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Hawesko Holding AG

Hamburg

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Six-month report to 30 June 2006

Hamburg, 26 July 2006

Highlights in € (millions)

	Six months (1.1.–30.6.)			2nd quarter (1.4.–30.6.)		
	<u>2006</u>	<u>2005</u>	<u>+/-</u>	<u>2006</u>	<u>2005</u>	<u>+/-</u>
Group sales	132.9	123.0	+8.1%	63.9	60.8	+5.1%
Result from operations (EBIT)	4.9	3.2	+54.1%	1.9	1.2	+60.9%
Consolidated earnings	2.8	0.9	+210.1%	0.9	0.1	+600.0%

Dear shareholders,

At the half-year point, we can draw some very positive conclusions. After six months, the wine market overall has fought its way back up to a slight increase, after posting a decline of 0.5% at the end of three months according to a GfK survey. In contrast, Hawesko grew by 8% in the first six months and is thus well ahead of the overall market development. Our focus on premium wines is paying off. We have done better than the market for many years and continuously strengthened our position. This is once again reflected in the earnings figures for the current fiscal year, which document outstanding development in the first six months with an increase of 54% in EBIT and more than tripling of the consolidated result.

In the meantime, the mood in Germany has brightened considerably. The ifo business climate index unexpectedly rose once again at the end of June, reaching a 15-year high. The GfK consumption climate index was likewise at its highest point in four-and-a-half years at the end of June. Of course, this solid progress still has to spread out all across the country, but it is a good start. I wish for all of us that wise decisions will be made by the politicians to support these developments.

At the Hawesko Group, the positive upswing is revealed not only in the figures you see in this report, but also in our day-to-day business. The wholesale segment is doing extremely well – on the solid foundation of a regular product range which has been meticulously built up over many years and continuously complemented with newly acquired exclusive wines, as we have again recently demonstrated. In the mail order segment, profitability has been increased, its structure is being continuously adapted to the market conditions and oriented to meet the challenges of the future. At *Jacques' Wein-Depot* we are once again accelerating our expansion and have increased our target to roughly ten new openings per year. Customer frequency has risen in the existing Depots, and we are pleased about the increases in like-for-like sales. The new specialty retail concept, *multiwein*, is making good progress in the search for locations. We are looking forward to opening three *multiwein* stores by the end of the year, and currently have several more locations in



the pipeline. In short: We have been doing our homework diligently for years and are now reaping the fruits of our work, as this interim report amply demonstrates.

Thus, for instance, we currently see more opportunities to grow than in the past one-and-a-half years. Growth by acquisition is an additional option – our financial structure gives us a wide variety of possibilities. However, we are focusing primarily on organic growth, which we want to accomplish profitably. A good example of this is provided by our new operations in the Czech Republic, which, although still in its infancy, is posting high growth rates with impressive profits.

The quality of our company has been revealed in both good and difficult times. It reveals itself in the daily work of each and every staff member, each and every Depot partner and each sales agency in the wholesale segment. This quality has also been reflected in the share price over the last several months. The Hawesko share in particular has demonstrated great stability in a financial market environment which has been very volatile recently.

We are optimistic about the second half of the year.

Best regards

Alexander Margaritoff
CEO

Sales and Result

Second quarter

In the second quarter of fiscal year 2006 (April to June), the Hawesko Group increased its sales by 5.1% compared to the same quarter in the previous year, achieving € 63.9 million after € 60.8 million in the previous year. Sales development in the individual business segments in the quarter under review progressed as described below: The specialist wine-shop segment (*Jacques' Wein-Depot*) achieved sales of € 22.7 million, an increase of 3.4% over the same quarter of the previous year (€ 22.0 million). Sales in the wholesale segment rose by 20.7% from € 21.8 million to € 26.4 million. The mail order segment posted sales of € 14.7 million, 12.2% less than in the previous year (€ 16.7 million).

