convertible bonds become due. In the event that convertible bonds are issued before the start of official trading of HAWESKO shares on the Stock Exchanges, the first reference period to determine the development of the MDAX starts on the day of the first quotation of the HAWESKO Holding AG shares on the Stock Exchanges.

Since the market price of HAWESKO Holding AG's shares in the period from the start of the first reference period to the end of the second reference period can be affected by payments of dividends and by the granting of subscription rights, the dividends paid in this time period and the respective mean value of the market prices for the subscription rights on all trading days at the Frankfurt Stock Exchange during a subscription period must be added to the mean value of the second reference period for the purpose of calculating the price development.

Furthermore, the terms of the bonds may provide for an adjustment of the performance coefficient in the event of a capital increase from corporate funds or of a decrease in capital.

In the event that the right of conversion is exercised for the acquisition of a share, cash payment must be made for the full amount by which the conversion price exceeds the nominal amount of the convertible bonds to be exchanged.

With the approval of the Supervisory Board, the Executive Board is authorized to determine the further details regarding the terms of the bonds, the issue and the terms of the convertible bonds as well as those of the conversion procedure.

FUBA's general meeting of April 20, 1998, authorized the Executive Board, *inter alia*, to conditionally increase capital of the Company by DM 440,000, consisting of 88,000 bearer shares without par value. The conditional capital increase will only be implemented insofar as the holders of convertible bonds to be issued by HAWESKO Holding AG until March 31, 2003, based on the authorization of the general meeting of April 20, 1998, exercise their rights of conversion. The new shares are entitled to dividends from the start of the fiscal year in which they are created through the exercise of conversion rights.

The conditional capital increase was entered in the Commercial Register of the Hamburg District Court on April 30, 1998.

The **general meeting** takes place at the registered seat of the Company, at the registered office of a German branch or subsidiary or in a city in which there is a German stock exchange.

Each share without par value entitles the holder to one **vote**.

Fiscal Year, Notices, Paying and Depositary Agents

The Company's **financial year** is the calendar year.

Notices concerning the shares are published in the German Federal Gazette (Bundesanzeiger) and in at least one supraregional newspaper approved for official notices by the Frankfurt and Hamburg Stock Exchanges.

The Company shall appoint and give notice of at least one financial institution in each of Hamburg and Frankfurt am Main as a **paying and depositary agent** at which dividends due can be paid out, subscription rights exercised, shares for participation in General Meetings deposited and all other matters pertaining to shares can be carried out free of charge. The paying and depositary agents are the financial institutions listed at the end of this Prospectus.

Appropriation of Profits/Dividend Policy

After receipt of the auditors' report, the Company's annual financial statements and the auditors' report must immediately be submitted to the Supervisory Board together with the proposed resolution of the general meeting concerning the appropriation of the balance-sheet profits.

Annually, after receipt of the Supervisory Board's report according to Section 173 Para. 2 of the German Stock Corporation Act, in the first eight months of the fiscal year, the general meeting makes its decision on the formal approval of the actions of the Executive and Supervisory Boards, the appropriation of the balance-sheet profits, the selection of auditors and the adoption of the annual financial statements.

When new shares are issued, the start of dividend entitlement may differ from that laid down in Section 60 Para. 2 of the German Stock Corporation Act.

In fiscal 1997, **FUBA Beteiligungs AG** had an annual loss of DM 908.89. Since this was not an operating company, the loss represents the cost incurred in connection with preparing its annual financial statements.

During fiscal 1995 to 1997, **Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, CWD Champagner und Wein Distributionsgesellschaft mbH** and **Jacques' Wein-Depot Wein-Einzelhandel GmbH** had net income and appropriated balance-sheet profits as follows:

	Financial Year		
	1997	1996	1995
		– DM thou. –	
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH			
Net income	9,301	9,680	9,737
Advance dividends to shareholders	9,300	–	–
Balance-sheet profit	1	9,680	–
Dividends to shareholders	–	9,680	9,737
Balance forward	1	–	–
Capital	10,000	10,000	10,000

CWD Champagner und Wein Distributionsgesellschaft mbH			
Net income	524	474	404
Advance dividends to shareholders	–520	–	–
Balance-sheet profit	4	474	404
Dividends to shareholders	–	474	404
Balance forward	4	–	–
Capital	400	400	400
Jacques' Wein-Depot Wein-Einzelhandel GmbH			
Net income	7,070	6,201	5,853
Profit brought forward	182	1	–
Advance dividends to shareholders	–6,800	–	–
Balance-sheet profit	452	6,202	5,853
Dividends to shareholders	–	6,020	5,852
Balance forward	452	182	1
Capital	1,000	1,000	1,000

In past years, while belonging to the METRO Group, Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, CWD Champagner und Wein Distributionsgesellschaft mbH and Jacques' Wein-Depot Wein-Einzelhandel GmbH distributed all of their balance-sheet profits. In the future, the Executive Board and the Supervisory Board of HAWESKO Holding AG intend to propose to the general meeting to retain a portion of profits to finance the further development and growth of the business.

The ability of the Company to distribute dividends and the size of a given dividend payment generally, depends on the results achieved in any year, on the financial position of the Company, its liquidity requirements, its future prospects as well as on the tax and other general conditions. For fiscal 1998 the Executive Board is aiming to distribute approximately 50% of net income.

Dividends payable to shareholders are in principle subject to the tax on income from capital under German law. (See also ''TAXATION OF U.S. INVESTORS'' and ''VIII. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY'').

Auditors

For fiscal 1998 the auditors of the Company are Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft, Warburgstraße 50, D-20354 Hamburg.

FUBA's annual financial statements at December 31, 1997, were audited by Susat & Partner oHG,Wirtschaftsprüfungsgesellschaft and given an unqualified attestation.

The annual financial statements of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH and CWD Champagner und Wein Distributionsgesellschaft mbH as at December 31, 1995, 1996 and 1997, were audited by Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft and given an unqualified attestation in each case.

The annual financial statements of Jacques' Wein-Depot Wein-Einzelhandel GmbH as at December 31, 1995, were audited by Dr. W. Schlage & Co. Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Jungfernsteig 7, D-20354 Hamburg, and the annual financial statements as at December 31, 1996 and 1997 were audited by KPMG Hartkopf + Rentrop Treuhand KG, Wirtschaftsprüfungsgesellschaft, Barbarossaplatz 1a, D-50674 Cologne, and were given an unqualified attestation in each case.

The pro forma consolidated financial statements of Hawesko for December 31, 1995, 1996 and 1997 were prepared by, and given an attestation report, which is set forth on page 55 of this Prospectus, Susat & Partner oHG, Wirtschaftsprüfungsgesellschaft.

VIII. TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following is a description of certain German tax regulations. The description does not claim to provide all the tax information that might be required for a purchase decision with regard to the Shares offered. The description is based on the tax regulations in the Federal Republic of Germany at the time this Prospectus was printed; they can be subject to change at short notice and, to a certain extent, to retroactive changes. We recommend that potential buyers of Shares refer to their tax consultants for information regarding the fiscal consequences of the purchase, ownership and sale or the transfer of Shares without quid pro quo and with regard to possible procedures required for a refund of the withholding tax. Only they are in a position to properly judge the individual shareholder's particular circumstances.

Taxation of the Company

German corporations are subject to corporate income tax at a rate of 45% on non-distributed and 30% on distributed profits. Since January 1, 1995, a solidarity contribution has been levied on corporate income taxes due which was reduced from 7.5%, originally, to 5.5% effective January 1, 1998. From January 1, 1998, the corporate income tax and solidarity contribution result in a total incidence on distributed profits of 32.13%. The difference between the total incidence of 32.13% and the combination of the nominal rates of 31.65% (30% plus 5.5% thereof) is based on the fact that the solidarity contribution is a non-deductible business cost. Taxpayers with unrestricted tax liability in Germany (and foreign shareholders who hold shares in a permanent establishment or a fixed institution in Germany) have the right to a credit or reimbursement of $^3/_7$ of the cash dividend (before tax on income from capital) from a German corporation. (Exception: distribution of tax-exempt foreign profits and of capital contributions.) This also reduces the assessment basis for the solidarity contribution on their respective personal or corporate income tax due.

Taxation of Dividends

Cash dividends from German corporations are subject to a tax on income from capital (withholding tax) of 25%. With the dividend, the shareholder residing in Germany receives a tax receipt for the tax on income from capital withheld by the corporation, the solidarity contribution withheld and the corporate income tax to be credited. As a rule, the tax receipt entitles the shareholder to a credit or reimbursement of the tax deduction withheld. Shareholders residing outside Germany without a permanent establishment in Germany do not receive this tax credit.

In the case of distribution of dividends from German corporations after January 1, 1998, the solidarity contribution of 5.5% (= 1.375% of the cash dividend) is also levied on the tax on income from capital. If the solidarity contribution together with the tax on income from capital exceeds the maximum rate of the German withholding tax set out in a double taxation treaty, it will be reimbursed upon request.

The German credit procedure prevents double taxation of shareholders who are subject to taxation without restriction in Germany. The result is that the dividends are taxed according to the personal circumstances of the shareholder. For this purpose, the shareholder is taxed on the basis of the gross dividend (cash dividend plus the credit of $^3/_7$ of the corporate income tax), i.e. the shareholder residing in Germany and subject to unrestricted tax liability receives, for tax purposes, 51.54% of the gross dividend in cash, 17.5% as a tax credit for the tax on income from capital (plus 0.96% tax credit for the solidarity contribution on this) and 30% as a tax credit for the corporate income tax. If the shareholder's income tax or corporate income tax to be determined plus the solidarity contribution is below the tax credit of 48.46%, the excess tax credit is reimbursed; if the income tax or corporate income tax is above this, he must pay additional income tax or corporate income tax (plus solidarity contribution). If profits are distributed that were tax exempt, for instance based on a double taxation treaty, there is no corporate income tax credit.

Similarly, a corporate income tax credit will not be granted, with respect to the distribution of commercial balance sheet profits, when tax-based capital reserves are utilized (so-called EK04-distribution). In addition, capital gains taxes would not be withheld. To the extent that a shareholder, domiciled in Germany and fully subject to taxes, maintains his shares in business assets, such distributions lead to an income-neutral tax reduction of the book value of his shares; taxable operating income occurs first when cumulative distributions exceed the book value of the shares. Profit distributions of privately-owned shares are generally not subject to tax. In the event that a share interest exceeds 25% however, in the opinion of the German Tax Administration such distributions do reduce the cost basis of the shares, eventually leading to taxable income when cumulative distributions exceed the cost basis.

According to most treaties for the prevention of double taxation signed by the Federal Republic of Germany, in the case of non-resident shareholders, the German withholding tax may not be more than 15% of the cash dividend. The difference between the tax on income from capital withheld, including the solidarity contribution, and the actual withholding tax due under application of the pertinent double taxation treaty will be reimbursed upon request through the German taxation authorities (Bundesamt für Finanzen, Friedhofstraße 1, D-53221 Bonn); reimbursement application forms are available from the German tax authorities or German embassies and consulates abroad. If the shareholder is a foreign corporation with a participation of at least 25% (in some cases even 10%) in the capital of the distributing company, according to many double taxation treaties, the German withholding tax is further reduced to 5 or 10%. If the parent company's registered office is located in another country in the EU, the German tax on income from capital is not applicable according to the terms of Section 44d of the German Income Tax Act.

If the shares are part of the assets of a permanent domestic establishment belonging to a foreign shareholder, as opposed to a foreign shareholder without a permanent establishment in Germany, he is entitled to a corporate income tax credit or reimbursement ($^3/_7$ of the cash dividend before tax on income from capital) and tax on income from capital credit or reimbursement.

For shareholders who do not have unrestricted tax liability in the Federal Republic of Germany, the corporate income tax for gains from shares that are part of a permanent domestic establishment is 42% plus the solidarity contribution. Transfers of dividends from permanent domestic establishments in the Federal Republic of Germany to a headquarters abroad are not subject to the tax on income from capital.

Taxation of gains from the sale of shares

If the shares are part of the business assets of a German company or of a foreign shareholder's permanent establishment in Germany, the profits from the sale of shares, regardless of the duration of ownership, are taxable in the Federal Republic of Germany.

However, profits from the sale of privately owned shares are taxable only if the sale occurs within 6 months of the purchase or if, after this speculation period has expired, the shareholder's participation at any time during the 5 years preceding the sale was directly or indirectly more than 25%. A foreign shareholder without a permanent establishment in Germany is subject to German tax on the sale of shares only if his participation at any time during the 5 years preceding the sale was directly or indirectly more than 25%, of the Company. Most double taxation treaties indeed provide complete exemption from German taxation.

