

Hawesko Holding AG Hamburg

ISIN DE0006042708

Reuters HAWG.DE, Bloomberg HAW GR

Nine-month report to 30 September 2004

Hamburg, 27 October 2004

Highlights

in € (millions)

	3rd quarter (1.7.–30.9.)			Nine months (1.1.–30.9.)		
	<u>2004</u>	<u>2003</u>	<u>+/-</u>	<u>2004</u>	<u>2003</u>	<u>+/-</u>
Group sales	60.1	59.1	+2%	183.6	183.7	-0%
Result from operations (EBIT)	1.2	1.0	+21%	3.8	4.3	-10%
Consolidated earnings	0.15	0.09	+60%	1.0	1.3	-24%

Dear shareholders,

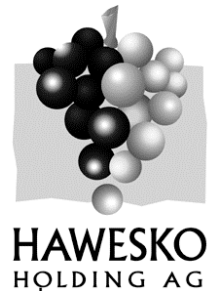
At first glance, pleasure and luxury seem rather out of place in these often worrying times. And indeed, we can hardly expect carefree shopping attitudes when consumers are surrounded by so much uncertainty. But the joy of pleasure and luxury is a powerful and consistent force in human life which nobody could seriously deny. The same is true for the fact that in our culture, wine in particular – and to an increasing degree – plays an important role in this. It simply depends on how this need is satisfied and how we reach our customers and convince them of the quality of our offerings.

In a difficult consumer climate, such as the one we are currently facing, we must redouble our efforts and be especially creative, prove and convey our competence, and offer a well-thought-out range of products and truly helpful service. We have been doing this and we will continue to do it. Thus the Hawesko Group has been able to post growth and to gain more market share even in the last several problematic years.

So in the third quarter of this year as well, our sales increase of 1.7% is well above the +0.1% achieved by the wine market overall (according to GfK) and even more clearly above the -2.0% in specialty wine retailing. The Hawesko Group has thus acquired a further share of the market.

Compared with the first nine months of the previous year, we have been able to catch up: After the six-month sales were still 1% below the figure for mid-2003, after three quarters of the year have passed we are now back at the level of the same period in the previous year. Furthermore, EBIT, which at mid-year was 20% below that of the previous year, is now only 10% below the nine-month figure for the previous year.

We had slightly higher expectations for the third quarter. In the mail order segment, the sales of our summer wines often suffered under the not-so-summery weather. However, overall the development was satisfactory. In addition, the result of a tax audit this quarter had a positive influence.



The significance of the third quarter must naturally be seen in relative terms against the background of the fact that in the Hawesko Group the fourth quarter is largely definitive for the year-end result; as a rule, two-thirds or more of the full-year EBIT is achieved in the three months at the end of the year.

We are well-equipped to take advantage of the opportunities arising here. For instance, we now have yet another hit in the mail order and wholesale segments in the form of the new Philippe de Rothschild wines. The redesign and increased staffing of the gift business in the mail order segment will focus this year in more targeted fashion on business customers on the one hand, and private customers on the other. The successful special promotions of our anniversary celebrations (40 years at *Hanseatisches Wein- und Sekt-Kontor*, 30 years at *Jacques' Wein-Depot*) will be continued with additional highlights, including, for example, 40 Baron Eric de Rothschild personally autographed magnums of 2001 Château Lafite for a spectacular price of € 40 each. The signals from the specialist wine-shop segment and parts of the wholesale segment are also positive at this time.

Several things indicate to us that – at least towards the end of the year – the consumers' desire for enjoyment slowly is slowly repressing the consumer restraint – not least in view of the fact that in Germany the first steps of many important reform processes have been initiated. Whether these will be sufficient to bring a certain stability and “plan-ability” for individuals as well as companies into the economic framework of Germany, so that consumer sentiment recovers – that, of course, remains an open question.

Assuming a successful holiday season, from today's point of view we will be able to meet our forecast for the Hawesko Group, ie, to increase sales as well as the operating result (EBIT).

