



Hawesko Holding AG

Hamburg

ISIN DE0006042708

Reuters HAWG.DE, Bloomberg HAW GR

Nine-month report to 30 September 2003

Hamburg, 29 October 2003

Highlights

in € (millions)

	3rd Quarter (1.7.–30.9.)			Nine months (1.1.–30.9.)		
	<u>2003</u>	<u>2002</u>	<u>+/-</u>	<u>2003</u>	<u>2002</u>	<u>+/-</u>
Group sales	59.1	57.8	+2%	183.7	171.5	+7%
Result from operations (EBIT)	1.0	1.5	-37%	4.3	5.2	-19%
Consolidated earnings	0,1	0,1	+35%	1,3	1,2	+6%

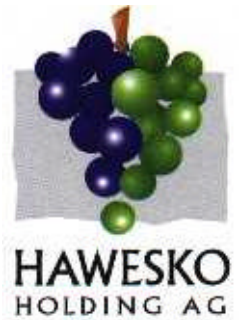
Dear shareholders,

In the period between July and September 2003 the Hawesko Group once again posted an increase in quarterly sales compared to the same period one year ago. With the growth just achieved (2%) we have continued our successful run, sustained since the third quarter of the previous year. This indicates to us that we have chosen the correct methods to meet the challenges posed by the market. These challenges include in particular the ongoing high level of consumer restraint, but also the excessive heat wave of the "summer of the century", which was overall not very beneficial for wine sales. In the first nine months of 2003 we achieved sales growth of 7% over the previous year.

The Hawesko Group is thus continuously increasing its share of the market. In the mail order/e-commerce segment, numerous new customers have expanded the customer base, and customer orders have increased significantly. In stationary specialist retail (*Jacques' Wein-Depots*), as well, there are more new customers and the purchasing frequency has increased, so that sales have increased here once again. In the wholesale segment, despite the current lean period in the catering/gastronomy sector, we are well positioned not least thanks to attractive and often exclusive new products in our assortment.

Since the beginning of the year we have also made good progress in reducing our working capital requirement, again significantly increasing capital efficiency and improving cash flow. The cash flow from current operations after the first nine months of 2003 has improved by more than € 13 million over the previous year.

However, the result of operations for the Group did not keep pace with the growth in sales. In the first three quarters EBIT amounted to € 4.3 million (prior year: € 5.2 million), and in the third quarter to



€ 1.0 million (previous year: € 1.5 million). Still, experience has shown that the Group generally earns more than 50% of its operating profit during the fourth quarter (October to December).

The outlook for the year-end sales has recently improved: the economy has bottomed out and industrialists are now more optimistic about future developments. Consumer attitudes are also gradually improving; over the past six months, the GfK consumer climate indicator has been rising steadily.

Hawesko can thus realistically expect a strong fourth quarter. On this basis, we reaffirm our forecast for the year overall and anticipate sales growth of 5% to € 280 million as well as an over-proportional increase in EBIT.

Even in the current economic climate it is absolutely clear: the general trend of consumers' increasing preference for wine is continuing. Wine is becoming an integral element of their lifestyle. For this reason, successful customer orientation over the long term means presenting an assortment of sufficient breadth and wines of authentic character so competently that everyone will find what he is seeking – and at the same time he will be encouraged to expand his horizons above and beyond his original preferences and ideas.

In this sense, the customer is the focus of attention of all companies in the Hawesko Group. Our assortments as well as our marketing instruments are targeted specifically to our respective customer groups. We have the appropriate distribution channels and attractive offers to appeal to the steadily growing group of people who enjoy the finer things in life: high-income older customers as well as to the younger consumers eager to try fine wines.

Moreover, due to the significant weeding-out tendencies in the market over the last couple of years, the position of the Hawesko Group has been considerably strengthened – so that when the economic upswing arrives, Hawesko will reap above-average profits from it.