Inheritance and gift tax

In Germany, the transfer of shares due to death or as a gift are subject to inheritance or gift tax at the share price current at the time of the imposition of the inheritance or gift tax, if

a) at the time of the transfer of the assets, the decedent or donor or the heir, recipient of the gift or other acquiring party is residing in Germany or, if he is a German citizen, has not spent more than 5 years abroad without interruption, without maintaining a domicile in Germany, or

b) with the exception of (a), the shares were part of business assets of the decedent or donor for which a permanent establishment was maintained in Germany or a permanent representative was appointed, or

c) the decedent's or the donor's direct or indirect participation in the capital stock or nominal capital was at least 10% of the German corporation, either alone or jointly with a person close to him.

The few German inheritance double taxation treaties (e.g. that with the USA) currently in effect usually ensure that the German inheritance or gift tax can only be levied in cases (a) and (b).

Other taxes in the Federal Republic of Germany

In Germany, the sale or transfer of shares is not subject to a stock exchange turnover tax, capital contribution tax, stamp duty or similar tax. For tax assessment periods beginning January 1, 1997, the net worth tax will no longer be levied.

IX. FINANCIAL SECTION

Capitalization on December 31, 1997

The following table shows (i) the pro forma capitalization of the HAWESKO Group and (ii) the pro forma capitalization, adjusted for the issue of 400,000 bearer shares without par value from the capital increase of DM 2,000,000 adopted on April 20, 1998.

The first column shows the financial information as set forth in the pro forma financial statements. The figures in the second column are adjusted for the capital increase of DM 2,000,000 resolved on April 20, 1998. The difference between the issue amount (DM 18,000,000) and the nominal amount (DM 2,000,000) of the new shares were allocated to the capital reserve (DM 16,000,000). Since DM 13,500,000 debt is being repaid, capitalization will increase by only DM 4,500,000.

This overview should be read in connection with the pro forma consolidated financial statements of the Company, including the Notes thereto, which are set forth elsewhere in this Prospectus.

	December 31, 1997 pro forma	December 31, 1997 pro forma adjusted*
	DM thou.	
Short-term liabilities to banks** (including the portion of long-term liabilities repayable in the short term)	39,027	25,527
Medium and long term liabilities to banks, without the portion repayable in the short term	0	0
Nominal capital, capital and revenue reserves	20,000	38,000
Balancing item for shares held by other shareholders	100	100
Consolidated net profit per balance sheet	–1,144	–1,144
Total shareholders' equity	18,956	36,956
Total capitalization	57,983	62,483

* for the capital increase.

** Thereof reclassified from liabilities to affiliated companies: DM thou. 38,926 (actual) and DM thou. 24,426 (adjusted).

Selected Pro Forma Financial Information for the HAWESKO-Group

	Fiscal Year ended December 31,		
	1997	1996	1995
		DM thou.	
Profit and Loss Account			
Sales (net)	277,055	239,361	210,643
Other operating income	8,520	7,091	6,597
Cost of materials	–147,290	–126,211	–108,079
Personnel expenses	–24,591	–20,401	–17,910
Depreciation on intangible and tangible fixed assets	–4,298	–3,602	–3,308
Other operating expenses	–79,024	–66,835	–58,973
Results before participations and financial results and taxes	30,372	29,403	28,970
Results from participations and financial results	–1,079	–1,008	–914
Results from ordinary business activities	29,293	28,395	28,056
Income taxes	–8,987	–8,611	–8,587
Other taxes	–109	–125	–172
Net income	20,197	19,659	19,297

	December 31,		
	1997	1996	1995
		DM thou.	
Balance Sheet			
Assets			
Fixed assets	27,484	23,786	24,186
Inventories (less prepayments on inventories)	54,512	38,166	32,257
Receivables and other assets	31,651	30,010	21,124
Liquid funds	2,002	1,805	8,245
Prepaid expenses	469	79	52
Total assets	116,118	93,846	85,864
Liabilities and Shareholders' Equity			
Shareholders' equity	18,956	35,390	35,560
Accruals	10,492	5,742	12,961
Liabilities	86,670	52,714	37,343
Total liabilities and shareholders' equity	116,118	93,846	85,864

	Fiscal Year		
	1997	1996	1995
Other Key Figures			
Operating Cash Flow as per HFA/SG (DM thou.)*	25,795	13,160	**
Net income per share*** as per DVFA**** (DM)	5.28	5.04	4.95
Investments in fixed assets (DM thou.)	8,055	3,282	3,810
Employees (annual average)	325	227.5	213

* Calculation according to Statement 1/1995 of the ''Hauptfachausschuß'' German Institute of Chartered Accountants and the committee ''Finanzierungsrechnung'' of the Schmalenbach-Gesellschaft.

** Due to the fact that no pro forma consolidated financial statements have been prepared for fiscal 1994 a cash flow statement for fiscal 1995 is not available.

*** Calculation based on nominal capital of DM 20 million, as set forth in the pro forma consolidated financial statements as of December 31, 1997, adjusted for the conversion of the nominal capital into 4 million Shares. In April 1998 the nominal capital was increased to DM 22 million.

**** DVFA Commission for methodology of financial analysis (Deutsche Vereinigung für Finanzanalyse und Anlageberatung).

Discussion and Analysis of the Results of Operations and Financial Condition of the Pro Forma HAWESKO Group

The following discussion and analysis of the results of operations and financial condition should be read in connection with the pro forma consolidated financial statements of HAWESKO Holding AG for the fiscal years ended December 31, 1995, 1996 and 1997, including the notes thereto, the pro forma cash flow statements of the HAWESKO Group for fiscal 1996 and 1997, as well as the business description set forth elsewhere in this Prospectus.

For the purposes of the pro forma consolidated financial statements, it has been assumed that the following restructuring measures, which took effect on December 31, 1997 / January 1, 1998, were carried out by January 1, 1995:

– the contribution of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Jacques' Wein-Depot Wein-Einzelhandel GmbH and CWD Champagner und Wein Distributionsgesellschaft mbH to FUBA Beteiligungs-AG (currently: HAWESKO Holding AG) and

– the conversion of these three limited liability companies into limited partnerships.

The conversion into limited partnerships does not have any significant effects on the balance sheets of Hawesko, JWD and CWD and the accounting treatment of the Company's interests in these companies. Therefore, the pro forma consolidated financial statements are based on the combined historical financial statements of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Jacques' Wein-Depot Wein-Einzelhandel GmbH and CWD Champagner und Wein Distributionsgesellschaft mbH for the fiscal years ended December 31, 1995, 1996 and 1997 (hereinafter also referred to as ''individual financial statements''). However, the conversion of the three subsidiaries into limited partnerships under the common ownership of HAWESKO Holding AG will result in a considerable reduction in taxes, which is reflected in the pro forma profit and loss statement. For details, please refer to the sections ''General information on the pro forma consolidated financial statements'' in the notes to the pro forma consolidated financial statements and below ''Taxes on income and revenue; effects of the restructuring on taxation''.

All of the entities within the HAWESKO Group prepare their accounts according to the German Commercial Code and observe accounting principles generally accepted in Germany. The individual financial statements as well as the pro forma consolidated financial statements have been prepared according to the total cost accounting method (*Gesamtkostenverfahren*).

The German generally accepted accounting principles as applied by the HAWESKO Group deviate significantly from the standards of the International Accounting Standards Committee (''IAS'') and the accounting principles generally accepted in the United States of America (''US-GAAP''). In this regard, please refer to the section ''Summary of the main differences between German (HGB) accounting principles as applied by the Company and international (IAS) principles of accounting and US-GAAP''. Unless otherwise indicated, all the figures in this section are based on the pro forma consolidated financial statements.

Overview of the economic development

Stable and continuous growth and the continual expansion of its market position in all areas of business are the characteristic features of HAWESKO Group's recent past. Net sales increased by more than 13% in both fiscal 1996 and 1997. The results from ordinary business activities and net income also developed positively during the same time period. All three business areas of the HAWESKO Group contributed to this development. The results of operations and financial condition of the HAWESKO Group reflect its strong expansion strategy.

In order to exploit its growth potential, the HAWESKO Group made a special effort in fiscal 1997 to recruit new customers which lead to a considerable increase in expenses incurred in particular for the mail-order business. The additional measures resulted in 92,000 new customers in fiscal 1997. Due to the small size of orders and the large amount of packaging used in the wine sampler boxes typically ordered by new customers, sales to new customers initially involve higher expenses which, according to experience, are later offset through an increase in the size of orders. As part of its growth strategy in 1997, the HAWESKO Group also increased its staff in order to sustain sales growth and its competitive advantage in the area of EDP. As expected, the increase in expenses in fiscal 1997 resulted in increased sales but also in a decrease in the gross margin. According to management's estimates, the expenses incurred as a result of its expansion strategy in fiscal 1997 will lead to increased revenues in the coming years.

The development of net income in fiscal 1996 was characterized by a normalization compared to fiscal 1995 which was marked by fluctuations in exchange rates: In fiscal 1995, the HAWESKO Group was able to buy wines at extraordinarily low prices due to the favorable exchange rate of the Italian Lira and, to a lesser extent, of other currencies. In fiscal 1996, exchange rates stabilized and cost of materials for purchased goods returned to the higher levels of prior years. In the future, the effects of currency fluctuations are not expected to be significant since the exchange rates relating to the currencies of the countries from which the HAWESKO Group mainly purchases its wines will most likely stay within a limited range due to the scheduled introduction of the EURO on January 1, 1999.

Comparison of fiscal 1997, 1996 and 1995

Net sales

	1997	**Change from 1996**	**1996**	**Change from 1995**	**1995**
	(in DM million)	**(in %)**	**(in DM million)**	**(in %)**	**(in DM million)**
Mail-order	163.8	15.3	142.1	11.4	127.5
Wine stores	101.7	16.1	87.6	16.0	75.5
Wholesale	11.5	19.2	9.7	28.0	7.6
Group	277.0	15.7	239.4	13.6	210.6

The HAWESKO Group achieves its net sales almost exclusively through trade in wine, champagne, sparkling wine and high-quality spirits. In fiscal 1997, 59% of sales were made in the mail-order business, 37% in the wine stores business and 4% in the wholesale business. Since 1995, the HAWESKO Group has been able to considerably increase its net sales. This growth exceeds the positive development of the whole wine product market in 1996 and 1997 (see ''Business Description – Overview''). As in retailing generally, the sale of wine is characterized by a certain seasonality, whereby sales are traditionally particularly strong in the last and, in the mail-order business also in the first quarter of the year. In fiscal 1997, 40% of the annual net sales of both the mail-order and wholesale businesses was achieved in the last quarter of the year. In the wine stores business, it was 34.7%.

In the mail-order business, the growth in sales was achieved through attracting new customers, as well as through the increase in sales to established customers. In fiscal 1997, 92,000 new customers were won as compared to approx. 86,500 new customers in fiscal 1996 and approx. 69,500 in fiscal 1995. 16.1% of sales in fiscal 1997 were made with first time purchases by new customers, compared to 15.3% in fiscal 1996 and 15.6% in fiscal 1995. The positive development in the gift service business accounted for a considerable increase in sales in those three fiscal years. As expected, the average value of orders per customer in the ordinary business (i.e. excluding gift service sales) showed a slight decrease due to the high number of new customers whose order volume is initially low. In its ordinary business, without taking first time purchases by new customers into account, net sales per customer totalled approximately DM 430 in fiscal 1997, DM 440 in fiscal 1996 and DM 470 in fiscal 1995. The Company intends to expand its business with new customers in order to increase the average amount of orders. In the 1998 financial year, the Company plans to focus its acquisition of new customers on those who have a high sales and revenue potential (see ''Current business and outlook'' – Business development in the first quarter of 1998'').

The growth in sales in the wine stores business was based on the opening of new stores, as well as on the continuous increase in sales at existing stores. In fiscal 1997, the positive development of sales at already existing stores accounted for 80% of the increase in sales in the wine stores business and the positive development at the 15 new stores for 20%. Fiscal 1996 shows a similar picture with approximately 82% of the increase in sales due to sales growth in already existing stores and 18% due to the opening of 10 new stores (prior year: 6 new stores). Even when excluding sales at the newly opened stores in the two prior years, sales increased by 10.5% in fiscal 1997, by 10.6% in fiscal 1996 and by 4.4% in fiscal 1995. As expected, the average sales per store did not increase to the same extent due to the high number of new stores with lower sales volumes in the start-up phase.

The wholesale business has grown much more than the other business areas as a result of increased marketing and sales efforts in connection with the strategic expansion of the wholesale business.

Other operating income

	1997	Change from 1996	1996	Change from 1995	1995
	(in DM million)	(in %)	(in DM million)	(in %)	(in DM million)
Other operating income	8.5	20.2	7.1	7.5	6.6

Other operating income accounted for approximately 3% of net sales in each of the fiscal years between 1995 and 1997. It consists mainly of income of JWD for the lease of stores to agency partners as well as JWD's proceeds from cost reimbursements by agency partners and from contributions from wine growers to JWD for promotional costs. For details, please refer to Note 13 in ''Notes to the pro forma Consolidated Profit and Loss Account''.