Sales in the specialist wine-shop segment (*Jacques' Wein-Depot*) rose even in the month of June – during the World Cup soccer championships. As per 30 June 2006, there were 260 *Jacques' Wein-Depots*, ie, two more than in the preceding quarter and five more than on the same reporting date in the previous year. One new location had been leased, but not yet opened. At the close of the six-month period there were six Depots (previous year: seven) operating in Austria. On a like-for-like basis, sales increased by 3.1% compared with the second quarter of 2005. Compared to that period, customer frequency as well as the average purchase receipt rose in the quarter under review. The number of active customers was increased once again.

In the wholesale segment, the sales increase against the previous year's period was distributed among products from numerous growers. Champagne was particularly in demand. The Bordeaux-based subsidiary *Chateau Classic – Le Monde des Grandes Bordeaux* posted especially strong results. Sales in this segment benefited to some degree from the World Cup soccer championships, but even more from the work of the last two years: clearer definition of strategy in each of the subsidiaries as well as gaining important new exclusive distribution arrangements with strong, top-level producers.

The decline in sales in the mail order segment was precipitated mainly by two advertising mailings in the quarter under review which did not achieve the desired response rates. Despite this, the effects on the operating result were limited, as structural adjustments ensured that profitability was increased. The *VinoSelect* wine club was once again expanded as planned. The number of active mail order customers declined; the number of orders and the number of bottles ordered declined

somewhat more. The average price per bottle sold continued to rise. Sales made via the Internet increased by 2% in the second quarter of 2006 compared to the same quarter of the previous year.

Consolidated gross profit in the second quarter declined relative to sales by 0.3 percentage points compared to the same period in the previous year to 40.7%. This is due to the higher portion of wholesale sales in consolidated sales. The other operating income of € 3.1 million (same quarter of the previous year: € 3.0 million) consisted for the most part of rental and leasing income at *Jacques'* as well advertising allowances. The other capitalised own assets of € 0.2 million were related to the introduction of a new SAP-based merchandising system. Personnel expenses in the second quarter remained in absolute terms at the level of the previous year, despite the increase in sales; relative to sales they declined by 0.5 percentage points, because structural measures in the mail order segment and better utilisation of capacity in the wholesale segment took effect. The other operating expenses included primarily expenditures for advertising, delivery costs and commissions. With regard to advertising expenditures, the cost ratio relative to sales declined by 9.6% to 8.2% based on a more targeted approach to customers. Mail order expenses were reduced from 4.0% to 3.7% of sales. Expenditures for commissions remained stable relative to sales at 8.9%. Overall, other operating expenses amounted to € 19.4 million (same quarter of the previous year: € 19.0 million) and once again rose less than sales. The Group's operative (EBIT) margin rose over that of the previous year from 1.9% to 3.0%.

The result of operations (EBIT) in the Group rose to € 1.9 million in the second quarter of 2006 and was thus 60.9% above that of the comparable quarter in the previous year (€ 1.2 million). The specialist wine-shop segment (*Jacques' Wein-Depot*) achieved an operating result of € 2.2 million (same quarter in the previous year: € 2.0 million); this includes, in the quarter under review, start-up costs of nearly € 0.2 million for the development of the new *multiwein* specialty store concept. The operating result in the wholesale segment rose from € 0.6 million to € 0.8 million, despite a non-recurring expenditure of € 0.3 million from the adjustment on a receivable from a services supplier. The mail order segment posted a slightly positive operating result (previous year: € -0.5 million), as reduced advertising and personnel costs largely compensated for the decline in sales.