Best wishes,

Alexander Margaritoff
CEO

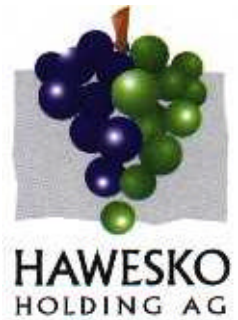
Sales and earnings

Third Quarter

In the third quarter of fiscal year 2003 (July to September), the Hawesko Group achieved sales of € 59.1 million, up from € 57.8 million in the same period of the previous year. Thus Group sales rose by 2.1% over the same quarter of the previous year. While sales in the wholesale segment declined by 3.2% to € 16.5 million, they rose in the stationary specialist retail (*Jacques' Wein-Depot*) and in the mail order/e-commerce segments: by 3.9% to € 20.5 million and by 4.7% to € 22.0 million, respectively.

In the mail order/e-commerce segment, the flagship company *Hanseatisches Wein- und Sekt-Kontor* as well as *Carl Tesdorpf – Weinhandel zu Lübeck* and the Austrian subsidiary *Wine Company* all posted sales growth. *Hanseatisches Wein- und Sekt-Kontor* surpassed even the high sales of the previous year's quarter, which were strongly influenced by the overwhelming success of a mail-shot. Only *Château Classic – Le Monde des Grands Bordeaux* remained just under the sales of the comparable period in the previous year, since the special orientation of the *Château-Classic* assortment were not in accordance with consumer demand patterns during the extreme summer heat.

Sales development in the stationary specialist retail segment at *Jacques' Wein-Depot* reflected both the generally lackluster consumer climate as well as the unusually hot weather of late-July and August. Although sales overall increased, like-for-like sales – i.e. at locations which have been operating for more than two years – declined in the third quarter by 0.6% compared to the same period in the previous year. In the period under review, *Jacques'* again posted an increase in the



numbers of new customers as well as an increase in purchasing frequency. The opening of three new *Wein-Depots* in Germany in the third quarter raised the total number of *Jacques'* outlets to 249. Lease contracts had been concluded for five additional stores at 30 September 2003 (on this date last year: twelve).

Sales in the wholesale segment were again constrained in the third quarter by the difficult economic environment and did not quite reach the level of the previous year. Nonetheless, the generally stable sales structure continues to reflect the success of the products of renowned winegrowers which have recently been added to the assortment, many of which are sold exclusively by the Hawesko Group.

The Group's gross profit declined slightly in the third quarter from €25.1 million in the previous year to the current €24.5 million. The gross profit margin fell by 2 percentage points to 41.5%. This reflects, on the one hand, the actions taken to reduce inventories as part of the improved inventory management. On the other hand, it reflects as well the well-developed price awareness of customers, especially in the mail order/e-commerce and wholesale segments. The other operating income of €2.2 million (same quarter of the previous year: €2.3 million) came primarily from rental income at *Jacques'* as well as reimbursements for advertising costs. In the third quarter, personnel expenditures rose at a proportionate rate compared to sales. The other operating expenses – primarily those for advertising, partner commissions and sales/logistics – were reduced by €0.3 million, mostly due to increased efficiency in advertising.

The result of operations for the Group (EBIT) amounted to €1.0 million in the third quarter (previous year: €1.5 million). The mail order/e-commerce segment achieved an EBIT of €0.4 million (same quarter in the previous year: €0.1 million), while the figures for the stationary specialist retail segment (*Jacques' Wein-Depot*) and the wholesale segment were €1.4 million (€1.2 million) and €0.2 million (€1.2 million), respectively.

First nine months

In the first nine months of fiscal year 2003, Group sales rose by 7.1% compared to the same period in the previous year to €183.7 million, despite the continuing climate of consumer restraint. Gross profit rose by 2.8%. The three main items listed under "other operating expenses" increased at a lower rate compared to sales in the nine-month period. The result of operations (EBIT) amounted to €4.3 million, remaining 18.6% below the EBIT of the same period a year ago (€5.2 million).

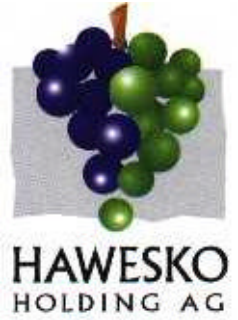
Due to the reduction in financial debt against the same period last year as well as the positive effect of the application of IAS 39 (current year: €0.2 million, previous year: €-0.4 million), the net financing charge improved from €-2.4 million in the first nine months of 2002 to €-1.3 million. The Group result before income tax increased by €0.1 million to €3.0 million. After taxes on income and deferred tax expense of €1.5 million (tax rate of 52%; prior year 46%) and minority interests, consolidated earnings rose by €0.1 million to €1.3 million. The undiluted earnings per share, at €0.29, were higher than in the previous year (€0.28). This is based on the number of 4,405,496 shares, compared to 4,282,800 in the previous year. The diluted earnings per share – for which the exercise of option rights in full scope is assumed – likewise amounted to €0.29 (prior year: €0.28).