Cost of Materials

	1997	Change from 1996	1996	Change from 1995	1995
	(in DM million)	(in %)	(in DM million)	(in %)	(in DM million)
Mail-order *)	90.6	16.7	77.6	14.9	67.6
Wine stores *)	54.3	16.3	46.7	20.0	38.9
Wholesale *)	15.9	17.9	13.5	16.5	11.6
Group	147.3	16.7	126.2	16.7	108.1

* The information concerning the individual businesses refers to the individual financial statements without taking the consolidation into account, since there would be distortions in the individual items due to internal sales.

Cost of materials consists mainly of expenses for purchased wines and other goods. In fiscal 1997 and 1996, they increased proportionally slightly more than net sales. This was due to increased costs of goods in some segments of the product range, as well as the strengthening of the Italian Lira in fiscal 1996 and 1997 compared to the prior year in which the effect of exchange rates, in particular the weak exchange rate of the Italian Lira, resulted in lower cost of purchased goods. In the wine stores business, the increase in expenses for purchased wine and other goods in fiscal 1997 corresponds to the increase in net sales. The increase of 20% in cost of materials in fiscal 1997 is also attributable to currency effects, in particular the strengthening of the Italian Lira compared to the prior year. In the wholesale business, the increase in net sales is considerably higher than the increase in cost of materials.

The gross margin (without consideration of other business revenue) developed as follows:

	1997	1996	1995
		(in %)	
Gross margin (Gross income as a percentage of the net sales)			
Mail-order *)	46.6	47.1	48.4
Wine stores *)	46.6	46.7	48.5
Wholesale *)	19.3	18.4	17.5
Group	46.8	47.3	48.7

*) The information concerning the individual businesses refers to the individual financial statements without taking the consolidation into account, since the percentage figures would not be meaningful due to internal sales.

In fiscal 1995, the gross margin was above the level of the following two years because of the above-mentioned favorable exchange rates which contributed approximately DM 4.5 million in fiscal 1995. Without the extraordinary currency effects, the HAWESKO Group's gross margin for fiscal 1995 would have been 46.6%.

Personnel Expenses

The personnel expenses and number of employees of the HAWESKO Group, increased as follows:

	Employment expenses	Changes from prior year	Average number of employees (full-time employment)	Changes from prior year
	(in DM million)	(in %)		(in %)
Fiscal				
1997	24.6	20.6	325.0	42.9
1996	20.4	14.0	227.5	6.8
1995	17.9		213.0	

The personnel expenses expressed as a ratio to net sales remained stable in fiscal 1997, 1996 and 1995 (8.9% in fiscal 1997 financial year after 8.5% in the two prior years).

The number of employees in the mail-order business increased considerably in fiscal 1997 after a minor increase in fiscal 1996. In 1997, the hiring of new employees increased, in particular (on the basis of short-term contracts) for the pre-Christmas gift service business as well as for special promotions for attracting new customers. In addition, the number of employees in the call center and in EDP also increased considerably. Due to the above factors, the increase in personnel expenses in the mail-order business in fiscal 1997 and, to a lesser extent in 1996, is higher than the increase in net sales.

Regardless of the expansion of the store network from 107 (end of 1996) to 130 stores (end of 1997), from fiscal 1995 to 1997, employment in the wine stores business remained steady at about 40 people, all of them salaried employees. It is noteworthy that the agency partners and their employees are not employees of JWD. The employment expenses in fiscal 1997 increased less than net sales and in fiscal 1996 increased by the same percentage as net sales. In fiscal 1997, employment expenses increased because of higher salaries. In fiscal 1997 and 1996, a large increase in the allocations to the reserves for bonus liabilities contributed to the increase in personnel expenses. The reason for the high bonus reserves is the positive development of income in the wine stores business and the introduction of a stronger focus on net income in the bonus system for management.

Depreciation

The depreciation of intangible and tangible fixed assets totalled DM 4.3 million in fiscal 1997, in fiscal 1996 DM 3.6 million and DM 3.3 million in fiscal 1995. The increase of 19.3% in depreciation in fiscal 1997 and 8.9% in fiscal 1996 reflects mainly increases in assets subject to depreciation, in particular at Hawesko (see ''Investment in tangible fixed assets''). The depreciation of goodwill described in the section ''Taxes on income and revenue; effects of the restructuring on taxation'' is relevant only within the framework of supplementary tax schedules and not for the pro forma income statement discussed here.

Other Operating Expenses

	1997	Change from 1996	1996	Change from 1995	1995
	(in DM million)	(in %)	(in DM million)	(in %)	(in DM million)
Other operating expenses	79.0	18.2	66.8	13.3	59.0

In fiscal 1997, other operating expenses of the Group were slightly higher than, and in fiscal 1996 they increased at about the same rate as, net sales, totalling 28.5% of net sales in fiscal 1997 and approximately 28% of net sales in the two prior fiscal years.

The increase in other operating expenses in fiscal 1997 results mainly from increased advertising expenses, in particular in connection with the marketing campaign addressed at new customers and higher delivery costs associated with the greater number of new customers. For information concerning the leasing expenses for Hawesko's logistics center in Tornesch, see ''Business description – Important contractual relations – Leasing agreement''.

Results from participations and financial results

The results from participations and financial results of around DM(-) 1 million in each fiscal year from 1995 to 1997 reflect the interest expense for financial liabilities. Interest expense totalled DM 1.2 million in fiscal 1997, DM 1.1 million in fiscal 1996 and DM 1.0 million in fiscal 1995. The increase in interest expense results from increased financings required by Hawesko for the systematic purchase of high-quality Bordeaux wines (see ''Liquidity, capital resources, investments – Cash flow from operating activities'').

Results from ordinary business activities

	1997	Change from 1996	1996	Change from 1995	1995
	(in DM million)	(in %)	(in DM million)	(in %)	(in DM million)
Mail-order *)	16.1	–4.7	16.9	–1.2	17.1
Wine stores *)	12.8	14.3	11.2	4.5	10.8
Wholesale *)	0.9	9.6	0.8	16.9	0.7
Group	29.3	3.2	28.4	1.1	28.1

*) The information concerning the individual businesses refers to the individual financial statements without taking the consolidation into account.

Results from ordinary business activities increased less in fiscal 1997 than sales mainly because of special expenses incurred in the mail-order business in connection with the attraction of new customers. In the mail-order business, this led to a slight decrease in the results from ordinary business activities. The development of the Group's results in fiscal 1996 is marked by the normalization of special conditions related to currency exchange rates. If the extraordinary benefits from favourable exchange rates in fiscal 1995 were not taken into account, the increase in the results would have been 20.3%.

Taxes on income and revenue; effects of the restructuring on taxation

On the basis of the pro forma analysis, the taxes on income and revenue in fiscal 1997 amounted to DM 9.0 million, and in fiscal 1996 and 1995 to around DM 8.6 million. Expenses for taxes assumed for purposes of the pro forma calculations are considerably lower than the actual tax expenses for the fiscal years from 1995 to 1997 in the individual annual financial statements of the companies belonging to the HAWESKO Group. This reflects the conversion of the limited liability companies into limited partnerships, effective December 31, 1997/January 1, 1998, taken into account in the pro forma income statement for fiscal 1995, 1996 and 1997. The conversion into limited partnerships allows for higher depreciation of goodwill in supplementary tax schedules. This reduces the tax expenses in the pro forma accounting by approx. DM 3.8 million in each fiscal year.

According to Hawesko's expectations, the conversion of Hawesko, JWD and CWD into limited partnerships, effective for tax purposes as of December 31, 1997/January 1, 1998, will, in the next 15 years, lead to tax reductions in respect of the Company's corporation tax and solidarity surcharge. Such reductions reflect the recording of the goodwill resulting from the conversion of the limited companies into limited partnerships and the subsequent depreciation in the supplementary tax schedules for the Company.

The goodwill subject to depreciation reflects the difference between the fiscal value of the holdings in the three subsidiaries contributed to the Company and the much lower net assets of such subsidiaries as shown in their balance sheets. According to the Company's calculations, such difference amounts to DM 181.8 million. In the supplementary tax schedules for HAWESKO Holding AG, the difference is considered as a loss from the conversion, and is offset by recording as an asset goodwill in the same amount. The Company depreciates such goodwill over the next 15 years (straight line). This results in an additional annual depreciation potential of DM 12.1 million and, based on current corporate income tax rates, estimated annual savings of corporation tax and solidarity surcharge of approx. DM 3.8 million for the Company. The conversion has no effect on the trade tax and does not provide any relief in respect of such tax.

Goodwill and the resulting depreciation are only shown in supplementary tax schedules and have no effect on depreciation as reflected on the balance sheet. Therefore, they do not reduce the result from ordinary business activities of the Company. However, the planned tax relief increases net income as set forth in the income statement.

The tax relief expected by the Company in the coming years has already been taken into account in preparing the pro forma consolidated financial statements for fiscal 1995, 1996 and 1997, since the Company believes, this to be the only way the pro forma consolidated financial statements can be made comparable with the income shown in coming years. For the purposes of the pro forma consolidated financial statements it was assumed that the HAWESKO Group's increased net income would all have been distributed in keeping with the dividend policy from fiscal 1995 to fiscal 1997. However, this does not correspond with the dividend policy to be pursued by the Company for the current and for future fiscal years (see ''Appropriation of profits/dividend policies'').

A further effect of the restructuring is that to a certain extent the Company may now make tax free distributions to its shareholders. This possibility exists due to certain features of the contribution of shares in Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH and Jaques' Wein-Depot Wein-Einzelhandel GmbH to HAWESKO Holding AG. In the course of the contributions the book values of the contributed interests, as shown in the balance sheets prepared for tax reporting for the contributing shareholders were carried over as the contribution value for tax purposes. The difference between such contribution value and the nominal value of shares in HAWESKO Holding AG granted to the contributing shareholders is considered a capital contribution for tax purposes and is shown as distributable capital in the category EK 04 of the balance sheet prepared for tax reporting, of HAWESKO Holding AG. It is therefore available for tax free distributions to shareholders. In respect of the tax effects this may have on shareholders, please refer to the section ''Taxation in the Federal Republic of Germany''.

The Company has obtained comprehensive expert advice on the tax effects of the restructuring and is of the opinion that the described effects will occur. However, since the tax laws as well as their application by competent authorities and courts are subject to continuous change, definite predictions on the fiscal effects cannot be made. The scope of the tax relief expected by the Company also depends on the results achieved in the respective fiscal years.

Net income

	1997	**Change from 1996**	**1996**	**Change from 1995**	**1995**
	(in DM million)	**(in %)**	**(in DM million)**	**(in %)**	**(in DM million)**
Mail-order *)	9.3	–4.1	9.7	–0.6	9.7
Wine stores *)	7.1	14.0	6.2	5.9	5.9
Wholesale *)	0.5	10.6	0.4	17.5	0.4
Group	20.2	2.7	19.7	1.9	19.3

*) The information concerning the individual businesses refers to the individual financial statements without taking the consolidation into account.

The development of net income is mainly affected by the same factors as the development of the results from ordinary business activities. Contrary to the individual financial statements, net income for the HAWESKO Group in the individual fiscal years reflects annual DM 3.8 million tax savings from the conversion of Hawesko, JWD and CWD into limited partnerships. For details, see ''Taxes on income and revenue; effects of the restructuring on taxation''.

Liquidity, Capital Resources, Investments

The following overview shows the main factors in the pro forma cash flow statement for the HAWESKO Group for fiscal 1997 and 1996; the complete pro forma cash flow statement is set forth below in the financial section of this Prospectus:

	Financial year up to Dec. 31, 1997	Financial year up to Dec. 31, 1996
	(in DM million)	
Cash flow from operating activities	25.8	13.2
Cash flow used in investing activities	–8.0	–3.2
Cash flow used in financing activities	–17.6	–16.4
Cash and cash equivalents at the end of the period	2.0	1.8

Cash flow from operating activities

The HAWESKO Group's source of liquidity in fiscal 1997 and 1996 was cash flow from operating activities. With only a slight increase in net income, cash flow from operating activities increased to DM 25.8 million in fiscal 1997 from DM 13.2 million in the prior year, i.e. by approximately 95%. Such increase resulted mainly from an increase in liabilities to financial institutions (DM 18.2 million; prior year increase: DM 12.3 million). This corresponded with an outflow of funds financing an increase in inventories by DM 18.4 million (prior year increase: DM 10.1 million), which was mainly funded with additional borrowed funds. The increase in inventories reflects the purchase of high-quality Bordeaux wines for the mail-order business in order to ensure the availability of selected quality wines, in particular older and especially good vintages, for a longer period of time.