The reduction in financial indebtedness once again reduced interest expenditures: this time to € 0.4 million, down from € 0.5 million in the same quarter of the previous year. The effects of the application of International Financial Reporting Standards (IFRS, primarily IAS 39 "Fair value valuation" and IAS 32; with regard to the latter, see Note 3 to the Group accounts in the 2005 Annual Report) relieved the burden on the financial result with a positive effect of € 0.1 million (same quarter of the previous year: negative effect of € 0.4 million). The result before taxes on income thus improved proportionally greater than the EBIT increase, to € 1.7 million (€ 0.3 million). The tax expenditures were reduced from 54.6% in the same period of the previous year to 40.8% in the period under review. The consolidated earnings after taxes and deductions for minority interests thus amounted to € 1.0 million (previous year: € 0.1 million). The profit per share amounted to € 0.21, up from € 0.03 in the previous year. This is based on the number of 4,402,998 shares in the period under review (previous year: 4,416,496).

First six months

In the first six months of fiscal year 2006, the Group posted sales of € 132.9 million, which represents an increase of 8.1% over the first six months of the previous year. The gross margin declined by just under one percentage point due to the higher weighting of the wholesale segment. The result from operations (EBIT) amounted to € 4.9 million, 54.1% above the EBIT of the same period in the previous year (€ 3.2 million).

The reduction in financial debt improved the interest result to € -0.6 million (same period in the previous year: € -0.9 million). The positive effect of € 0.6 million resulting from the application of IFRS (primarily IAS 39 "Fair value measurement" and IAS 32; with regard to the latter, see Note 3 to the Group accounts in the 2005 Annual Report) meant that overall only a very small charge from the financial result was incurred (previous year: negative effect of € -0.5 million). The result before taxes on income increased by € 3.1 million to € 4.9 million. After application of the estimated tax rate for the entire year (40.8%), consolidated earnings after taxes and minority interests was € 2.8 million (€ 0.9 million) for the first six months. The profit per share amounted to € 0.64,

compared to €0.21 for the first six months of the previous year. This is based on the number of 4,402,998 shares in the period under review (previous year: 4,416,496).



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Balance Sheet

The balance sheet total at 30 June 2006 was €143.9 million. This represents a decrease compared to the figure at 31 December 2005 as well as the figure at 30 June 2005, by €18.7 million and €4.3 million, respectively. This is due primarily to the decline in trade receivables compared to the figure at 31 December 2005 by €17.6 million to €21.1 million, as well as the decline in cash in banking accounts and cash on hand, which fell by €3.0 million. Trade receivables typically reach their highest level at 31 December. At 30 June 2006, inventories had risen by €3.8 million compared to the end of the fiscal year, primarily for reasons of seasonality. However, compared with the level at 30 June 2005, they were reduced by €3.6 million.

Shareholders' equity declined by €5.9 million compared to the figure at 31 December 2005; this was due to the payment of the dividend. The combined long- and short-term borrowings rose by €12.0 million in the period under review for reasons of seasonality, but declined by €6.9 million compared to the figure at 30 June 2005. Trade payables decreased for reasons of seasonality to €28.4 million.

Capital spending and investment in the first six months of 2006 amounted to €3.4 million (same period in the previous year: €1.6 million). This is related mainly to an SAP-based merchandising system which is currently being implemented, to further IT investments in the mail order segment and logistics area, to fixtures and fittings at *Jacques' Wein-Depot* as well as to replacement of fixed assets.

Cash flow statement

Cash flow from current operations amounted to €-2.0 million for the period under review and was thus below the figure for the same period of the previous year (€0.3 million). This is due primarily to the reduction in liabilities. Free cash flow in the first half of 2006 of €-5.8 million (same period in the previous year: €-2.7 million) was calculated from the net outflow of payments from current operations (€-2.0 million) less funds employed for investing activities (€3.4 million) and interest paid out (€0.7 million). Because of the typical seasonal influences on the course of business throughout the year, free cash flow at the half-year point is usually negative.