Balance Sheet

The balance sheet total at 30 September 2003, compared to that at 31 December 2002, declined by €13.3 million to €155.7 million. This is due primarily to the decline in trade receivables of €10.2 million. This item typically reaches its highest level at 31 December. Thanks to intensive inventory management, inventories remained nearly unchanged compared to December 31 last year and were reduced by 15% (€14.1 million) against 30 September 2002. They are typically at their highest levels in the run-up to the holiday season at 30 September.

Due to the payment of the dividend, equity declined by €3.0 million compared to 31 December 2002. Borrowings from banks increased for reasons of seasonality in the period under review by €5.5 million. Trade accounts payable decreased for reasons of seasonality to €24.4 million.

Investments in the first nine months of 2003 amounted to €2.8 million (previous year: €4.1 million). They were related mainly to depot openings at *Jacques' Wein-Depot*.



Cash Flow Statement and Capital Spending

Cash flow from current operations amounted to €1.1 million for the first nine months of 2003 and was thus significantly higher than in the same period of the previous year (€-11.7 million). This was due primarily to the reduction in inventories in this period after the strong increase in the first nine months of 2002. Free cash flow in the first nine months of €-3.2 million (prior year: €-17.7 million) is calculated from the net inflow in funds and cash equivalents from current operations (€1.1 million), minus outpayments for tangible assets and intangible assets (€2.8 million) and interest paid (€1.5 million). Because of the typical seasonal influences on the course of business throughout the year, free cash flow at 30 September is usually negative.

The outflow of funds from financing activities includes, among other things, the payment of the dividend in the amount of €4.405 million.

Statement of Changes in Group Equity

The development of group equity is mainly influenced by consolidated earnings and payment of the dividend in the nine months under review as well as in the previous year.

In the previous year the subscribed capital was increased by way of a capital increase out of retained earnings (conversion of capital reserves) in the amount of €2.0 million, in order to raise the accounting par value of each share from €2.556 (DM 5.00) to €3.00.

Segment Report

Deviating from the previous year, as of 2003 the specialist retail segment includes the wine seminars of the Group under the auspices of *Viniversität Die Weinschule GmbH*. The comparable figures for the previous year have been adjusted accordingly.

Outlook

For the current fiscal year overall, the management board expects an increase in sales by approximately 5% to €280 million, as well as an proportionally greater increase in the operating result (EBIT). The targeted increase in Group profitability will depend especially on the effectiveness of the measures taken in the mail order/e-commerce segment for the year-end business. Further optimization of the tied-up working capital should improve both the return on total assets (2002: 8.3%) as well as the return on capital employed (2002: 13.1 %).

Hawesko Holding AG

Profit and loss statement (as per IAS)

(in € million, unaudited; rounding differences are possible)

	1 Jul –30 Sep 2003	1 Jul –30 Sep 2002
Sales revenues	59.1	57.8
Decrease (increase) in finished goods inventories	0.2	0.3
Other operating income	2.2	2.3
Cost of purchased goods	–34.6	–32.8
Personnel expenses	–6.6	–6.5
Depreciation and amortization	–1.2	–1.2
Other operating expenses and other taxes	<u>–18.1</u>	<u>–18.4</u>
Result from operations (EBIT)	1.0	1.5
Financial result	–0.7	–1.1
Result from ordinary activities	0.2	0.5
Taxes on income and deferred tax expenses	<u>–0.2</u>	<u>–0.2</u>
Result after taxes	0.1	0.2
Profit due to minority interests	<u>0.0</u>	<u>–0.2</u>
Consolidated earnings	<u>0.1</u>	<u>0.1</u>
Earnings per share (in €, undiluted)	0.02	0.02
Earnings per share (in €, diluted)	0.02	0.02
Average number of shares in circulation (Numbers in thousands, undiluted)	4,405	4,405
Average number of shares in circulation (Numbers in thousands, diluted)	4,416	4,449