A further inflow of funds was the result of the increase in other liabilities (DM 14.5 million; prior year increase: DM 1.4 million) in connection with the special dividend payment in fiscal 1997, as approved by Hawesko's, JWD's and CWD's shareholders' resolutions of December 27, 1997 (see ''VII. General information on the Company – Appropriation of profits/dividend policies''). Thus, the Company incurred liabilities to its shareholders.

The Company received additional funds from customer subscription payments on account in the amount of DM 2.0 million (prior year: DM 4.2 million) in fiscal 1997 financial year.

In fiscal 1996, reserves in the amount of DM 7.2 million established in prior years were used. These were mainly tax reserves.

Cash flow used in investing activities

Cash flow used in investing activities in fiscal 1997 and 1996 consisted mainly of investments in tangible fixed assets (see ''Investments in tangible fixed assets''). Compared to the preceding year, cashflow used in investing activities more than doubled in fiscal 1997.

Cash flow used in financing activities

Cash flow used in financing activities resulted from the distribution of profits in fiscal 1997 and 1996 for the respective preceding year and, to a lesser extent, the repayment of long-term debt.

Capital resources

HAWESKO Group's former current account credit with the METRO Group has been repaid in full. An amount of DM 13.5 million was contributed to HAWESKO Holding AG by way of a capital increase against a contribution in kind, and the remaining balance was repaid with liquid funds of the HAWESKO Group. As of mid-May, 1998, partially used credit lines from banks in the amount of DM 40 million are available to the Company. The management of HAWESKO Holding AG is of the opinion that the credit arrangements with banks are sufficient to meet the Company's working capital requirements. Currently, the Company is not planning to enter into any important financing arrangements or substantial long-term loans.

Investments in tangible fixed assets

The investments by the HAWESKO Group in tangible fixed assets amounted to:

	Investments in tangible fixed assets (in DM million)	Change from the prior year (in %)
Financial year		
1997	8.1	145
1996	3.3	–13.2
1995	3.8	*

* An indication is not possible, since no consolidated ''as if'' balance sheet was prepared for fiscal 1994.

In the mail-order business, the focus of the Company's investments in fiscal 1997 was on the expansion of the administration building in Tornesch as well as the expansion of the EDP facility (equipping new work places due to the expansion of the administration building) and the opening of the new logistics center. In 1996, investments were made in connection with the introduction of the accounting program Navision and the change-over of the EDP to the ''DMIS plus'' program. The logistics center in Tornesch, which was completed in fiscal 1997, was constructed by the Company as a general contractor at a cost of DM 19.9 million. It was then refinanced by way of a sale and lease-back, as planned.

In the wine store business, the investment in tangible fixed assets in all fiscal years concentrated on the furnishing of new stores, i.e. installations and equipment.

ATTESTATION REPORT FOR THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS 1995-1997

To the shareholders and the Managing Board of
HAWESKO Holding AG

In close cooperation with the Managing Board of HAWESKO Holding AG we have prepared the pro forma consolidated financial statements of Hawesko pro forma Aktiengesellschaft in each case as at 31 December 1995/1996/1997. These pro forma consolidated financial statements are based on the annual financial statements of Hanseatisches Sekt- und Weinkontor HAWESKO GmbH, Hamburg, of Jacques' Wein-Depot Wein-Einzelhandel GmbH, Düsseldorf, and of CWD Champagner und Wein Distributionsgesellschaft mbH, Hamburg, in each case as at 31 December 1995/1996/1997, which were audited and for which an unqualified audit opinion was given, as well as on the annual financial statements of FUBA Beteiligungs AG, Frankfurt, as at 31 December 1997, which was likewise audited and for which an unqualified audit opinion was also given. The decisions and legal acts connected with the preparation of the pro forma consolidated financial statements are the responsibility of the Company's Managing Board. Our task is to give a judgment on the basis of the audit procedures executed by us relating to the observance of the provisions of the Commercial Code (HGB) in these pro forma consolidated financial statements.

We have executed the preparation in compliance with professional principles, especially as they are laid down in Statement HFA 4/1996 ''Principles for the preparation of annual financial statements by certified accountants (Wirtschaftsprüfer)'' of Institut der Wirtschaftsprüfer in Deutschland e.V. (professional association). According to the principles the annual financial statements forming part of the pro forma consolidated financial statements have to be judged by inquiries and analytical audit procedures in respect of their plausibility and a deduction of the pro forma consolidated financial statements in compliance with the Commercial Code (HGB) has to be warranted. System and function examinations as well as an audit of inventory verifications are outside the scope of our preparation activities. The preparation also includes an examination of the applied methods of balance sheet preparation and valuation, especially of consolidation, as well as a judgment of the total assertion of the pro forma consolidated financial statements. Our procedures present a sufficiently certain basis for our attestation.

According to our conviction the pro forma consolidated financial statements give a true and reasonable view of the net worth and financial position in each case as at 31 December 1995/1996/1997 as well as of the income position of the business year expired in each case relating to the HAWESKO pro forma Group and they are in compliance with the provisions of the Commercial Code (HGB).

Hamburg, the 24th of April 1998

SUSAT & PARTNER oHG
Wirtschaftsprüfungsgesellschaft

DR. BOHL	DR. SCHLÜTER
Accountant	Accountant

MANAGEMENT REPORT OF THE HAWESKO-GROUP

Since 1996, wine has come back into trend. While alcoholic drinks as a whole, especially liquors, were declining against non-alcoholic drinks, the per capita use of wine, since 1996 (and is foreseen for 1997 as well), has risen again after many years of decline (18.2 liters in 1996, 17.4 liters in 1995). Health issues, leisure and the quality of living in higher income households that are less susceptible to market conditions were named as reasons for the increase. Wine is more and more becoming an important symbol of an individual lifestyle. This supports the steady growth of the HAWESKO Group, whose attention to these trends over the years has led to continued growth in sales and profits.

Total estimated sales for the German wine industry in 1995/1996 were approximately DM 10.5 billion, of which some 25% were attributable to sophisticated wines in the upper price segment (wines costing more than DM 7 per bottle). The Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH conducts its business almost exclusively, and Jacques' Wein-Depot Wein-Einzelhandel GmbH to a large extent, in this segment.

The companies Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH and Jacques' Wein-Depot Wein-Einzelhandel GmbH are, each for their own reasons, predestined for this market. Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH delivers wine predominantly to end users throughout Germany via shipping routes. Varying customer demographics allows the company to cover the customers in a goal-directed manner. The company is oriented toward customer loyalty and is thereby achieving a high level of customer commitment. Jacques' Wein-Depot Wein-Einzelhandel GmbH offers customers wines in the middle to upper price segment that, similar to wine growers, can be tested and purchased right at the warehouse. Another group company, CWD GmbH, is a supplier to the catering industry and to resellers.

The previous business development of the HAWESKO ''as-if-Group'' is marked by a steady sales growth. With stagnated sales growth throughout the industry in general, the Group was able to cement it's role as the leader in the wine industry.

The previous business year was also marked by these positive trends. The positions in both the mail-order industry as well as in specialized retail trade were able to be strengthened and improved. As opposed to the previous year (1996), a sales growth of 15.7% in the ''as-if-Group'' was realized in business year 1997. Of this increase, 59% of the consolidated sales were achieved in mail-order, 37% in specialized retail trade and 4% through wholesale activity. The gross sales of the Group totaled DM 318,2 million (DM 275.2 million in 1996). Net income increased 2.7% to DM 20.2 million over the previous year. The result was considered top rate in spite of double digit growth rates in previous years. With a profit before income taxes of DM 29.3 million, a profit to sales ratio of 10.6% was generated.

The reporting period 1997 was marked by considerable structural improvements of the Group. Investments were carried out according to plan. In the business year 1997 considerable expenditures for capital assets and expansion of the business in the amount of DM 8,055,000 (DM 3,282,000 in 1996) have been made. This includes an investment quota of 2.9% (1,4% in 1996) of net sales. The investment expenditures of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH in the business year 1997 were made in an effort to built upon the expansion that began with the opening of a new logistics center with a fully automated storage facility as well as the expansion of the administrative building. The logistics center was financed via a sales-leaseback arrangement. The storage facility has a capacity of 8,250 palette spaces with an average utilization capacity of 50%.

A further expansion of business in the future is ensured though long term purchase options on premises near-by.

In the area of over-the-counter sales, Jacques' Wein-Depot Wein-Einzelhandel GmbH opened a total of 15 new warehouses in 1997 and closed two, increasing the total number of warehouses to 130. The emphasis of the expansion focused on the major metropolitan areas of Hamburg, Frankfurt, Munich and the Cologne/Bonn/Düsseldorf region.

Due to the continued growth of the Group, the average number of employees increased 42.9% to 325. Employment-related expenses as a percent of net sales was comparable to the previous year (8.5% in 1996, 8.9% in 1997).

Outlook for 1998

The objective of the HAWESKO Group is consistent profit and sales growth in all divisions of the Group. In the coming years the market share of the Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH will be strengthened by focusing on new customers, especially those bringing higher sales and profit margins per customer. The course of expansion will continue to be carried out at Jacques' Wein-Depot Wein-Einzelhandel GmbH as well. For the business year 1998, the opening of 20 new warehouses is planned. For the business years following 1998, the Group is calculating significantly higher operating income based on the structural improvements that are currently being called for.

In the wake of the planned entrance of HAWESKO Holding AG onto the stock exchange, a capital increase of DM 18 was carried out on April 20, 1998, which will be used as follows:

- Increase of subscribed capital of DM 2 million to DM 22 million.
- Appropriation of a capital reserve in the amount of DM 16 million

The capital increase will lead to a considerably improved capital structure of the Group and thereby help to ensure the planned growth. The results of the first fiscal quarter is a sign that an improved result in 1998 as compared to 1997 is expected. No consideration with respect to non-recurring costs associated with the planned entrance onto the stock exchange of HAWESKO Holding AG, as well as probable synergies resulting from the merger have been given during the budget planning.

The HAWESKO Group, with respect to its planned consistent increase in market share and opening of warehouses, is assuming continued sales growth in business year 1998, and is looking with confidence and optimism toward the years that follow.

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1995, 1996 AND 1997

		31 December		
		1997	1996	1995
			DM thou.	
Assets				
Fixed Assets				
Intangible assets	[1]	7,310	8,070	8,255
Tangible assets	[2]	19,945	15,485	15,700
Financial assets	[3]	229	231	231
		27,484	23,786	24,186
Current Assets				
Inventories	[4]	72,267	53,903	43,761
less prepayments on inventories		–17,755	–15,737	–11,504
		54,512	38,166	32,257
Receivables and other assets	[5]			
Trade receivables		30,550	26,223	20,128
Other assets		1,101	3,787	996
		31,651	30,010	21,124
Liquid funds	[6]	2,002	1,805	8,245
		88,165	69,981	61,626
Prepaid expenses		469	79	52
		116,118	93,846	85,864
Liabilities and Shareholders' Equity				
Equity				
Share capital	[7]	20,000	20,000	20,000
Compensation for shares of other partners	[8]	100	147	140
Consolidated net profit/-loss	[9]	–1,144	15,243	15,420
		18,956	35,390	35,560
Accruals	[10]			
Accruals for pensions and similar obligations		214	196	172
Tax accruals		3,728	453	7,937
Other accruals		6,550	5,093	4,852
		10,492	5,742	12,961
Liabilities	[11]			
Liabilities to banks		39,027	22,246	10,349
Trade payables		24,960	22,312	20,258
Payables to affiliated companies		92	91	90
Other liabilities		22,591	8,065	6,646
		86,670	52,714	37,343
		116,118	93,846	85,864

PRO FORMA CONSOLIDATED PROFIT AND LOSS ACCOUNT 1995, 1996 AND 1997

		1997	1996	1995
			DM thou.	
Net sales	[12]	277,055	239,361	210,643
Other operating income	[13]	8,520	7,091	6,597
Cost of materials		–147,290	–126,211	–108,079
Personnel expenses				
Wages and salaries		–20,936	–17,507	–15,299
Social security and other pension costs		–3,655	–2,894	–2,611
Depreciation on intangible and tangible fixed assets	[14]	–4,298	–3,602	–3,308
Other operating expenses	[15]	–79,024	–66,835	–58,973
Result before participation and financial result and taxes		30,372	29,403	28,970
Results from participations	[16]	2	2	1
Other interest and similar income		85	118	115
Other interest and similar expenses		–1,165	–1,127	–1,028
Expenses from loss-take-over-agreements	[16]	–1	–1	–2
Participation and financial result		–1,079	–1,008	–914
Result from ordinary business activities		29,293	28,395	28,056
Income taxes	[17]	–8,987	–8,611	–8,587
Other taxes		–109	–125	–172
Net income		20,197	19,659	19,297
Retained profits		182	1	0
Advanced distribution of profits for the current year (thereof Bollinger share of minority interests DM 52 thou.)		–16,620	0	0
Advanced distribution of pro forma-tax reduction		–3,837	–3,837	–3,837
Profit for shares of minority interests		0	–47	–40
Consolidated net income/-loss according to profit and loss account		–78	15,776	15,420
For information purposes only:				
Reclassification of depreciation of goodwill from previous years to equity		–1,066	–533	0
Consolidated net income/-loss according to balance sheet		–1,144	15,243	15,420

COMMON NOTES TO THE FINANCIAL STATEMENTS OF THE HAWESKO PRO FORMA-GROUP FOR THE FINANCIAL YEARS 1995, 1996 AND 1997

I. General Comments on the pro forma-Consolidated Financial Statements

1. Preliminary Remarks

The HAWESKO Group, with HAWESKO Holding Aktiengesellschaft as its parent company, was established on 31 December 1997 by combining the shares of Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Hamburg (100%), CWD Champagner und Wein Distributionsgesellschaft mbH, Hamburg (90%), and of Jacques' Wein-Depot Wein-Einzelhandel GmbH, Düsseldorf (100%), into FUBA Beteiligungs-Aktiengesellschaft, Frankfurt/Main, which was established on 10. October 1997, for granting new shareholder rights. AKM Holding GmbH & Co. KG, a company within the METRO Group, and Mr. Alexander Margaritoff, were brought in as shareholders. Subsequently, a conversion of the limited liability companies (GmbH) into limited partnerships (GmbH & Co. KG) – retroactive to January 1, 1998 – was carried out, the corporate name of FUBA Beteiligungs Aktiengesellschaft changed to HAWESKO Holding Aktiengesellschaft and the company's corporate seat relocated to Hamburg. These restructuring measures will become legally valid concurrent with their respective entry into the Commercial Register.

