Hawesko Holding AG
Hamburg

ISIN DE0006042708
Reuters HAWG.DE, Bloomberg HAW GR

Six-month report to 30 June 2004

Hamburg, 27 July 2004

Highlights

in € (millions)

	2nd quarter (1.4.–30.6.)			Six months (1.1.–30.6.)		
	2004	2003	+/–	2004	2003	+/–
Group sales	**59.1**	**60.8**	**–3%**	**123.5**	**124.6**	**–1%**
Result from operations (EBIT)	**0.8**	**1.6**	**–49%**	**2.6**	**3.3**	**–20%**
Consolidated earnings	**0.4**	**0.6**	**–29%**	**0.8**	**1.2**	**–30%**

Dear shareholders,

In the first six months of 2004, Hawesko Holding AG was able to maintain its sales at roughly the level of the first six months of the previous year, but our EBIT fell short of that achieved in 2003. However, our sales and in particular our EBIT figures must always be viewed from a full-year perspective. This is oriented to the fact that over the years, the Group has always earned more than one third of sales and over half of the operating profit in the last quarter of the fiscal year. Thus the current 6-month figures are well within our planned range for the year as a whole, and do not dampen our confidence that we can achieve the targeted increase in sales and EBIT in 2004.

Still, we would naturally have preferred better business development. However, the economic situation and the rainy summer have had adverse effects on the retail sector. Consumer confidence has not yet returned: indeed, the General Association of German Retailers recently cast doubt on its already modest forecast of 0.5% growth this year for the German retail sector. This trend affected the wine market overall as well, which declined by 2.6% in the first six months of 2004, according to studies by GfK. Hawesko did better than the market overall – and once again increased its market share.

We continued to improve important operative parameters in the first half of the year. In particular, we succeeded in motivating our customers and keeping them active buyers, so that despite the consumer restraint prevailing in the overall picture, the number of ordering customers in the mail order segment rose by another 5%. Moreover, we acquired even more new customers in the first six months of 2004 than in the same period last year. At Jacques' Wein-Depot as well, the pool of active customers grew by more than 10%, and now numbers half a million. Furthermore, the stationary specialist retail segment achieved an increase in buying frequency. In the mail order segment order quantities remained constant.

In our operations, it is significant that both in the mail order segment and at *Jacques'* the average value per bottle sold remained at the same level as in the previous year. This is especially noteworthy in view of the fact that in the mail order segment, less of the (mostly high-priced) Bordeaux wines were sold. We benefit overall from an improved trading margin.

With regard to the ongoing working capital management, we succeeded in reducing the net working capital by more than 10% compared to the figure at the closing date in the previous year. We also significantly reduced the liabilities to banks compared to the end of the year as well as the middle of the year in 2003. Thus the finances of the Hawesko Group are even sounder than before. The equity ratio (equity divided by the balance sheet total) has continued to rise and, at 45%, is at a historic high.

To use a metaphor, we are always turning lots of little knobs to adjust the parameters, increasingly fine-tuning our performance. The results of our fine-tuning have been gratifying: lower marketing and logistics costs thanks to even more effective cost controls, or further optimised advertising costs due to more precise scattering of the advertising media or additional reduction in unit costs.

In the wholesale segment, we shifted the promotion of some especially high-calibre wines from the second quarter to September/October; based on our experience, this business will result in an EBIT figure of more than half a million euros. Another of our figurative knobs is the increase in processing efficiency in the mail order segment, which we have undertaken with an eye towards the Christmas sales in particular.

With these and other forms of optimisation, our performance is getting better and better. With this performance capability, we can fully exploit the sales potential offered in the course of the year, for instance with the Philippe de Rothschild wines and the activities of our anniversary year (30 years of *Jacques'* and 40 years of *Hanseatisches Wein- und Sekt-Kontor)*.

As before, we do not have to depend on an economic miracle to achieve our full-year forecast. We simply have to continue our pursuit of sound strategies and work hard. And if the economy recovers in the course of the year, we are positioned to reap especially strong profits.