Best wishes,

Alexander Margaritoff
CEO



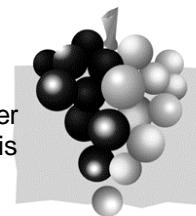
Sales and Result

Third Quarter

In the third quarter of fiscal year 2004 (July to September), the Hawesko Group achieved sales of €60.1 million, compared to €59.1 million in the same period of the previous year. This corresponds to a 1.7% increase in Group sales compared to the same quarter of the previous year. Sales were distributed among the individual segments as follows: Mail order/e-commerce achieved sales of €18.2 million, compared to €20.0 million in the previous year (–8.8%). 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-shop segment (*Jacques' Wein-Depot*) posted sales of €20.8 million in the quarter under review (+1.3% compared to the previous year). Sales in the wholesale segment amounted to €21.0 million, compared to €18.5 million in the previous year (+13.4 %; this figure was adjusted due to the transfer of *Château Classic – Le Monde des Grands Bordeaux*).

The business development in the mail order/e-commerce segment in the third quarter was characterized primarily by demand for summer wines which was lower than expected due to the bad weather. The number of active customers in the period under review was slightly lower than in the previous year's period but the number of new customers rose according to plan. The average price per bottle sold increased slightly and the average number of bottles ordered remained stable. In Austria, business in this segment was difficult.

In the specialist wine-shop segment (*Jacques' Wein-Depot*), business was especially good in the month of July. At 30 September 2004, there were 252 *Jacques' Wein-Depots* (three more than at the same closing date in the previous year). Of these, five were in Austria. Eight more new locations had been leased, but not yet opened. With a decline of only 0.1% compared to



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the third quarter of 2003, like-for-like sales remained stable. The increase yet again in customer frequency as well as the further gain in new customers indicates that interest in our offerings is continuing to rise.

In the wholesale segment, the sales increase was due primarily to the Philippe de Rothschild wines which were introduced in April. The promotion of especially high-quality wines, which in previous years always took place in the second quarter, was launched at the end of September for the first time this year, and thus at the end of the period under review. The resulting sales are accordingly expected in the fourth quarter.

The gross profit of the Group declined slightly in the third quarter relative to sales: The gross profit margin was 40.9%, compared to 41.5% in the same period of the previous year. This is due primarily to the increased share of the wholesale segment in total Group sales. The increase in other operating revenues to €3.4 million (same quarter of the previous year: €2.2 million) is due primarily to higher advertising allowances as well as the release of provisions and write-ups of fixed assets after a tax audit of a subsidiary. Personnel expenses rose slightly compared to the same quarter of the previous year due to increased staffing of sales and product management, and the early preparation for the pre-Christmas gift sales. Expenditures for advertising rose overall by approximately €0.4 million, which were spent primarily in the wholesale segment for the Philippe de Rothschild wines and at *Jacques'* for the acquisition of new customers. Delivery costs for goods, on the other hand, were reduced slightly.

Overall, the result of operations in the Group (EBIT) in the third quarter amounted to €1.2 million, thus exceeding the figure for the previous year (€1.0 million) by 21%. By segment: The EBIT in the mail order/e-commerce segment was just below zero (same quarter of the previous year: €0.4 million, whereby the previous year was adjusted for the transfer of *Château Classic – Le Monde des Grands Bordeaux* to the wholesale segment). In the specialist wine-shop segment (*Jacques' Wein-Depot*) it was €1.8 million (€1.4 million) and in the wholesale segment it amounted to €0.4 million (€0.1 million, adjusted for the aforementioned transfer of *Château Classic – Le Monde des Grands Bordeaux*).

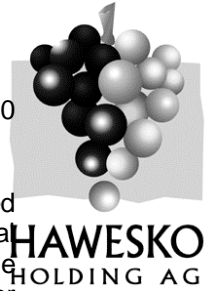
First nine months

Group sales remained steady in the first nine months of fiscal year 2004 compared to the same period of the previous year at €183.6 million – and thus at the level of the previous year, even though the business climate during this period was still characterized by the consumer slump. As a result of the gross profit margin rising by 0.2 percentage points, gross profit rose slightly, by 0.4%. The result from operations (EBIT) amounted to €3.8 million, thus 10.3% below the EBIT of the same period in the previous year (€4.3 million).