For the business years 1995, 1996, and 1997 the pro forma consolidated financial statements of the HAWESKO Group were constructed with HAWESKO Holding Aktiengeselllschaft (hereinafter referred to as ''HAWESKO Holding AG'') as parent company and the above-named companies as consolidated subsidiaries. In this respect it was assumed that the HAWESKO Group already existed on 1 January 1995 (fixed date of first consolidation) and the above-mentioned reorganization was effective as of that date. The objective of the pro forma consolidation was to combine the individual financial statements of the companies that comprise the HAWESKO Group as at 31 December 1997 in a way that the pro forma consolidated financial statements 1995, 1996 and 1997 provide – in the scope of the premises explained hereinafter – an idea comparable with the legal relationships beginning in 1998.

Specifically, this means that the tax benefits relating to the January 1, 1998 conversion of the GmbH-interests into limited partnerships (for details see III.(17)) have already been considered for 1995, 1996 and 1997, in order to be able to present a tax situation comparable with the tax situation existing from January 1, 1998.

2. Principles of Preparation

The pro forma consolidated financial statements of those companies combined into the HAWESKO Group were prepared in accordance with the provisions of the German Commercial Code relating to large corporations. In order to facilitate a better understanding, the amounts in the pro forma balance sheets and pro forma profit and loss accounts are stated in thousand DM (= TDM) and individual line items have been summarized. The pro forma notes to the financial statements contain comments required to be made for the items in the balance sheet and profit and loss account pursuant to legal provisions, as well as additional itemizations and explanations.

3. Consolidated Companies

A compilation of share ownership as at 31 December 1997 pursuant to Sec. 313 para. 2 ComCode forms part of the pro forma notes. In these notes those companies integrated into the consolidated financial statements and those not integrated pursuant to Secs. 295, 296 ComCode are separately specified with respect to share ownership, equity and results for the individual business year. All companies forming part of the consolidated companies were integrated with their audited annual financial statements, for which an unqualified consolidated audit opinion was given.

Apart from HAWESKO Holding AG as parent company the following subsidiaries of HAWESKO Holding AG were integrated into the consolidation:

– Hanseatisches Wein- und Sekt- Kontor HAWESKO GmbH, Hamburg (Hawesko)

– CWD Champagner und Wein Distributionsgesellschaft mbH, Hamburg (CWD)

– Jacques' Wein-Depot Wein-Einzelhandel GmbH, Düsseldorf (JWD)

Due to the conversions of these subsidiaries, retroactive to January 1, 1998, each subsidiary will take a new legal form known as a GmbH & Co. KG (limited partnership). The change in legal form, however, will not change the financial statements of the subsidiaries, nor will it materially change the financial statements of HAWESKO AG. For simplicity reasons, the new legal form will be referred to as ''GmbH-interests''.

Certain reclassifications were made in the 1996 annual financial statements of JWD, and the figures of 1995 were adjusted accordingly. The reclassifications related specifically to a reclassification of the ''expenses for purchased services'' reported under the item ''cost of materials'', into the item ''other operating expenses''. In order to maintain continuity of explanation for the pro forma consolidation, the adjusted figures of 1995 were used as the basis.

There are two additional companies that were left out of the pro forma consolidation pursuant to the provision of Sec 296 para. 2 ComCode because these companies are immaterial to the net worth, financial and income positions of the HAWESKO pro forma Group. The two companies, which are subsidiaries of Hawesko, are:

– ''Chateaux et Domaines'' Importgesellschaft für französische Weine mbH, Hamburg

– CW Champagner und Wein Importgesellschaft mbH, Hamburg

The acquisition in early 1998 of three GmbH's by HAWESKO Holding AG, in connection with the conversion of the GmbH-interests into limited partnerships, each with shareholder capital of DM 50,000 and perceived to be the unlimited parter by the partnerships, was not included in the pro forma consolidation due to the immaterial effect on the net worth, financial and income positions of the HAWESKO pro forma Group.

4. Principles of Consolidation

a) Procedure as to the pro forma consolidation

The preparation of the pro forma consolidated financial statements was executed in two steps.

In the first step 1995 and 1996 pro forma individual financial statements for the HAWESKO Holding AG established in 1997 were prepared. In doing so, it was presumed that the business activity of HAWESKO Holding AG consisted only of holding the interests of the contributed companies and that any original expenses and income did not accrue. With respect to the 1997 financial statements, the contributed GmbH-interests in the balance sheet of HAWESKO Holding AG were generally valued at the contribution value stated in the contribution agreements. Lastly, stated amounts exceeding the contribution values were shown to the extent appropriate according to tax principles, and as necessary according to the principle of ''reciprocal authoritativeness''. Each difference from the contribution value was allocated to the capital reserves (see also 4.b.). The differences as shown in the tax balance sheet of HAWESKO Holding AG can be seen at III. (17).

In the second step, the consolidation of the 1995 and 1996 pro forma financial statements of HAWESKO Holding AG with the individual financial statements of those subsidiaries required to be consolidated – Hawesko, CWD and JWD – was performed. All companies have fiscal years ending 31 December.

In the interest of equity reporting which corresponds as closely as possible to the actual relationships existing at 31 December 1995, 1996 and 1997 and thus as at 1 January 1998, the consolidation was carried out according to the following principles:

– In the pro forma consolidated financial statements the actual distribution behaviour (as a rule, a complete distribution of profits) was represented. With respect to the decrease in tax charges that has already been taken into account for 1995, 1996 and 1997 due to the conversion of the GmbH-interests into limited partnerships, it was presumed that any resulting increase in the net income of the HAWESKO pro forma Group was distributed.

– The legal reserve to be set up by German stock corporations pursuant to Sec. 150 para. 1 German Stock Companies Law was not taken into account in the pro forma consolidated financial statements.

– Expenses typical for German stock corporations, for example expenses for the execution of the General Meeting and of the Supervisory Board (Aufsichtsrat), were not shown for the years 1995-1997.

– The capital increase of DM 18,000,000 carried out on 20 April 1998 (DM 2,000,000 – subscribed capital and DM 16,000,000 – capital reserves) was not shown in the years 1995 – 1997. Doing so would have led, among other things, to an implausible relationship between net interest income (expense) and capital. The exclusion of the capital increase before 1998 however, leads to a statement of a capital structure which is more unfavourable than at the time of stock exchange admission.

b) Capital consolidation

Capital consolidations were executed according to the book value method by off-setting the book values of investments of the parent company with the proportionate equity of the subsidiary attributable to the parent company at the date of first consolidation (1 January 1995).

The positive net differences resulting from the consolidations of Hawesko, CWD, and JWD, were handled as follows:

To the extent that the specified values in the contribution agreements exceeded the net worth of each contributed interest (in total DM 8.0 million), the amounts were capitalized as goodwill and depreciated over a period of 15 years pursuant to Sec. 309 para. 1 sentence 2 ComCode. This was based on the consideration that these amounts represent costs of acquisition paid by HAWESKO to third parties and which exceed equity.

To the extent that the stated values in the balance sheet of HAWESKO Holding AG exceeded the contibution values stated in the contribution agreements, the amount was offset against the capital reserves of HAWESKO Holding AG (see 4.a)), pursuant to Sec. 309 para. 1 sentence 3 ComCode, with no effect on net income.

The consolidated financial statements include interests in non-consolidated companies and are reported under ''adjustment item for shares of other shareholders''. The profit or loss included in the pro forma consolidated profit and loss account attributable to these non-consolidated companies is separately reported, pursuant to Sec. 307 para. 2 ComCode, following the item ''net income/ net loss for the year''.

c) Consolidation of debts

Accounts receivable and payable between the consolidated companies were eliminated in consolidation. Reconciling differences did not arise. An elimination of accounts receivable and payable of non-consolidated affiliated companies with outside third parties was waived (no so-called third-party debt consolidation).

d) Intercompany elimination

The pro forma consolidated profit and loss account was prepared in a fully consolidated form pursuant to Sec. 305 ComCode, i.e. intercompany sales and other intercompany income were eliminated against the respective expenses.

Interim results from sales and services were not eliminated in accordance with Sec. 304 para. 3 ComCode based on their immateriality. Tax deferrals pursuant to Sec. 306 ComCode were accordingly not made.

5. Principles of Balance Sheet Preparation and Valuation

The balance sheet preparation and valuation of the pro forma Group were done according to the legal provisions for stock companies. The valuation methods were exercised in the Group in the same way as in the individual financial statements. As the balance sheet items were subject to uniform utilization and function conditions, the uniform valuation required in Sec. 308 ComCode was warranted.

The valuation of intangible assets was made at cost of acquisition, with deduction of regular depreciation according to the straight-line method. Goodwill is generally written off over an assumed useful life of 15 years in compliance with tax provisions. An adjustment to accumulated goodwill depreciation before 1996 relating to JWD (depreciation was previously taken over five years pursuant to Sec. 255 para 4 sentence 2 ComCode) was waived due to immateriality.

Tangible assets were valued at their cost of acquisition reduced by regular straight-line or declining-balance tax depreciation. Depreciation of leasehold improvements additions was made over a period of seven years using the straight-line method. In all other cases depreciation was made to the extent allowed by tax rules, using the declining-balance method at the maximum rates allowed. A transition from the declining-balance method to straight-line depreciation occurred when the straight-line method led to higher depreciation. Corresponding to the tax simplification rule on additions in non-current assets, a full year of depreciation was taken on additions in the first half of the year, and on those additions in the second half-year a half year of depreciation was taken. All moveable assets were treated as disposals in the last year of depreciation by assuming fictitious sales. Low value assets up to DM 800, – were fully depreciated in the year of addition and shown as disposals in the fixed assets statements.

The financial assets were valued at their cost of acquisition.

The valuations of raw material and supplies and of merchandise were made at cost of acquisition, inclusive of incidental costs of acquisition. The principle of the lower of cost or market was observed. The inventories of wine-testing glasses and other small materials of JWD, were recorded in 1997 at a pre-determined value.

Payments on account for customer orders were – as allowed by Sec. 300 para 2 sentence 2 ComCode – offset against stocks, pursuant to Sec. 268 para. 5 sentence 2 ComCode.

The trade receivables were valued at their nominal value with deductions for both specific and general valuation reserves.

Other assets were reported at their nominal value.

The accruals were set up to reflect contingent liabilities and all recognizable risks. The types of accruals set up and the amounts used are justifiable and in accordance with prudent business judgment. The pension accruals were shown at their going-concern value determined according to actuarial principles (Sec. 6 a German Income Tax Law) and on the basis of an interest rate of 6%.

Liabilities were generally reported at their amount of repayment.

Incoming supplies invoices and payments on account in foreign currencies were translated into DM and recorded at cost of acquisition or at an internal domestic rate. This rate was also used as the basis for the determination of acquisition cost of merchandise. To the extent required, payments on account outstanding at 31 December were devalued to the lower foreign-currency buying rate at the balance sheet date, and suppliers invoices not yet paid at 31 December were revalued at their higher foreign currency selling rate at the balance sheet date.

II. Explanations of the Pro forma Consolidated Balance Sheet

Fixed Assets

The development of the historical cost and accumulated depreciation for each fixed-asset category in the business years 1995 to 1997 are shown in the respective fixed-assets statements.