Best wishes,

Alexander Margaritoff
CEO

Sales and Result

<u>Second quarter</u>

In the second quarter of fiscal year 2004 (April to June) the Hawesko Group achieved sales of € 59.1 million compared to € 60.8 million in the same period last year; this corresponds to a decline of 2.9% in Group sales from the same quarter in the previous year. Sales were distributed among the individual segments as follows: Mail order/e-commerce achieved sales of € 17.5 million compared to €18.1 million in the previous year (–3.3%). Due to the shifting of the subsidiary *Château Classic – Le Monde des Grands Bordeaux* from the mail order division to the wholesale segment from 2004, the comparison figure for the previous year has been adjusted accordingly. The specialist wine retail segment (*Jacques' Wein-Depot*) posted sales of € 21.6 million in the quarter under review (unchanged from the previous year). Sales in the wholesale segment amounted to € 19.8 million compared to € 21.0 million in the previous year (–5.6%; adjusted due to the shift of *Château Classic – Le Monde des Grands Bordeaux*).

Business development in the mail order/e-commerce segment in the second quarter was characterized primarily by the lower demand for the 2001 Bordeaux wines; this was partially compensated by other offers. The number of active customers in the period under review was higher than in the previous year; the average price per bottle as well as the average number of bottles per order remained stable.

In the specialist wine retail segment *(Jacques' Wein-Depot)*, business was particularly successful in the month of April. The fact that the May Day holiday (May 1st) fell on a Saturday resulted in a loss of sales of more than € 0.6 million compared to the previous year. At 30 June 2004, there were 253 *Jacques' Wein-Depots* (one more than in the previous quarter, seven more than at the same closing date in the previous year). Of these, five were in Austria. Three more new locations had been leased, but not yet opened. Like-for-like sales were down by 1.9% from the second quarter of 2003. The increased customer frequency as well as the higher number of active customers in the quarter under review indicate a sustained degree of great interest in our products.

In the wholesale segment, the aforementioned "Bordeaux effect" and the shift of the promotion of some especially high-calibre wines from the second quarter to September/October were the primary causes of the sales figures being below those of the previous year. These effects were not completely compensated by the introduction of the Philippe de Rothschild wines during this period.

The Group's gross profit relative to sales rose slightly in the second quarter: the gross profit margin rose from 41.3% to 41.9%. This is due to improvements in the margins in each of the three segments. The other operating income of € 3.1 million (same quarter of the previous year: € 2.6 million) came primarily from rental income at *Jacques'* as well as reimbursements for advertising costs. The increase in personnel expenditures in the second quarter compared to the same quarter of the previous year was due to the introduction of the Philippe de Rothschild wines as well as the early preparation for the pre-Christmas gift business. The expenses for advertising likewise rose proportionately greater than sales. On the other hand, delivery costs and commissions remained stable.

Overall, the Group result of operations (EBIT) in the second quarter amounted to € 0.8 million, and thus – as a consequence of the effects described above – was 48.5% lower than the figure for the previous year (€ 1.6 million). By segment: The EBIT in the mail order/e-commerce segment amounted to € –0.5 million (same quarter in the previous year: € 0.1 million; the figure for the previous year has been adjusted for the transfer of *Château Classic – Le Monde des Grands Bordeaux* to the wholesale segment). In the stationary specialist retail segment (*Jacques' Wein-Depot*), EBIT amounted to € 2.2 million (€ 1.8 million) and in the wholesale segment to € 0.3 million (€ 0.9 million, adjusted for the aforementioned transfer of *Château Classic – Le Monde des Grands Bordeaux*).

First six months

In the first six months of fiscal year 2004, Group sales were maintained at € 123.5 million, and thus roughly at the level of the previous year (–0.9 %), although the business environment during this period was characterized by only weak consumption. As a consequence of the gross profit margin rising by 0.5 percentage points, gross profit rose slightly by 0.3%. The result from operations (EBIT) amounted to € 2.6 million, thus remaining 19.7% below the EBIT of the same period in the previous year (€ 3.3 million).

The reduction in financial debt improved the interest result to € –0.8 million (€ –1.0 million), but this year the negative effect – which did not affect cash – of the application of IAS 39 (€ –0.1 million, previous year: € +0.4 million) increased the charge from the financial result of € 0.6 million in the first six months of 2003 to € 0.9 million in this period. The result before taxes on income was reduced by € 0.9 million to € 1.8 million. After application of the estimated tax ratio for the entire year (51%), this results in consolidated earnings after taxes and minority interests of € 0.8 million (€ 1.2 million). The undiluted earnings per share amounted to € 0.19, compared to € 0.27 in the previous year. This is based on the number of 4,405,496 shares outstanding. The diluted earnings per share, for which the exercise of option rights in full scope is assumed, likewise amounted to € 0.19 (previous year: € 0.27).