The reduction in bank borrowings improved the interest result to €–1.2 million (€–1.5 million), but this year the negative effect – which did not affect cash – of the application of IAS 39 (€–0.4 million, previous year: €+0.2 million) increased the charge from the financial result by €0.2 million in the first nine months to €1.5 million. The result before taxes on income was reduced by €0.7 million to €2.3 million. After application of the newly estimated tax ratio for the entire year (53%), this results in consolidated earnings after taxes and minority interests of €1.0 million (€1.3 million). The undiluted earnings per share amounted to €0.22, compared to €0.29 in the previous year. This was based, after the issuance of 11,000 new shares on 1 July 2004, on the figure of 4,409,163 shares in circulation. The diluted earnings per share are equal to the undiluted earnings in the reporting period, since no more options or conversion rights are left outstanding.

Balance Sheet

Compared to the figure at 31 December 2003 as well as the figure at 30 September 2003, the balance sheet total at 30 September 2004 declined by €7.9 million and €5.2 million, respectively, to €150.5 million. This is due primarily to the decline in trade receivables compared to the figure at 31 December 2003 by €10.4 million to €21.2 million, as well as the decline in cash in banking accounts and cash on hand: cash was reduced by €9.3 million compared to the figure at 31 December 2003. Trade receivables typically reach their highest level at 31 December. In the run-up to the holiday season, inventories increased according to



plan compared to the end of fiscal year 2003 – by €9.8 million –, and were reduced by € 2.0 million compared to the closing date of 30 September in the previous year.

Compared to the figure at 31 December 2003, equity declined by €3.7 million; this was caused by the payment of the dividend. Bank borrowings increased as planned, due to seasonal fluctuations, by €2.8 million compared to the year-end closing date to €37.2 million. Due to the 2003 clarets, considered to be a good Bordeaux vintage, the advance payments received for subscription wines rose by €1.3 million compared to 31 December 2003 to € 8.5 million (previous year: decline by €3.3 million compared to 31 December 2002). Trade accounts payable decreased due to seasonal fluctuations to €26.9 million compared to 31 December 2003, but remained above the level of 30 September 2003.

Investments in the first nine months of 2004 amounted to €3.3 million (previous year: € 2.8 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

Cash flow from current operations for the first nine months amounted to €–2.3 million, compared to € 1.1 million in the same period of the previous year. A major difference during this period was the net increase in inventories in preparation for the year-end sales. In the previous year, the reduction of inventory surpluses had compensated for this recurring seasonal development.

Free cash flow in the first nine months of 2004 of €–6.7 million (previous year: €–3.2 million) is calculated from the net outflow and inflow of payments from current operations (€–2.3 million) minus outpayments for tangible and intangible assets (€3.3 million) and interest paid (€1.2 million). Because of the typical seasonal influences on the course of business throughout the year, free cash flow at the nine-month closing date is usually negative.

Segment Report

Deviating from the previous year, the Bordeaux subsidiary *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 from 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 EBIT in fiscal year 2004, despite the continuing difficulties in the market. This will be made possible by, among other things, continuing to fine-tune the marketing in all segments, optimising business processes, especially in the mail order/e-commerce segment, and the acquisition of new, high-value customers in both the mail order segment and at *Jacques' Wein Depot*, the latter of which is opening five new locations exactly suited to this purpose. In the year-end business during the holiday season, the management board anticipates stimulus for growth, not least due to the exclusive distribution rights acquired for the wines of Baron Philippe de Rothschild and special anniversary promotions of *Hanseatisches Wein- und Sekt-Kontor* and of *Jacques' Wein-Depot*.

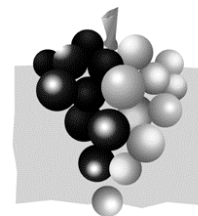
Hawesko Holding AG

Profit and loss statement (as per IAS)

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

	1 Jul – 30 Sep 2004	1 Jul – 30 Sep 2003
Sales revenues	60.1	59.1
Decrease (increase) in finished goods inventories	0.1	0.2
Other operating income	3.4	2.2
Cost of purchased goods	–35.5	–34.6
Personnel expenses	–6.8	–6.6
Depreciation and amortization	–1.3	–1.2
Misc. expenses and misc. taxes	<u>–18.9</u>	<u>–18.1</u>
Result from operations (EBIT)	1.2	1.0
Financial result		
Interest earnings/expenditures	–0.4	–0.5
Earnings/expenses from the the fair value valuation	<u>–0.3</u>	<u>–0.2</u>
Result before taxes on income	0.5	0.2
Taxes on income and deferred tax expenses	<u>–0.3</u>	<u>–0.2</u>
Result after taxes	0.2	0.1
Profit due to minority interests	<u>–0.1</u>	<u>0.0</u>
Consolidated earnings	<u>0.1</u>	<u>0.1</u>
Earnings per share (in €, undiluted)	0.03	0.02
Earnings per share (in €, diluted)	0.03	0.02
Average number of shares in circulation (Numbers in thousands, undiluted)	4,416	4,405
Average number of shares in circulation (Numbers in thousands, diluted)	4,416	4,416