Intangible assets (1)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Software	474	653	469
Goodwill	6,836	7,417	7,716
Payments on account	0	0	70
	7,310	8,070	8,255

The goodwill shown in the Group is composed as follows:

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Goodwill from acquisition of retail stores	436	484	189
Addresses card file (England)	0	0	60
Goodwill from first consolidation	6,400	6,933	7,467
	6,836	7,417	7,716

The positive differential amounts of DM 8,000,000 resulting from the first consolidation of Hawesko, JWD and CWD were capitalized as goodwill and, in conformity with the underlying bases of the individual financial statements, depreciated over an estimated useful life in accordance with tax rules of 15 years, pursuant to Sec. 309 para. 1 sentence 2 ComCode. Remaining positive differential amounts were offset against capital reserves. (see 4 a) and 4 b)).

The annual effect on the consolidated financial statements of the depreciation of goodwill resulting from first consolidation amounts to DM 533,000 per year.

The goodwill resulting from the actual first consolidation as at 1 January 1998 will differ from the goodwill shown in the pro forma consolidated financial statements because of earnings retentions in 1997 (DM 457,000). The actual annual depreciation charges from 1998 on will therefore – if the same methods of balance sheet preparation and valuation are used – be lower than in the pro forma consolidated financial statements.

Tangible assets (2)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Land and buildings	13,927	10,411	10,717
Buildings on third party's land	1,981	1,887	77
Other equipment, factory and office equipment	3,938	3,187	4,906
Payments on account and assets under construction	99	0	0
	19,945	15,485	15,700

Under the item ''land and buildings'' the company premises including buildings and reserve real estate of Hawesko at Tornesch (near Hamburg) are shown. The increase in 1997 is due to additions made to the administration building. In fiscal year 1997, the company started operating a modern logistics center in Tornesch, which was leased. According to the leasing principles of the German Ministry of Finance, the logistics center is not recorded in the books of Hawesko as the lessee.

For the reserve real estate there exists an obligation to the Community of Tornesch, in connection with a corresponding agreement relating to the erection of the logistics center in Tornesch, to construct a parking lot by the end of 1998.

The increase in ''Buildings on third party's land'' and the decrease in ''other equipment, factory and office equipment'' in 1996, is due to a book transfer of leasehold improvements in the amount of DM 1,594,000.

Financial assets (3)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Shares in affiliated companies	101	101	101
Other loans	128	130	130
	229	231	231

The shares in the companies ''Chateaux et Domaines'' Importgesellschaft für französische Weine mbH and Wein Importgesellschaft mbH, both Hamburg, which were not consolidated and are held by HAWESKO AG, comprise the ''shares in affiliated companies''.

The other loans relate to a real estate loan secured by a mortgage, for which repayment started in 1997.

Inventories (4)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Raw material and supplies	879	1,197	1,060
Merchandise	45,357	33,120	32,264
Payments on account	26,031	19,586	10,437
	72,267	53,903	43,761
Less payments on inventories	–17,755	–15,737	–11,504
	54,512	38,166	32,257

The increase of the stock in trade in 1997 is attributable, among other things, to a calculated higher stockpiling of Bordeaux wines for a lasting expansion of the product range.

Payments on account relate to wines harvested in previous years that the Group companies have reserved for future delivery to customers. These payments on account are supported by customers orders to the extent they are not used to build inventory quantities. Payments on account for customer orders were offset against stocks, pursuant to Sec. 268 para. 5 sentence 2 ComCode. The payments on account from the HAWESKO Group have been partly secured by bank guarantees.

Receivables and other assets (5)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Trade receivables	30,550	26,223	20,128
thereof reclassified from receivables from affiliated companies	64	219	20
Other assets	1,101	3,787	996
thereof reclassified from receivables from affiliated companies	52	61	0
	31,651	30,010	21,124

Receivables from affiliated companies of the METRO Group reported in the individual financial statements were reclassified according to their economic nature because the HAWESKO Group will no longer maintain its relationship with the METRO Group after its admission to the stock exchange.

The trade receivables also contain receivables against the retail partners of JWD that operate the individual warehouses. They are made up of cash already paid with customers' sales, but not yet transferred to JWD.

All receivables and other assets are due within one year.

Liquid funds (6)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Liquid funds	2,002	1,805	8,245
thereof reclassified from receivables from affiliated companies	0	262	6,443

Receivables from affiliated companies of the METRO Group reported in the individual financial statements, which originate from the financial clearing system, were reclassified into the item ''liquid funds''. In this respect it is assumed that after the withdrawal of METRO Group from the HAWESKO Group, positive clearing balances up to this time will be replaced by credit balances at banks.

Subscribed capital (7)

The subscribed capital (share capital) of HAWESKO Holding AG and thus of the pro forma Group was reported at DM 20,000,000 and corresponds to the subscribed capital which, in consideration of the capital increases of contribution in kind, existed in the former FUBA Beteiligungs AG, Frankfurt/Main. However, at the balance sheet date of 31 December 1997 neither a resolution had been passed nor was there an entry into the Commercial Register for the capital increase. Therefore the increase is not yet legally valid. The amount of contribution in kind was therefore shown in the individual financial statement of FUBA Beteiligungs AG, Frankfurt/Main at 31 December 1997 as a separate item following equity. The entry of the capital increase into the Commercial Register took place on 26 March 1998. In the pro forma consolidation, the capital increase for contributions in kind was reported consistent with the presentation in the 1998 consolidated financial statements.

The capital increase of DM 18,000,000, approved on 20 April 1998 by the General Meeting of HAWESKO Holding AG, of which DM 2,000,000 is reported as subscribed capital and the remaining as capital reserves, was not taken into account in the scope of the pro forma consolidation.

Adjustment item for shares of other shareholders (8)

The adjustment item for shares of other shareholders relates to a 10% participation of Société Bollinger S.A. Ay-Champagne, a non-HAWESKO Group company, in CWD, and is composed as follows:

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Shares in equity CWD	100	100	100
Shares in profits CWD	0	47	40
	100	147	140

Net profit/-loss for the year (9)

The net profit/-loss for the year of the Group developed as follows:

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Carry-forward as at 1. January	182	1	0
Consolidated net income for the year	20,197	19,659	19,297
Advanced distribution of profits (thereof to minority interests DM 52,000)	–16,620	0	0
Advanced distribution of pro forma-tax reduction	–3,837	–3,837	–3,837
Profit share to minority interests	0	–47	–40
Consolidated net profit/-loss per profit & loss account	–78	15,776	15,420
Offset of goodwill depreciation of previous years	1,066	533	0
Consolidated net profit/-loss per balance sheet	–1,144	15,243	15,420

The reduction of tax expense of DM 3,837,000 per year relating to the January 1, 1998 conversion of the GmbH-interests into limited partnerships has already been considered for 1995, 1996 and 1997 in the consolidated net income for each year (see (17) for reconciliation). Under the theory of full distribution, an increase of the dividends in the same amount could be presented. It was presumed that advanced distributions took place, in order to be able to present equity capital, taking into account goodwill amortization, at it's actual amount.

Because depreciation of goodwill has only been recorded in the consolidated pro forma financial statements, the consolidated net income for the year is lower than the advanced distribution of profits.

Revenue reserves in the HAWESKO Group were not set up in the business years 1995 and 1996. Therefore the goodwill depreciation of the previous years was set off with the results carried forward. As this offset does not affect the current period profit and loss account, the net profit for the year shown in the consolidated profit & loss account differs from the net profit for the year, which is shown in the consolidated balance sheet, in the amount of this offset.

Accruals (10)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Accruals for pensions and similar obligations	214	196	172
Tax accruals	3,728	453	7,937
Other accruals	6,550	5,093	4,852
	10,492	5,742	12,961

Pension accruals were reported at their going-concern value determined according to actuarial principles on the basis of an interest rate of 6%. Deficits as defined in Article 28 of the Introductory Law to Com Code do not exist.

The change in tax accruals at the individual balance sheet dates results from tax prepayments of different amounts for each year.

Other accruals are composed as follows:

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Management bonuses	2,845	2,740	2,747
Post balance sheet date invoices	2,015	754	484
Overdue holidays	368	282	234
Others	1,322	1,317	1,387
	6,550	5,093	4,852

Accruals for management bonuses have been set up for the managing directors and certain other members of the management.

Liabilities (11)

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Liabilities to banks	39,027	22,246	10,349
thereof reclassified from liabilities to affiliated companies	38,926	20,741	8,438
Trade payables	24,960	22,312	20,258
thereof reclassified from liabilities to affiliated companies	0	3	2
Payables to affiliated companies	92	91	90
Other liabilities	22,591	8,065	6,646
thereof reclassified from liabilities to affiliated companies	10,357	0	0
	86,670	52,714	37,343

Payables to affiliated companies of the METRO Group reported in the individual financial statements were reclassified according to their economic nature because the HAWESKO Group, after its admission to the stock exchange, will no longer maintain its relationship with the METRO Group. Specifically, the liabilities originating from the financial clearing system were reclassified into the item ''liabilities to banks''. In this respect it is assumed that after the withdrawal of the HAWESKO Group from the METRO Group, clearing balances, which were negative up to this time, will be replaced by liabilities to banks. This does not include the contribution by AKM Holding GmbH & Co. to HAWESKO Holding AG, in conjunction with the capital increase carried out on 20 April 1998, of a portion of its receivable in the amount of DM 13.5 million, which led to a corresponding reduction of the clearing balance.

The payables to affiliated companies are payables to the companies ''Chateaux et Domaines'' Importgesellschaft für französische Weine mbH, Hamburg, and Champagner und Wein Importgesellschaft mbH, Hamburg, neither of which are subject to consolidation.

Other liabilities reclassified from payables to affiliated companies (DM 10,357,000) represent the applicable portion (net) of advanced distribution of profits to AKM Holding GmbH & Co. KG.

Payments received in advance for customer orders were offset against stocks, pursuant to Sec. 268 para. 5 sentence 2 ComCode.

Liabilities to banks are pledged through mortgages amounting to DM 98,000 in 1997, DM 1,504,000 in 1996 and DM 1,911,000 in 1995.

Liabilities at each respective balance sheet date have the following maturities:

	<1 year	1-5 years	>5 years
		DM thou.	
Liabilities as at 31 December 1995:			
Liabilities to banks	5,969	4,380	–
Trade payables	20,258	–	–
Payables to affiliated companies	–	90	–
Other liabilities	6,546	100	–
	32,773	4,570	–

	<1 year	1-5 years	>5 years
		DM thou.	
Liabilities as at 31 December 1996:			
Liabilities to banks	22,148	98	–
Trade payables	22,312	–	–
Payables to affiliated companies	–	91	–
Other liabilities	8,065	–	–
	52,525	189	–

	<1 year	1-5 years	>5 years
		DM thou.	
Liabilities as at 31 December 1997:			
Liabilities to banks	39,027	–	–
Trade payables	24,960	–	–
Payables to affiliated companies	–	92	–
Other liabilities	22,591	–	–
	86,578	92	–

Contingent liabilities and other financial obligations

	31 December 1997	31 December 1996	31 December 1995
		DM thou.	
Financial obligations from tenancy and leasing agreements	7,017/yr	4,430/yr	5,986/yr
Financial obligations from outstanding payments on account	1,720	1,703	1,836
Financial obligations for the construction of parking lot	200	–	–
Liability from warranty agreements	165	151	125

The financial obligations from tenancy and leasing agreements mainly relate to wine-depots rented by JWD. The increase in 1997 as against 1996 is primarily due to the completion of the logistics centre at Tornesch (near Hamburg) and to the execution of a corresponding leasing agreement by Hawesko.

III. Notes to the Pro Forma Consolidated Profit and Loss Account

The profit and loss account has been prepared in the form following the method of total costs.

Net sales (12)

	1997	1996	1995
		DM thou.	
Mail-order selling end-users	163,879	142,135	127,605
Over-the-counter retail sales	101,666	87,590	75,507
Wholesale sales	11,542	9,686	7,570
Other including customer discounts	–32	–50	–39
	277,055	239,361	210,643

Other operating income (13)

	1997	1996	1995
		DM thou.	
Rental and leasehold revenue	5,941	5,027	4,442
Proceeds from reimbursement of expenses	818	612	548
Advertising expense allowances	716	533	567
Income from release of accruals	320	517	567
Proceeds from addresses hired out	295	200	232
Proceeds from commissions	86	59	70
Other	344	143	171
	8,520	7,091	6,597

The rental and leasehold revenue mainly result from wine-depots leased by JWD to its retail partners.

Depreciation on intangible and tangible fixed assets (14)

The depreciation on intangible and tangible fixed assets includes the following:

	1997	1996	1995
		DM thou.	
Depreciation of goodwill from first consolidation	533	533	533
Extraordinary depreciation	0	47	110
	533	580	643

In 1994 Hawesko acquired an address card file containing British addresses. Because these addresses could not be hired out, in 1995 and 1996, apart from the regular depreciation, an extraordinary depreciation was taken on the value attributable to the balance sheet date.