Outlook

Hawesko's management board confirms that the targets for the full fiscal year of 2006 remain valid: an increase in sales (previous year's sales: €287 million) and an increase in EBIT from existing operations. In the first six months of 2006, early indicators such as the ifo business climate index and the GfK consumption climate index show that private consumption in Germany is reviving. Should the upturn in the economic cycle and consumer mood be sustained throughout 2006, including the Christmas season, then the opportunity would open up for Hawesko Group to achieve sales growth above the level anticipated up until now, which has been in the low single-digit percentage range.

It is assumed that expenditures for the start-up of new activities – in particular for the first pilot stores with the new specialist retail concept *multiwein*, which will be opening in September – will place a burden of approximately €0.7 million on the EBIT for 2006. In view of the positive development of the business figures in 2006 up until now, the management board believes that there is a good chance that the EBIT will be close to the previous year's level (€18.9 million) despite these additional expenditures. This is based on the assumption that business in the second half of the year proceeds normally, particularly in the all-important fourth quarter.

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Profit and loss statement for the second quarter of 2006 (as per IFRS)

(in € millions, rounding differences are possible)

	1.4.–30.6. 2006	1.4.–30.6. 2005
Sales revenue	63.9	60.8
Decrease (increase) in finished goods inventories	–0.0	0.0
Other production for own assets capitalised	0.2	—
Other operating income	3.1	3.0
Cost of purchased goods	–37.9	–35.8
Personnel expenses	–6.8	–6.7
Depreciation and amortisation	–1.1	–1.1
Other operating expenses	<u>–19.5</u>	<u>–19.0</u>
Result from operations (EBIT)	1.9	1.2
Financial result		
Interest earnings/expenditures	–0.4	–0.5
Earnings/expenses from the fair-value valuation and IAS 32	0.1	–0.4
<u>Investment income</u>	<u>–0.0</u>	<u>0.1</u>
Result before taxes on income	1.7	0.3
Taxes on income and deferred tax expenses	<u>–0.7</u>	<u>–0.2</u>
Result after taxes	1.0	0.1
Profit due to minority interests	<u>–0.0</u>	<u>–0.0</u>
Consolidated earnings	<u>0.9</u>	<u>0.1</u>
Earnings per share (in €)	0.21	0.03
Average number of shares in circulation (Numbers in thousands)	4,403	4,416

Hawesko Holding AG

Profit and loss statement for the first six months of 2006 (as per IFRS)

(in € millions, rounding differences are possible)

	1.1.–30.6. 2006	1.1.–30.6. 2005
Sales revenue	132.9	123.0
Decrease (increase) in finished goods inventories	0.1	0.1
Other production for own assets capitalised	0.4	—
Other operating income	5.9	5.6
Cost of purchased goods	-79.8	-72.6
Personnel expenses	-13.4	-13.4
Depreciation and amortisation	-2.2	-2.2
Other operating expenses	<u>-38.9</u>	<u>-37.2</u>
Result from operations (EBIT)	4.9	3.2
Financial result		
Interest earnings/expenditures	-0.6	-0.9
Earnings/expenses from the fair-value valuation and IAS 32	0.6	-0.5
<u> Investment income</u>	<u>—</u>	<u>0.1</u>
Result before taxes on income	4.9	1.8
Taxes on income and deferred tax expenses	<u>-2.0</u>	<u>-0.9</u>
Result after taxes	2.9	0.9
Profit due to minority interests	<u>-0.1</u>	<u>-0.0</u>
Consolidated earnings	<u>2.8</u>	<u>0.9</u>
Earnings per share (in €)	0.64	0.21
Average number of shares in circulation (Numbers in thousands)	4,403	4,416