(in € (millions), rounding differences possible)	1.1.–30.9. 2004	1.1.–30.9. 2003
Sales revenues	183.6	183.7
Decrease(increase) in finished goods inventories	0.2	0.3
Other operating income	9.0	7.3
Cost of purchased goods	-108.0	-108.3
Personnel expenses	-20.6	-19.6
Depreciation and amortization	-3.2	-3.4
Misc. expenses and misc. taxes	<u>-57.2</u>	<u>-55.8</u>
Result from operations (EBIT)	3.8	4.3
Financial result		
Interest earnings/expenditures	-1.2	-1.5
Earnings/expenses from the fair value valuation	<u>-0.4</u>	<u>0.2</u>
Result before taxes on income	2.3	3.0
Taxes on income and deferred tax expenses	<u>-1.2</u>	<u>-1.5</u>
Result after taxes	1.1	1.4
Profit due to minority interests	<u>-0.1</u>	<u>-0.1</u>
Consolidated earnings	<u>1.0</u>	<u>1.3</u>
Earnings per share (in €, undiluted)	0.22	0.29
Earnings per share (in €, diluted)	0.22	0.29
Average number of shares in circulation (Numbers in thousands, undiluted)	4,409	4,405
Average number of shares in circulation (Numbers in thousands, diluted)	4,416	4,416

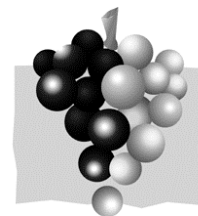


Hawesko Holding AG

Consolidated balance sheet (as per IAS)

(in € million, rounding differences possible)

	30 Sep 2004	31 Dec 2003	30 Sep 2003
Assets			
Fixed assets			
Intangible fixed assets	6.6	7.1	6.9
Tangible fixed assets	14.7	13.7	13.8
Financial assets	<u>0.7</u>	<u>0.2</u>	<u>0.2</u>
	21.9	21.0	21.0
Current assets			
Inventories	75.4	65.6	77.4
Trade receivables	21.2	31.6	20.8
Other receivables and other assets	5.6	2.7	5.9
Cash in banking accounts and cash on hand	<u>5.0</u>	<u>14.3</u>	<u>6.4</u>
	107.2	114.2	110.4
Deferred tax assets	21.1	22.9	24.1
Prepaid expenses	0.3	0.3	0.3
	<u>150.5</u>	<u>158.5</u>	<u>155.7</u>
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	5.9	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	<u>17.0</u>	<u>25.8</u>	<u>21.0</u>
	62.4	66.1	61.3
Minority interest	1.1	1.3	1.0
Provisions			
Provisions for pensions	0.5	0.5	0.4
Provisions for taxation and deferred taxes	2.0	2.5	1.5
Other provisions	<u>8.7</u>	<u>7.6</u>	<u>9.3</u>
	11.1	10.6	11.3
Liabilities			
Borrowings	37.2	34.4	46.4
Advances received	8.5	7.2	7.2
Trade payables	26.9	29.9	24.4
Other liabilities	<u>3.4</u>	<u>8.9</u>	<u>4.1</u>
	76.0	80.5	82.1
	<u>150.5</u>	<u>158.5</u>	<u>155.7</u>