Balance Sheet

Compared to the figure at 31 December 2003 as well as the figure at 30 June 2003, the balance sheet total declined by € 21.0 million and € 15.3 million, respectively, to € 137.5 million. This is due primarily to the decline in trade receivables of € 13.7 million compared to the figure at 31 December 2003 – to € 17.8 million –, as well as the decline in cash in banking accounts and cash on hand which decreased by € 10.5 million compared to the figure at 31 December 2003. Trade receivables typically reach their highest level at 31 December. The inventories rose only slightly – by € 2.5 million – compared to the end of the previous fiscal year, and were reduced by € 6.8 million compared to the figure at 30 June 2003.

Shareholders' equity declined by € 4.0 million compared to the figure at 31 December 2003; this was due to the payment of the dividend. In contrast to the previous years, borrowings – which increase seasonally, as a rule – were reduced by € 3.0 million in the period under review. Due to the delivery of the Bordeaux subscription wines, the deposits received declined by € 3.1 million (previous year: decline of € 4.7 million). Trade accounts payable decreased for reasons of seasonality to € 24.6 million.

Capital spending in the first six months of 2004 amounted to € 2.2 million (previous year: € 1.7 million). They were related mainly to depot openings at *Jacques' Wein-Depot*, new enterprise resource planning software in the wholesale segment and telecommunications systems in the mail order segment.

Cash Flow Statement

The cash flow from current operations in the first six months of 2004 amounted to € 0.9 million, remaining in the positive range as in the same period of the previous year (€ 1.3 million). The free cash flow in the first half of 2004 of € –2.0 million (previous year: € –1.4 million) was calculated from the net inflow of payments from current operations (€ 0.9 million) less outpayments for tangible and intangible assets (€ 2.2 million) and interest paid (€ 0.7 million). Because of the typical seasonal influences on the course of business throughout the year, the free cash flow at the half-year point is usually negative.

Segment Report

Deviating from the previous year our subsidiary in Bordeaux, *Château Classic – Le Monde des Grands Bordeaux*, is no longer included in the mail order/e-commerce segment, but was transferred to the wholesale segment at the beginning of 2004. The previous year's figures have been adjusted accordingly.

Outlook

The management board expects that the Group will increase its sales as well as the EBIT in fiscal year 2004, despite the continuing difficulties in the market. If an economic upswing would also occur, Hawesko could benefit proportionately greater. Regardless of the outlook for improvement in the general conditions, the management board will focus this year on the continued refinement of marketing in all segments, the optimisation of the business processes, particularly in the mail order/e-commerce segment, and on the opening of five to ten new *Jacques' Wein-Depot* outlets. Especially in the second half of the year, the management board anticipates stimulus for growth, not least due to the exclusive distribution rights acquired for the wines of Baron Philippe de Rothschild.

Hawesko Holding AG

Profit and loss statement (as per IAS)

(in € million, unaudited; rounding differences are possible)	1.4.–30.6 2004	1.4.–30.6. 2003
Sales revenues	**59.1**	**60.8**
Increase in finished goods inventories	0.0	0.0
Other operating income	3.1	2.6
Cost of purchased goods	–34.3	–35.7
Personnel expenses	–6.9	–6.5
Depreciation and amortisation	–1.0	–1.2
Other expenses and other taxes	–19.2	–18.4
Result from operations (EBIT)	**0.8**	**1.6**
Financial result		
Interest earnings/expenditures	–0.4	–0.5
Gain/loss on the fair value valuation	0.4	0.2
Result from ordinary activities	0.8	1.3
Taxes on income and deferred tax expenses	–0.4	–0.7
Result after taxes	**0.4**	**0.7**
Profit due to minority interests	0.0	–0.1
Consolidated earnings	**0.4**	**0.6**
Earnings per share (in €, undiluted)	0.09	0.13
Earnings per share (in €, diluted)	0.09	0.13
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	4,416