Other operating expenses (15)

	1997	1996	1995
		DM thou.	
Advertising	27,350	22,476	20,030
Retail partners commissions JWD	20,632	17,563	15,278
Delivery of goods	12,069	10,004	9,282
Cost of office space	5,981	4,991	4,554
Expenses for data processing	1,602	2,692	2,260
Legal and consulting fees	1,191	841	819
Contracted workers	1,108	916	513
Other	9,091	7,352	6,237
	79,024	66,835	58,973

Income from participations and expenses from loss-take-over agreements (16)

This item relates to the results of the companies ''Chateaux et Domaines'' Importgesellschaft für französische Weine mbH, Hamburg, and Champagner und Wein Importgesellschaft mbH, Hamburg, neither of which are subject to consolidation.

Taxes on income/earnings (17)

	1997	1996	1995
		DM thou.	
Corporation tax			
actual expense	7,625	7,800	7,750
pro forma reduction	–3,637	–3,637	–3,637
Trade earnings tax			
actual expense	4,628	4,426	4,457
pro forma reduction	0	0	0
Solidarity surcharge			
actual expense	571	222	217
pro forma reduction	–200	–200	–200
	8,987	8,611	8,587

In order to be able to present a tax situation comparable with the tax situation existing from January 1, 1998, the reduction in tax expense relating to the January 1, 1998 conversion of the GmbH-interests into limited partnerships has already been considered for 1995, 1996 and 1997. To this end, the actual tax expense and the reduction in taxes for each kind of tax that would have resulted, using as a basis the additional available tax depreciation beginning in 1998, were presented.

The balance sheet effect of the increased depreciation is shown only in the tax balance sheet. The commercial balance sheet, with the exception of decreased tax expense, remains unchanged, since commercial law emanates from the preservation of the identity of the converted company. Tax law cannot follow commercial law unconditionally, since via the form change the corporate taxation methodology will change, and since other taxation principles will apply for the partnerships in the future.

For tax purposes, a depreciable differential results in the amount of the difference between the recorded value of the net assets contributed by AKM Holding GmbH & Co. KG and the recorded book value in the tax balance sheet of HAWESKO AG of these assets. Potential corrections to existing entitlements to corporate tax credits were, due to immateriality and for simplicity reasons, not considered. It was presumed that this differential (DM 181.8 million) represented goodwill to be depreciated over 15 years. With an allocation to assets depreciable within a shorter time, the resulting reduction of taxes would occur proportionately earlier. The differential for each respective interest is to be recorded in supplementary tax schedules of HAWESKO Holding AG.

In the opinion of the tax authorities, the additional tax depreciation potential as it relates to trade earnings tax cannot be considered. Therefore, an pro forma reduction for trade earnings tax was not recorded. The reduction was only applicable for corporation tax and the solidarity surcharge.

In total the pro forma tax reduction led to an increase in consolidated net income in the amount of DM 3,837,000 per year. The reduction is calculated from the corporation tax on the presumed occurrence of a full distribution (30% of DM 12,123,000 = DM 3,637,000) as well as reduced burden of the solidarity surcharge (5,5% of DM 3,637,000 = DM 200,000).

IV. Pro forma Cash Flow Statement of the Group

	1997	1996
	DM thou.	
1. **Net income**	20,197	19,659
./. advanced distribution [*]	–16,620	0
./. advanced distribution of pro forma – tax reduction taken into account in net income	–3,837	–3,837
	–260	15,822
2. Depreciation on intangible and tangible fixed assets	4,298	3,602
3. Increase/decrease in accruals	4,750	–7,219
4. Profit/loss on the disposal of fixed assets	21	–2
5. Increase/decrease in		
a) Inventories	–18,364	–10,142
b) Trade receivables	–4,328	–6,094
6. Increase/decrease in other assets	2,296	–2,817
7. Increase/decrease in [*]		
a) Liabilities to banks	18,187	12,304
b) Payments on account	2,019	4,232
c) Trade payables	2,648	2,054
d) Payables to affiliated companies	2	0
e) Other liabilities	14,526	1,420
8. **Cash from operating activities**	25,795	13,160
9. Deposits on the disposal of fixed assets	37	82
10. Payments for investments in fixed assets	–8,055	–3,282
11. **Cash used in investing activities**	–8,018	–3,200
12. Downpayment of long-term loans	–1,406	–407
13. Dividend payments to shareholders concerning previous year	–16,174	–15,993
14. **Cash used in financing activities**	–17,580	–16,400
15. Change in cash and cash equivalents	197	–6,440
16. Cash and cash equivalents at the beginning of the period	1,805	8,245
17. **Cash and cash equivalents at the end of the period**	2,002	1,805

* The advanced distribution was paid out in 1998 and therefore increased the liabilities at the balance sheet date in the form of designated appropriation of profits, with a corresponding reduction in net income.

The cash and cash equivalents of the pro forma Group correspond with the balance sheet item ''liquid funds''.

V. Details on Certain Other Facts

Number of employees

The number of employees in the companies included in the pro forma Group represents the average employees for each year:

	1997	1996	1995
Salaried employees	223	166.5	152
Industrial employees	102	61	61
	325	227.5	213

Compensation of managing directors and advisory council

The total compensation of managing directors and advisory councils active with the consolidated companies amount to:

	1997	1996	1995
		DM thou.	
Active managing director			
total compensation	3,385	3,214	2,512
granted advances and loans	690	–	350
Board members			
Total compensation	40	45	53
granted advances and loans	–	–	–

The granted advances and loans are made up of short-term loans to managing directors with a maturity of approximately one month for which an annual interest rate of 6.6% in 1995 and 6.0% in 1997 was charged. Interest was charged at market rates. The resulting interest income amounted to DM 4,000 in 1995 and DM 3,000 in 1997, respectively.

There have been no payments to former managing directors and board members.

The managing directors of the consolidated companies are or have been:

Alexander Margaritoff	(Hawesko, CWD)
Sven Ohlzen	(Hawesko, CWD, since 1 January 1998)
Bernd Hoolmans	(JWD)
Horst Schausberger	(JWD, since 15 September 1995)
Dimite Margaritoff	(Hawesko, CWD, up to 31 December 1997)
Fred Kreus	(JWD, up to 15 September 1995)

The following persons were members of the advisory council of Hawesko in the years under report 1995 to 1997:

Wolfgang Urban (chairman)
Günther Nawrath
Karl-Josef Baum
Jürgen J. Maas (chairman, up to 31 December 1995)

Since 23 December 1997 members of the Managing Board of HAWESKO Holding AG are:

Alexander Margaritoff (Chairman)
Sven Ohlzen
Bernd Hoolmans

Members of the supervisory board of the current HAWESKO Holding AG in fiscal year 1997 were:

Siegfried Kaske, Chairman
Dr. Wolf-Dietrich Loose
Lovro Mandac

List of Investment Holdings in Accordance with Section 313 Abs. 2 of the Commercial Code

	Share capital as at 31 December 1997	Percentage	Net income for the business year 1997	1996	1995
	DM thous.	%		DM thous.	
Consolidated Companies:					
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH, Hamburg	10,001	100	9,301	9,680	9,737
Jacques' Wein-Depot Wein-Einzelhandel GmbH, Düsseldorf	1,452	100	7,070	6,201	5,853
CWD Champagner und Wein Distributions-gesellschaft mbH, Hamburg	1,004	90	524	474	404
Non-consolidated companies:					
CW Champagner und Wein Importgesellschaft mbH, Hamburg	50	100	2	2	1
Chateaux et Domaines Importgesellschaft für französische Weine mbH, Hamburg*	50	100	–1	–1	–2

* Between the Company and the Hanseatisches Wein- und Sektkontor HAWESKO GmbH, Hamburg, a surrender-of-profit agreement was in force.

The list of investment holdings appended to the pro forma consolidated financial statements was drawn up pursuant to Section 313 Para. 2 German Commercial Code, since the pro forma financial statements are consolidated statements so that the provisions of the accounting principles for consolidated accounts, i.e. Section 290ff. German Commercial Code apply. The rule stated in Section 285 Nr. 11 German Commercial Code, on the other hand, refers to non-consolidated financial statements and is, therefore, pursuant to Section 298 German Commercial Code not considered to be applicable to consolidated financial statements, even by analogy.

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HAWESKO PRO FORMA-GROUP

MOVEMENT OF NON-CURRENT ASSETS IN THE FINANCIAL YEAR 1995

	Purchasing or manufacturing costs			
	Carry forward on 1 Jan 1995	Increases	Disposals	Status on 31 Dec 1995
	DM			
I. Intangible assets				
1. Industrial and similar rights	1,390,469.73	124,201.04	0.00	1,514,670.77
2. Goodwill	607,443.00	8,000,000.00	0.00	8,607,443.00
3. Payments on account	0.00	70,000.00	0.00	70,000.00
	1,997,912.73	8,194,201.04	0.00	10,192,113.77
II. Tangible assets				
1. Land and buildings including buildings on third party premises	13,760,806.59	0.00	0.00	13,760,806.59
2. Other equipment, factory and office equipment	10,272,196.33	3,485,259.69	325,176.88	13,432,279.14
	24,033,002.92	3,485,259.69	325,176.88	27,193,085.73
III. Financial assets				
1. Shares in affiliated companies	100,552.89	0.00	0.00	100,552.89
2. Other loans	0.00	130,000.00	0.00	130,000.00
	100,552.89	130,000.00	0.00	230,552.89
Total non-current assets	26,131,468.54	11,809,460.74	325,176.88	37,615,752.39

Accumulated depreciation				Book value	
Carry forward on 1 Jan 1995	Increases	Disposals	Status on 31 Dec 1995	Status on 31 Dec 1995	Status on 31 Dec 1994
		DM			
760,442.73	285,070.04	0.00	1,045,512.77	469,158.00	630,027.00
149,122.00	742,485.00	0.00	891,607.00	7,715,836.00	458,321.00
0.00	0.00	0.00	0.00	70,000.00	0.00
909,564.73	1,027,555.04	0.00	1,937,119.77	8,254,994.00	1,088,348.00
2,632,646.39	333,644.00	0.00	2,966,290.39	10,794,516.29	11,128,160.20
6,897,627.33	1,946,865.69	318,025.88	8,526,467.14	4,905,812.00	3,374,569.00
9,530,273.72	2,280,509.69	318,025.88	11,492,757.53	15,700,328.20	14,502,729.20
0.00	0.00	0.00	0.00	100,552.89	100,552.89
0.00	0.00	0.00	0.00	130,000.00	0.00
0.00	0.00	0.00	0.00	230,552.89	100,552.89
10,439,838.45	3,308,064.73	318,025.88	13,429,877.30	24,185,875.09	15,691,630.09

HAWESKO PRO FORMA-GROUP

MOVEMENT OF NON-CURRENT ASSETS IN THE FINANCIAL YEAR 1996

	Purchasing or manufacturing costs				
	Carry forward on 1 Jan 1996	Increases	Transfers	Disposals	Status on 31 Dec 1996
			DM		
I. Intangible assets					
1. Industrial and similar rights	1,514,670.77	433,085.70	70,000.00	574,950.73	1,442,805.74
2. Goodwill	8,607,443.00	375,000.00	0.00	217,443.00	8,765,000.00
3. Payments on account	70,000.00	0.00	-70,000.00	0.00	0.00
	10,192,113.77	808,085.70	0.00	792,393.73	10,207,805.74
II. Tangible assets					
1. Land and buildings including buildings on third party premises	13,760,806.59	539,912.87	3,528,846.77	42,815.61	17,786,750.62
2. Other equipment, factory and office equipment	13,432,279.14	1,934,378.54	-3,528,846.77	3,852,384.49	7,985,426.42
	27,193,085.73	2,474,291.41	0.00	3,895,200.10	25,772,177.04
III. Financial assets					
1. Shares in affiliated companies	100,552.89	0.00	0.00	0.00	100,552.89
2. Other loans	130,000.00	0.00	0.00	0.00	130,000.00
	230,552.89	0.00	0.00	0.00	230,552.89
Total non-current assets	37,615,752.39	3,282,377.11	0.00	4,687,593.83	36,210,535.67