Hawesko Holding AG		
Consolidated Cash Flow Statement (as per IAS)		
(in € million, unaudited, Rounding differences are possible)	1.1.–30.9. 2004	1.1.–30.9. 2003
Result before taxes on income	2.3	3.0
Depreciation of fixed assets (netted against write-ups)	2.7	3.4
Interest result	1.5	1.3
Result from the disposal of fixed assets	–0.0	–
Change in inventories	–9.8	–0.5
Change in other short-term assets	10.5	11.6
Change in provisions	0.7	–0.6
Change in liabilities (excluding borrowings)	–7.3	–14.6
Taxes on income paid out	<u>–2.9</u>	<u>–2.4</u>
Net outflow (inflow) of payments from current operations	–2.3	1.1
Acquisition of subsidiaries and of other financial assets	–0.4	–
Outpayments for tangible and intangible assets	–3.3	–2.8
Outpayments for the purchase of own shares	–	–
Inpayments from the disposal of financial assets and tangible assets	0.1	0.4
Inpayments from the disposal of financial assets	<u>0.0</u>	<u>0.0</u>
Net outflow of funds for investment activities	<u>–3.6</u>	<u>–2.3</u>
Outpayment for dividends	–4.8	–4.4
Outpayments to minority interests	–0.4	–0.4
Inpayments from capital increase	0.1	–
Change in borrowings	2.9	5.5
Interest paid out	<u>–1.2</u>	<u>–1.5</u>
Net outflow of funds for financing activities	<u>–3.4</u>	<u>–0.8</u>
Net increase in cash and cash equivalents	–9.3	–2.0
Cash and cash equivalents at the beginning of the period	14.3	8.4
Cash and cash equivalents at the end of the period	5.0	6.4

Hawesko Holding AG

Statement of Changes in Group Equity

In million €,
Rounding differences are
possible

	Subscribe d capital	Capital reserve	Revenue reserves	Adjustments resulting from currency translation	Unappropriated 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					1.3	1.3
Status as of 30 September 2003	8.9	5.8	25.7	-0.0	21.0	61.3
Status as of 1 January 2004	8.9	5.8	25.7	-0.0	25.8	66.1
Capital increase from the convertible bond		0.0	0.1			0.1
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					1.0	1.0
Status as of 30 September 2004	8.9	5.9	30.6	-0.0	17.0	62.3

Segments (in € million, rounding differences possible)					
1.1.-30.9.2004	Mail order/ E-commerce	Specialist retail	Wholesale	Other/ Consolidation	Group
External sales	60.0	63.6	59.7	0.3	183.6
Operating result (EBIT)	0.3	5.6	0.9	-2.9	3.8
1.1.-30.9.2003	*)Mail order/ E-commerce	Specialist retail	*)Wholesale	Other/ Consolidation	Group
External sales	63.0	62.4	58.1	0.2	183.7
Operating result (EBIT)	1.0	4.7	1.5	- 3.0	4.3

Segments (in € million, rounding differences possible)					
1.7.-30.9.2004	Mail order/ E-commerce	Specialist retail	Wholesale	Other/ Consolidation	Group
External sales	18.2	20.8	21.0	0.1	60.1
Operating result (EBIT)	-0.0	1.8	0.4	-0.9	1.2
1.7.-30.9.2003	*)Mail order/ E-commerce	Specialist retail	*)Wholesale	Other/ Consolidation	Group
External sales	20.0	20.5	18.5	0.1	59.1
Operating result (EBIT)	0.4	1.4	0.1	-0.9	1.0

*) 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

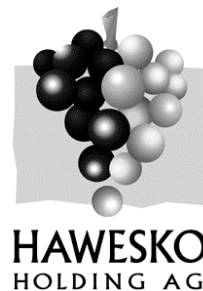
Appendix to the nine-month report to 30 September 2004

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 accounts.

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 2003. (2) Cyclical events which occur during the year, insofar as they are important, are delimited 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. A tax audit currently being conducted has not yet been completed; however, from today's standpoint no back taxes are expected to result which would have a material significance on the assets, financial situation nor general course of business of the company. (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 at the latest by the annual shareholders' meeting; 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 general meeting on 3 June 2004. Mr. Winfried Laackhove left the supervisory board with effect from 30 August 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	1.1–30.9. <u>2004</u>	1.1.–30.9. <u>2003</u>
Employees (average during the period)	567	558

Calendar:

German stock exchange presentation "Equity Capital Forum"	24 November 2004
Preliminary report for fiscal year 2004	End of January 2005
Annual press conference/Analysts' conference	End April 2005
Annual shareholders' meeting 2005	Mid-June 2005

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