(in € (millions), rounding differences possible	1.1.–30.6 2004	1.1.–30.6. 2003
Sales revenues	**123.5**	**124.6**
Increase in finished goods inventories	0.0	0.0
Other operating income	5.5	5.2
Cost of purchased goods	–72.5	–73.7
Personnel expenses	–13.7	–13.0
Depreciation and amortisation	–1.9	–2.2
Other operating expenses and other taxes	–38.3	–37.6
Result from operations (EBIT)	**2.6**	**3.3**
Financial result		
Interest earnings/expenditures	–0.8	–1.0
Gain/loss on the fair value valuation	–0.1	0.4
Result from ordinary activities	1.8	2.7
Taxes on income and deferred tax expenses	–0.9	–1.4
Result after taxes	**0.9**	**1.4**
Profit due to minority interests	–0.0	–0.2
Consolidated earnings	**0.8**	**1.2**
Earnings per share (in €, undiluted)	0.19	0.27
Earnings per share (in €, diluted)	0.19	0.27
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	4,416

Hawesko Holding AG
Consolidated balance sheet (as per IAS)

(in € million, rounding differences possible)	30.6.2004	31.12.2003	30.6.2003
Assets			
Fixed assets			
Intangible fixed assets	6.8	7.1	7.2
Tangible fixed assets	14.1	13.7	14.0
Financial assets	0.7	0.2	0.2
	21.6	21.0	21.3
Current assets			
Inventories	68.1	65.6	74.9
Trade receivables	17.8	31.6	19.5
Other receivables and other assets	3.9	2.7	4.9
Cash in banking accounts and cash on hand	3.8	14.3	7.3
	93.7	114.2	106.6
Deferred tax assets	21.8	22.9	24.6
Prepaid expenses	0.4	0.3	0.2
	137.5	**158.5**	**152.8**
Liabilities			
Shareholders' equity			
Subscribed capital of Hawesko Holding AG	*13.2*	*13.2*	*13.2*
Group adjustment i.a.w. IAS	*–4.4*	*–4.4*	*–4.4*
	8.9	8.9	8.9
Capital reserve	5.8	5.8	5.8
Revenue reserves	30.6	25.7	25.7
Adjustment resulting from currency translation	–0.0	–0.0	–0.0
Unappropriated group profit	16.9	25.8	20.9
	62.1	66.1	61.2
Minority interest	1.0	1.3	1.0
Provisions			
Provisions for pensions	0.5	0.5	0.4
Provisions for taxation and deferred taxes	2.1	2.5	3.2
Other provisions	7.0	7.6	7.2
	9.6	10.6	10.8
Liabilities			
Borrowings	31.4	34.4	45.8
Advances received	4.1	7.2	5.8
Trade payables	24.6	29.9	23.9
Other liabilities	4.7	8.9	4.3
	64.9	80.5	79.7
	137.5	**158.5**	**152.8**

HAWESKO HOLDING AG

Hawesko Holding AG

Consolidated Cash Flow Statement (as per IAS)

(in € million, unaudited, rounding differences possible)	1.1.–30.6. 2004	1.1.–30.6. 2003
Result before taxes on income	1.8	2.7
Depreciation of fixed assets	1.9	2.2
Interest result	0.9	0.6
Result from the disposal of fixed assets	–0.0	-
Change in inventories	–2.5	2.0
Change in other short-term assets	14.1	12.8
Change in provisions	–0.7	–0.9
Change in liabilities (excluding borrowings)	–12.6	–16.4
Taxes on income paid out	–2.0	–1.7
Net inflow of payments from current operations	**0.9**	**1.3**
Acquisition of subsidiaries and of other financial assets	–0.4	-
Outpayments for tangible and intangible assets	–2.2	–1.7
Outpayments for the purchase of own shares	-	-
Inpayments from the disposal of financial assets and tangible assets	0.1	0.2
Inpayments from the disposal of financial assets	0.0	0.0
Net outflow of funds for investment activities	**–2.5**	**–1.5**
Outpayment for dividends	–4.8	–4.4
Outpayments to minority interests	–0.4	–0.4
Change in borrowings	–3.0	4.9
Interest paid out	–0.7	–1.0
Net outflow of funds for financing activities	**–9.0**	**–0.9**
Net increase in cash and cash equivalents	**–10.5**	**–1.1**
Cash and cash equivalents at the beginning of the period	14.3	8.4
Cash and cash equivalents at the end of the period	**3.8**	**7.3**