Accumulated depreciation					Book value	
Carry forward on 1 Jan 1996	Increases	Transfers	Disposals	Status on 31 Dec 1996	Status on 31 Dec 1996	Status on 31 Dec 1996
			DM			
1,045,512.77	319,168.70	0.00	574,913.73	789,767.74	653,038.00	469,158.00
891,607.00	673,678.00	0.00	217,443.00	1,347,842.00	7,417,158.00	7,715,836.00
0.00	0.00	0.00	0.00	0.00	0.00	70,000.00
1,937,119.77	992,846.70	0.00	792,356.73	2,137,609.74	8,070,196.00	8,254,994.00
2,966,290.39	623,807.53	1,934,567.77	36,005.27	5,488,660.42	12,298,090.20	10,794,516.20
8,526,467.14	1,984,961.54	-1,934,567.77	3,778,401.49	4,798,479.42	3,186,947.00	4,905,812.00
11,492,757.53	2,608,789.07	0.00	3,814,406.76	10,287,139.84	15,485,037.20	15,700,328.20
0.00	0.00	0.00	0.00	0.00	100,552.89	100,552.89
0.00	0.00	0.00	0.00	0.00	130,000.00	130,000.00
0.00	0.00	0.00	0.00	0.00	230,552.89	230,552.89
13,429,877.30	3,601,335.77	0.00	4,606,763.49	12,424,749.58	23,785,786.09	24,185,875.09

HAWESKO PRO FORMA-GROUP

MOVEMENT OF NON-CURRENT ASSETS IN THE FINANCIAL YEAR 1997

	Purchasing or manufacturing costs			
	Carry forward on 1 Jan 1997	Increases	Disposals	Status on 31 Dec 1997
	DM			
I. Intangible assets				
1. Industrial and similar rights....	1,442,805.74	181,512.13	349,600.00	1,274,717.87
2. Goodwill	8,765,000.00	0.00	0.00	8,765,000.00
	10,207,805.74	181,512.13	349,600.00	10,039,717.87
II. Tangible assets				
1. Land and buildings including buildings on third party premises	17,786,750.62	4,285,682.00	48,175.92	22,024,256.70
2. Other equipment, factory and office equipment	7,985,426.42	3,488,590.55	1,838,028.16	9,635,988.81
3. Payments on account and assets under construction	0.00	98,739.68	0.00	98,739.68
	25,772,177.04	7,873,012.23	1,886,204.08	31,758,985.19
III. Financial assets				
1. Shares in affiliated companies	100,552.89	0.00	0.00	100,552.89
2. Other loans	130,000.00	0.00	868.00	129,132.00
	230,552.89	0.00	868.00	229,684.89
Total non-current assets...............	36,210,535.67	8,054,524.36	2,236,672.08	42,028,387.95

Accumulated depreciation				Book values	
Carry forward on 1 Jan 1997	Increases	Disposals	Status on 31 Dec 1997	Status on 31 Dec 1997	Status on 31 Dec 1996
			DM		
789,767.74	360,657.13	349,600.00	800,824.87	473,893.00	653,038.00
1,347,842.00	581,179.00	0.00	1,929,021.00	6,835,979.00	7,417,158.00
2,137,609.74	941,836.13	349,600.00	2,729,845.87	7,309,872.00	8,070,196.00
5,488,660.42	675,631.00	48,173.92	6,116,117.50	15,908,139.20	12,298,090.20
4,798,479.42	2,680,845.26	1,781,001.87	5,698,322.81	3,937,666.00	3,186,947.00
0.00	0.00	0.00	0.00	98,739.68	0.00
10,287,139.84	3,356,476.26	1,829,175.79	11,814,440.31	19,944,544.88	15,485,037.20
0.00	0.00	0.00	0.00	100,552.89	100,552.89
0.00	0.00	0.00	0.00	129,132.00	130,000.00
0.00	0.00	0.00	0.00	229,684.89	230,552.89
12,424,749.58	4,298,312.39	2,178,775.79	14,544,286.18	27,484,101.77	23,785,786.09

Summary of Significant Differences between German Generally Accepted Accounting Principles (German GAAP), United States Generally Accepted Accounting Principles (U.S. GAAP) and International Accounting Standards (IAS)

Certain financial data for the years 1995 to 1997 of HAWESKO Holding AG included in this Offering Circular have been prepared in accordance with the German Commercial Code (HGB), which represents generally accepted accounting principles in Germany. German GAAP differs in certain respects from U.S. GAAP and from the standards proposed by the International Accounting Standards Committee (IASC).

The following represents a summary of certain significant differences between German GAAP, U.S. GAAP and IAS. This summary does not elaborate on all differences between German GAAP, U.S. GAAP and IAS which are of importance for the preparation of financial statements. Furthermore, the following does not show all differences which have an influence on the assets and liabilities, financial and earnings position of HAWESKO Group for the periods mentioned above.

Basis of financial statement preparation

The basis of financial statement preparation according to German GAAP differs from that of U.S. GAAP and IAS.

Given that under German law a company's financial statements prepared for commercial purposes are also the basis for its tax accounts, tax considerations influence their preparation considerably. Companies, therefore, may tend to apply more conservative valuation methods in their financial statements. While the principle of conservatism and the protection of creditors is the basis for German GAAP, the preparation of information necessary for shareholder decision making is the basis for U.S. GAAP and IAS.

Hence, the comparability of annual as well as interim financial statements from year to year plays a more important role in U.S. GAAP and IAS than in German GAAP.

Goodwill

Under German GAAP the difference between the cost of acquisition and the fair value of the identifiable assets arising from an acquisition (goodwill) can be written off immediately to capital reserves, or be capitalized and amortized to expense over its useful life, usually between 5 and 15 years, the maximum allowed by tax law.

Under U.S. GAAP, goodwill is recorded as an asset at cost and amortized systematically over its estimated useful life, not to exceed 40 years.

Under IAS, goodwill is recorded as an asset at cost and generally amortized over 5 years unless a longer period, not to exceed 20 years, can be justified.

Tangible fixed assets

Under German GAAP, companies may depreciate tangible fixed assets (property, plant and equipment) based upon depreciation rates set by German tax law.

Under U.S. GAAP and IAS, tangible fixed assets are generally depreciated on a straight-line basis over their estimated useful life. Generally, a lower net book value under German GAAP as compared to U.S. GAAP and IAS results.

According to IAS, tangible fixed assets may also be reported at a revalued amount, which represents the fair value at the date of revaluation, less any subsequent accumulated depreciation. Revaluation increases result in corresponding increases in the ''reserves from revaluation''. An increase in the value will be shown as profit up to the extent that a previous revaluation led to depreciation in the statement of operations.

Leases

Under German GAAP, leasing transactions are generally not recorded on the balance sheet of the lessee conforming to the treatment by German tax authorities. Consequently, leasing charges are shown as an expense in the lessee's statement of operations. The leased assets are recorded on the lessors's balance sheet.

Under U.S. GAAP , a ''capital lease'' (a lease that meets specified criteria designed to determine whether substantially all of the risks and rewards of ownership of the leased asset are transferred to the lessee) is recorded as an asset and obligation at the lower of fair market value or the present value of future minimum lease payments on the lessee's balance sheet, and systematically amortized to expense. Conversely, on a lessor's balance sheet capital lease receivables are recorded. All other leases are classified as ''operating leases'', and their costs are expensed as incurred in the lessee's statement of operations.

The criteria under IAS are less defined than under U.S. GAAP. Nevertheless, IAS also tends to lead to the recognition of a leased asset on the lessee's rather than on the lessor's balance sheet where the lease contract transfers the rights and rewards of ownership of the leased assets to the lessee.

Accrued liabilities

German GAAP requires the recognition of accruals for uncertain liabilities and provisions for contingencies. The amount of these accruals or provisions is determined by a reasonable and prudent estimate reflecting the expected expenses. Loss contingencies take into consideration all internal expenses, including indirect selling and administrative expenses. Provisions for uncertain liabilities are recognized as soon as a liability exists legally, or at least economically.

Under German GAAP, accruals are also recognized for specified expenses for the year ended or a previous year, if the cause for these expenses is probable or certain, even though their exact amount or the due date has not yet been determined.

Under U.S. GAAP and IAS, a provision for loss contingency is recorded by a charge to income, if it is both probable that an asset has been impaired or a liability has been incurred, and the (minimum) impairment or loss can be reasonably estimated. Unspecified liability reserves for future losses, costs, or risks do not meet the condition for accrual under U.S. GAAP and IAS. Taking into account that under German law tax considerations considerably influence the preparation of financial statements, the application of German GAAP may lead to higher accrual balances and reserves for possible risks than allowed under U.S. GAAP and IAS. However, these provisions, reserves and valuation adjustments may be subsequently released, causing higher profits in those subsequent periods.

Pension accruals

Under German GAAP, pension accruals are generally recorded at the projected benefit obligation as determined by actuarial principles, considering current salary and pension levels at the balance sheet date, and a discount rate of 6% (entry age normal period).

Under US GAAP and IAS, pension accruals are determined by the accrued benefit valuation method considering long term future wage and pension level trends and the capital market rate at the balance sheet date (US GAAP) or the long term capital market rate (IAS).

Under IAS, the projected benefit valuation method can be used as allowed alternative treatment.

Foreign currency receivables and liabilities

Under German GAAP, unrealized losses but not unrealized gains are recorded. Foreign currency receivables and liabilities are valued at the exchange rate in effect on the transaction date or the balance sheet date, whichever is more conservative.

Under U.S. GAAP, foreign currency receivables and liabilities are valued at the exchange rate on the balance sheet date. Both unrealized gains and unrealized losses are recorded.

Under IAS, monetary currency assets and liabilities are valued at the exchange rate on the balance sheet date, while non-monetary items carried at historical cost or fair value are valued at the exchange rate on the date of transaction or the valuation date, respectively.

X. RECENT DEVELOPMENT AND OUTLOOK

Development of Business in the First Quarter of 1998

Fiscal 1998 began very successfully for the HAWESKO Group. In the first quarter of fiscal 1998, consolidated net sales increased to DM 73.5 million, a growth rate of 16.8%. In the same period of the prior year, consolidated net sales totalled DM 62.9 million. The results from ordinary business activities increased by 43.2% to DM 9.4 million (prior year: DM 6.6 million).

The mail-order business, in particular, contributed to the improvement of the results. Compared to the corresponding period of the preceding year, the results from ordinary business activities increased by 55.4%. This may be attributed largely to the measures implemented to recruit new customers, to additional advertisement and to seasonal fluctuations that led to a higher sales volume in the first quarter, i.e. Easter was one week later than last year, in April. However, this will be evened out in the second quarter.

In the first quarter of 1998, around 15,100 new customers were recruited in the mail-order business, as compared to 22,400 new customers in the preceding year. The reduced acquisition of new customers coupled with a focus on customer groups with high sales and revenue potential corresponds to the Company's plans. The higher quality of the new customers is confirmed by the more than proportional improvement in sales and margins reflected in new orders. Compared to the prior year, sales per new customer were 61.3% higher and gross proceeds 64.8% higher. Sales and gross margin also improved in connection with orders by existing customers.

In the retail store business, six new stores were opened in the first quarter of 1998 (prior year: one store). The total number of stores now totals 136. The result from ordinary business activities in retail stores increased by 13.3%.

Traditionally, results are especially strong in the first and fourth quarters, largely because of the mail-order business. In the summer months, on the other hand, sales and results of this magnitude cannot be expected. The result of the third quarter, in particular, is marked by costs associated with the upcoming Christmas season. The results achieved in the first quarter cannot, therefore, be extrapolated to the whole year.

Prospects

The wine market is not expected to be affected by the subdued demand for alcoholic beverages in 1998 and to continue to grow, particularly in the price range relevant to the HAWESKO Group (from DM 7 per bottle). HAWESKO Holding AG, with its three distribution channels (mail-order, retail stores and wholesale) expects to profit from this trend more than proportionately and to continue its steady growth in fiscal 1998. The Company does not expect any material changes in its cost structure, except the one-time charge of DM 4 million for the listing of its shares on the Stock Exchanges and the lease payments for the storage system which will be payable in full for the first time in fiscal 1998.

Based on Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG 's focus on the recruitment of new customers, Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG's continuing expansion of its network of stores, and CWD Champagner und Wein Distributionsgesellschaft mbH & Co. KG's attracting of new customer groups, HAWESKO Holding AG believes that the favorable sales and net income growth trends of the prior year will continue in fiscal 1998.

The ability of the Company to distribute dividends and the amount of a given dividend payment generally, depend on the financial results achieved in the relevant year, on the financial position of the Company, its liquidity requirements, its prospects as well as the tax and other general conditions. For fiscal 1998 the Executive Board of the Company is aiming to distribute approximately 50% of net income.

Hamburg, May 26, 1998

HAWESKO Holding
Aktiengesellschaft

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HAWESKO
HOLDING AG

HAWESKO Holding Aktiengesellschaft

Hamburg

DM 13,310,000 bearer shares from holdings of existing shares
2,662,000 shares without par value

up to DM 1,650,000 bearer shares from holdings of existing shares (''Greenshoe'')
up to 330,000 shares without par value

Deutsche Bank
Aktiengesellschaft

Bayerische Vereinsbank
Aktiengesellschaft

Commerzbank
Aktiengesellschaft

DG BANK
Deutsche Genossenschaftsbank

Dresdner Bank
Aktiengesellschaft

M.M. Warburg & Co
Kommanditgesellschaft auf Aktien

Westdeutsche Landesbank Girozentrale