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Hawesko Holding AG			
Consolidated balance sheet (as per IFRS)			
(in € millions, unaudited, Rounding differences are possible)	30.6.2006	31.12.2005	30.6.2005
<u>Assets</u>			
<u>Long-term assets</u>			
Intangible fixed assets	10.1	8.5	7.2
Tangible assets	23.7	24.3	24.6
Financial assets	0.3	0.2	0.2
Advance payments for inventories	1.4	3.2	1.7
Receivables and other assets	1,1	1,1	1.0
Deferred tax liabilities	<u>17.3</u>	<u>19.2</u>	<u>19.7</u>
	53.8	56.6	54.5
<u>Current assets</u>			
Inventories	61.4	57.5	65.0
Trade receivables	21.1	38.7	19.1
Other current assets	3.5	2.6	3.4
Cash in banking accounts and cash on hand	<u>4.1</u>	<u>7.2</u>	<u>6.2</u>
	90.1	106.0	93.7
	<u>143.9</u>	<u>162.6</u>	<u>148.2</u>
<u>Shareholders' equity and liabilities</u>			
<u>Shareholders' equity</u>			
<i>Subscribed capital of Hawesko Holding AG</i>	13.2	13.2	13.2
<i>Group adjustment according to IFRS</i>	<u>-4.4</u>	<u>-4.4</u>	<u>-4.4</u>
	8.9	8.9	8.9
Capital reserve	5.9	5.9	5.8
Revenue reserve	35.3	33.0	32.8
Balancing item from currency translation	-0.0	0.0	-0.0
Unappropriated group profit	14.1	22.4	12.6
Minority interests	<u>0.4</u>	<u>0.3</u>	<u>0.2</u>
	64.5	70.4	60.3
<u>Minority interest in the capital of unincorporated subsidiaries</u>	2.5	3.0	2.6
<u>Long-term provisions and liabilities</u>			
Provisions for pensions	0.7	0.7	0.5
Other long-term provisions	0.2	0.3	0.2
Borrowings	12.3	13.1	14.3
Advances received	0.8	2.4	2.4
Other liabilities	0.9	2.1	0.1
Deferred tax liabilities	<u>0.8</u>	<u>0.6</u>	<u>0.8</u>
	15.7	19.2	18.3
<u>Short-term provisions and liabilities</u>			
Short-term provisions	—	0.0	—
Borrowings	19.1	6.3	24.0
Advances received	3.2	5.2	4.4
Trade payables	28.4	38.2	25.7
Other liabilities	<u>10.3</u>	<u>20.3</u>	<u>12.9</u>
	61.1	70.0	67.0
	<u>143.9</u>	<u>162.6</u>	<u>148.2</u>



Hawesko Holding AG
Consolidated Cash Flow Statement (as per IFRS)

(in € millions, unaudited,
Rounding differences are possible)

	1.1.–30.6. 2006	1.1.–30.6. 2005
Result before taxes on income	4.9	1.8
Depreciation of intangible and tangible assets	2.2	2.2
Interest result	0.0	1.4
Result from the disposal of intangible and tangible assets	–0.0	–0.0
Change in inventories	–2.1	–3.3
Change in other short-term assets	18.2	17.1
Change in provisions	–0.0	–0.9
Change in liabilities (excluding borrowings)	–23.8	–16.2
Taxes on income paid out	<u>–1.4</u>	<u>–1.7</u>
Net inflow of payments from current operations	–2.0	0.3
Acquisition of subsidiaries	–0.0	—
Outpayments for tangible and intangible assets	–3.4	–1.6
Inpayments from the disposal of intangible and tangible assets	0.2	0.1
Inpayments from the disposal of financial assets	<u>0.0</u>	<u>0.0</u>
Net funds employed for investing activities	–3.2	–1.6
Outpayments for dividends	–8.8	–5.5
Outpayments to minority interests	–0.5	–0.3
Payment of finance lease liabilities	–0.5	–0.5
Change in borrowings	12.5	6.0
Interest paid out	<u>–0.7</u>	<u>–1.5</u>
Outflow of net funds for financing activities	2.1	–1.7
Net decrease of funds	–3.1	–3.0
Funds at start of period	7.2	9.1
Funds at end of period	4.1	6.2