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	Unappro-priated group profit	Total
Status as of 1 January 2003	8.9	5.8	20.6	–0.0	29.1	64.3
Valuation of forward exchange transactions i.a.w. IAS 39			0.1			0.1
Appropriation to revenue reserves			5.0		–5.0	—
Sale of treasury shares						—
Dividends					–4.4	–4.4
Currency translation differences				0.0		0.0
Consolidated earnings					1.2	1.2
Status as of 30 June 2003	8.9	5.8	25.7	–0.0	20.9	61.2
Status as of 1 January 2004	8.9	5.8	25.7	–0.0	25.8	66.1
Valuation of forward exchange transactions i.a.w. IAS 39						—
Appropriation to revenue reserves			4.9		–4.9	—
Sale of treasury shares						—
Dividends					–4.8	–4.8
Currency translation differences				0.0		0.0
Consolidated earnings					0.8	0.8
Status as of 30 June 2004	8.9	5.8	30.6	–0.0	16.9	62.1

Segments
(in € million, rounding differences possible)

First six months 2004	Mail order/ E-commerce	Specialist retail	Wholesale	Miscellaneous/ Consolidation	Group
External sales	**41.8**	**42.9**	**38.7**	**0.2**	**123.5**
Operating result (EBIT)	**0.3**	**3.8**	**0.5**	**– 1.9**	**2.6**

First six months 2003	*)Mail order/ E-commerce	Specialist retail	*)Wholesale	Miscellaneous/ Consolidation	Group
External sales	**43.0**	**41.9**	**39.6**	**0.1**	**124.6**
Operating result (EBIT)	**0.6**	**3.3**	**1.4**	**– 2.1**	**3.3**

Segments
(in € million, rounding differences possible)

1.4.–30.6.2004	Mail order/ E-commerce	Specialist retail	Wholesale	Miscellaneous Consolidatioı	Group
External sales	**17.5**	**21.6**	**19.8**	**0.1**	**59.1**
Operating result (EBIT)	**–0.5**	**2.2**	**0.3**	**–1.1**	**0.8**

1.4.–30.6.2003	*)Mail order/ E-commerce	Specialist retail	*)Wholesale	Miscellaneous Consolidatioı	Group
External sales	**18.1**	**21.6**	**21.0**	**0.1**	**60.8**
Operating result (EBIT)	**0.1**	**1.8**	**0.9**	**–1.2**	**1.6**

*) Adjusted due to the transfer of the subsidiary *Château Classic – Le Monde des Grands Bordeaux* from the mail order segment to the wholesale segment with effect from 2004

Appendix to the six-month report to 30 June 2004

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 2003 financial statements.

Balance sheet and valuation principles: (1) The balance sheet and valuation methods used correspond as a rule to those applied in the last consolidated financial statements at the end of the fiscal year. A detailed discussion of these methods was published in the annual report for 2003. (2) Cyclical events which occur during the year, insofar as they are important, are accrued for 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. With effect from 27 February 2004, the Hamburg Municipal Court appointed Professor Dr.(iur.) Dr. (rer. pol.) Dr. (h.c.) Franz Jürgen Säcker to the supervisory board until – at the latest – the next annual general meeting´of shareholders; he joined the body as the successor to Dr. Thomas R. Fischer. Both he and Ms.

Angelika Jahr-Stilcken were elected to the supervisory board by the annual general meeting on 3 June 2004. (5) The number of shares held by members of the supervisory board remains unchanged from 31 December 2003. After the conversion of the convertible bond 2001/2004 and individual sales, the number of shares held by members of the management board rose by 7,000 to a total of 1,777,646. (6) Hawesko Holding AG does not currently hold any treasury shares.

Other information	1.1–30.6. 2004	1.1.–30.6. 2003
Employees (average during the period)	564	516

Calendar:

DVFA presentation "Small Cap Conference"	31 August 2004
Third Quarter/Nine-month-report	End of October 2004
German stock exchange presentation "Equity Capital Forum"	24 November 2004
Preliminary report for fiscal year 2004	End of January 2005

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