(in € million, rounding differences are possible)	1 Jan – 30 Sep 2003	1 Jan – 30 Sep 2002
Sales revenues	183.7	171.5
Decrease (increase) in finished goods inventories	0.3	0.4
Other operating income	7.3	7.4
Cost of purchased goods	-108.3	-98.2
Personnel expenses	-19.6	-19.0
Depreciation and amortization	-3.4	-3.3
Other operating expenses and other taxes	<u>-55.7</u>	<u>-53.5</u>
Result from operations (EBIT)	4.3	5.2
Financial result	-1.3	-2.4
Result from ordinary operations	3.0	2.9
Taxes on income and deferred tax expenses	<u>-1.5</u>	<u>-1.3</u>
Result after taxes	1.4	1.5
Profit due to minority interests	<u>-0.1</u>	<u>-0.3</u>
Consolidated earnings	<u>1.3</u>	<u>1.2</u>
Earnings per share (in €, undiluted)	0.29	0.28
Earnings per share (in €, diluted)	0.29	0.28
Average number of shares in circulation (Numbers in thousands, undiluted)	4,405	4,283
Average number of shares in circulation (Numbers in thousands, diluted)	4,416	4,327

Hawesko Holding AG

Consolidated balance sheet (as per IAS)

(in € million, rounding differences are possible)

	30 Sep 2003	31 Dec 2002	30 Sep 2002
Assets			
Fixed assets			
Intangible fixed assets	6.9	7.4	7.3
Tangible fixed assets	13.8	14.4	14.9
Financial assets	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
	21.0	22.0	22.4
Current assets			
Inventories	77.4	76.9	91.5
Trade receivables	20.8	31.0	20.7
Other receivables and other assets	5.9	4.1	5.5
Cash in banking accounts and cash on hand	<u>6.4</u>	<u>8.4</u>	<u>1.7</u>
	110.4	120.4	119.3
Deferred tax assets	24.1	26.3	27.6
Prepaid expenses	0.3	0.3	2.3
	<u>155.7</u>	<u>169.0</u>	<u>171.5</u>
Shareholders' equity and liabilities			
Shareholders' equity			
<i>Subscribed capital of Hawesko Holding AG</i>	13.2	13.2	13.2
<i>Group adjustment i.a.w. IAS</i>	<u>-4.4</u>	<u>-4.4</u>	<u>-4.4</u>
	8.9	8.9	8.9
Capital reserve	5.8	5.8	5.8
Revenue reserves	25.7	20.6	20.2
Adjustment resulting from currency translation	-0.0	-0.0	-0.0
Unappropriated group profit	<u>21.0</u>	<u>29.1</u>	<u>25.8</u>
	61.3	64.3	60.6
Minority interest	1.0	1.2	1.0
Provisions			
Provisions for pensions	0.4	0.4	0.4
Provisions for taxation and deferred taxes	1.5	3.4	3.5
Other provisions	<u>9.3</u>	<u>8.4</u>	<u>8.3</u>
	11.3	12.2	12.3
Liabilities			
Borrowings	46.4	40.9	60.7
Advances received	7.2	10.4	10.9
Trade payables	24.4	31.3	22.9
Other liabilities	<u>4.1</u>	<u>8.6</u>	<u>3.0</u>
	82.1	91.3	97.7
	<u>155.7</u>	<u>169.0</u>	<u>171.5</u>

Hawesko Holding AG

Consolidated Cash Flow Statement (as per IAS)

(in € million, rounding differences possible)