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Consolidated statement of changes in equity

in € millions, unaudited,
Rounding differences are
possible

	Subscribed capital	Capital reserve	Revenue reserves	Adjustment resulting from currency translation	Unapprop riated group profit	Minority interests	Total
Status as of 1 January 2005	8.9	5.9	30.6	-0.0	19.9	0.2	65.4
Appropriation to revenue reserves	—	—	2.7	—	-2.7	—	—
Treasury shares	—	—	-0.5	—	—	—	-0.5
Dividends	—	—	—	—	-5.5	-0.0	-5.5
Currency translation differences	—	—	—	-0.0	—	0,0	0,0
Period profit	—	—	—	—	0.9	0,0	0.9
Status as of 30 June 2005	8.9	5.9	32.8	-0.0	12.6	0.2	60.3
Status as of 1 January 2006	8.9	5.9	33.0	0.0	22.4	0.3	70.4
Appropriation to revenue reserves	—	—	2.4	—	-2.4	—	—
Treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	-8.8	-0.0	-8.8
Currency translation differences	—	—	—	-0.0	—	-0.0	-0.0
Period profit	—	—	—	—	2.8	0.1	2.9
Status as of 30 June 2006	8.9	5.9	35.3	-0.0	14.1	0.4	64.5



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Segment results for the 2nd quarter (in € millions, rounding differences are possible)					
1.4.–30.6.2006	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	22.7	26.4	14.7	0.1	63.9
Operating result (EBIT)	2.2	0.8	0.0	-1.1	1.9
1.4.–30.6.2005	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	22.0	21.8	16.7	0.2	60.8
Operating result (EBIT)	2.0	0.6	-0.5	-0.9	1.2

Six-month segment results (in € millions, rounding differences are possible)					
1.1.–30.6.2006	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	44.7	51.3	36.8	0.2	132.9
Operating result (EBIT)	3.8	1.6	1.3	-1.8	4.9
1.1.–30.6.2005	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	43.3	42.1	37.3	0.4	123.0
Operating result (EBIT)	3.7	1.1	0.2	-1.8	3.2

Notes to the Six-month Report to 30 June 2006

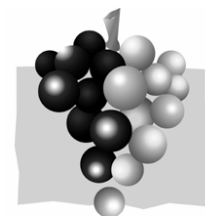
General principles: This report was written in accordance with International Accounting Standard (IAS) 34 according to the requirements of the current guidelines of the International Accounting Standards Board (IASB), London. This report is unaudited.

Consolidation: The consolidated group of Hawesko Holding AG remains unchanged from that listed in the 2005 balance sheet.

Balance sheet and valuation principles: (1) The balance sheet and valuation methods used correspond as a rule to those applied in the last consolidated balance sheet at the end of the fiscal year. A detailed discussion of these methods was published in the annual report for 2005. (2) Cyclical events which occur during the year, insofar as they are important, are accrued based on corporate planning.

Other information: (1) Events of particular significance for the evaluation of the assets, finances and earnings of Hawesko Holding AG and the Group – as defined in IAS 10 – did not occur after the conclusion of the period under review. (2) No unforeseen development costs were incurred during the period under review. (3) The order situation remains satisfactory. (4) No changes have occurred in the composition of the management board to the date of the writing of this report. (5) The number of shares held by members of the supervisory board remains unchanged from 31 December 2005. At the writing of this report the number of shares and thus the number of votes

held by the members of the management board declined by 2.328 to 1.340.498.
(6) Hawesko Holding AG currently holds 13.498 treasury shares.



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Other information	1.1.–30.6. <u>2006</u>	1.1.–30.6. <u>2005</u>
Employees (average during the period)	533	556

Calendar:

Presentation at the DVFA	
SCC_Small Cap Conference, Frankfurt am Main	30 August 2006
Third Quarter/Nine-month Report	26 October 2006
Preliminary report on fiscal year 2006	End of January/Early February 2007

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