	1.1.–30.9. 2003	1.1.–30.9. 2002
Result before taxes on income	3.0	2.9
Depreciation of fixed assets	3.4	3.3
Interest result	1.3	2.4
Change in inventories	-0.5	-13.7
Change in other short-term assets	11.6	10.7
Change in provisions	-0.6	0.4
Change in liabilities (excluding borrowings)	-14.6	-14.6
Taxes on income paid out	<u>-2.4</u>	<u>-3.0</u>
Net inflow of payments from current operations	1.1	-11.7
Acquisition of subsidiaries net of funds acquired	—	—
Outpayments for tangible and intangible assets	-2.8	-4.1
Inpayments from the sale of own shares	—	4.4
Inpayments from the disposal of tangible and intangible assets	0.4	0.2
Inpayments from the disposal of financial assets	<u>0.0</u>	<u>0.0</u>
Net outflow of funds for investment activities	-2.3	0.6
Outpayment for dividends	-4.4	-5.1
Outpayments to minority interests	-0.4	-0.3
Change in borrowings	5.5	11.9
Interest paid out	<u>-1.5</u>	<u>-2.0</u>
Net outflow of funds for financing activities	-0.8	4.5
Net increase in cash and cash equivalents	-2.0	-6.6
Cash and cash equivalents at the beginning of the period	8.4	5.6
Cash and cash equivalents at the end of the period	6.4	-1.0

Hawesko Holding AG

Statement of changes in group equity

In million €,
rounding differences possible

	Subscribed capital	Capital reserve	Revenue reserves	Adjustments resulting from currency translation	Unappropriated group profit	Total
Status as per 1 January 2002	6.9	7.7	10.6	0.0	35.3	60.5
Adjustment from revaluation of forward exchange transactions i.a.w. IAS 39			—			—
Changeover to euro	2.0	-2.0				0.0
Appropriation to revenue reserves			5.6		-5.6	0.0
Sale of treasury shares			3.9			3.9
Dividends					-5.1	-5.1
Currency translation differences				-0.0		-0.0
Consolidated earnings					1.2	1.2
Status as per 30 September 2002	8.9	5.8	20.2	0.0	25.8	60.6
Status as per 1 January 2003	8.9	5.8	20.6	-0.0	29.1	64.3
Adjustment from revaluation of forward exchange transactions i.a.w. IAS 39			0.1			0.1
Appropriation to revenue reserves			5.0		-5.0	0.0
Sale of treasury shares			—			—
Dividends					-4.4	-4.4
Currency translation differences				0.0		0.0
Consolidated earnings					1.3	1.3
Status as per 30 September 2003	8.9	5.8	25.7	-0.0	21.0	61.3

Segmente (in € million, rounding differences possible)					
3rd Quarter 1 July–30 Sep 2003	Mail order/ E- commerce	Specialist retail	Wholesale	Miscellaneous/ Consolidation	Group
Fremdumsatz	22.0	20.5	16.5	0.1	59.1
Betriebsergebnis (EBIT)	0.4	1.4	0.2	- 1.0	1.0
3rd Quarter 1 July–30 Sep 2002	Mail order/ E- commerce	*) Specialist retail	Wholesale	*) Miscellaneous/ Consolidation	Group
Fremdumsatz	21.0	19.7	17.1	0.1	57.8
Betriebsergebnis (EBIT)	0.1	1.2	1.2	- 1.0	1.5

Segments (in € million, rounding differences possible)					
1 Jan–30 Sep 2003	Mail order/ E- commerce	Specialist retail	Wholesale	Miscellaneous/ Consolidation	Group
External sales	71.5	62.4	49.6	0.2	183.7
Operating result (EBIT)	1.4	4.7	1.4	- 3.3	4.3
1 Jan–30 Sep 2002	Mail order/ E- commerce	*) Specialist retail	Wholesale	*) Miscellaneous/ Consolidation	Group
External sales	61.8	60.6	48.9	0.1	171.5
Operating result (EBIT)	1.6	4.7	2.4	- 3.5	5.2

*) Adjusted due to the transfer of wine seminar activities from *Miscellaneous* to *Specialist retail* with effect from 2003

Appendix to the nine-month report to 30 September 2003

General principles: This report was written in accordance with International Accounting Standard (IAS) 34 according to the requirements of the current guidelines (International Financial Reporting Standards – IFRS) 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 2002 annual report.

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 2002 annual report. (2) Cyclical events which occur during the year, insofar as they are important, are accrued for based on corporate planning.

Other information: (1) No occurrences which have a significant effect on the assessment of the net worth, financial position or earnings situation of Hawesko Holding AG and of the Hawesko Group – as defined in IAS 10 – have occurred after the end of the period under review. (2) Extraordinary business development costs were not incurred in the period under review. (3) Orders for goods remain

