

Hawesko Holding AG

Hamburg

ISIN DE0006042708

Reuters HAWG.DE, Bloomberg HAW GR

Three-month report to 31 March 2005

Hamburg, 27 April 2005

Highlights in € (millions)	1st quarter		+/-
	1.1.–31.3. 2005	1.1.–31.3. 2004	
Group sales	62.2	64.5	-3.5%
Result from operations (EBIT)	2.0	1.9	+4.2%
Consolidated earnings	0.9	0.4	+126.5%

Dear shareholders,

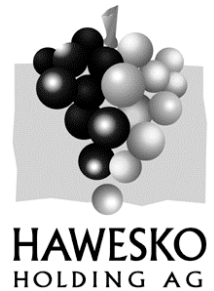
We are satisfied with the course of business in 2005 up to now, as we were already prepared for the decline in sales in the first quarter and planned our annual budget accordingly. Furthermore, the EBIT of the first quarter shows how Hawesko's profitability increased on an operative level. There were also reductions in financial expenditures and in the tax rate. Thus we are pleased about a strong increase in the post-tax results for the period, which is reflected in the doubling of the three-month result per share from €0.09 to €0.20.

We are not, however, getting any tailwind from the economy. The general climate for private consumption improved slightly in the last three months according to GfK surveys, but is once again becoming noticeably more unstable. In the first three months of 2005, the wine market overall showed a decline of 4.9%, while the decrease for Hawesko was limited to 3.5%.

In view of these rather clouded market conditions and perspectives, we look back with satisfaction on the course of the first three months – and are also pleased that there are several positive tendencies for Hawesko that will have a lasting influence on the current year as well as in the future. By this I mean specifically the lower tax rate, the reduction of debt owed to banks, the success in cost control and our good market position, which allows us a stable gross profit margin.

Thus we are well equipped to deal with a sector which has been quite turbulent recently. The mergers and acquisitions of Constellation and Mondavi, Pernod Ricard and Allied Domecq as well as Fosters and Southcorp have all made news. The changes in consumer demand worldwide are creating waves in the producer countries and for individual winegrowers. For example, in Australia demands are increasing to limit vineyards to their present size and not to permit any new ones. In France, winegrowers are taking to the streets, as certain state laws, including the reduction of the blood alcohol limit for driving and stricter control over wine advertising, have had a negative influence on the domestic sales of wine, in their opinion...

And in Germany? I have the impression that the "cheap is cool" attitude is finally starting to lose ground in Germany. The fact that something is cheap is no longer a motivation for many consumers to buy anything – where's the fun? However, I don't believe that the pendulum will simply swing back and that we will experience another period like the one at the turn of the millenium, when the stock market profits were enormous and luxury was desired at any price.



Rather, I believe the customer will differentiate in his efforts to save, spending less money in certain areas in order to be able to afford luxuries in others. And at Hawesko it's our job to reveal to consumers over and over again that the luxury of good wine is worth it.

That sounds simple, but is rather difficult to do. In order to arouse someone's interest in wine, you have to explain the wines to the customer – and this requires a great deal of effort in personal discussions with the customer. But the effort is worth it, as wine can express individuality, embody history and convey an image like no other product. This is particularly true of the higher-class and premium wines, the segment in which the Hawesko Group is at home.

We will continue our work with the wine in this spirit and are optimistic that we will be able to increase our sales and earnings even in this difficult consumer climate.

Best regards,

Alexander Margaritoff
CEO

Sales and Result

In the first three months of 2005, sales of the Hawesko Group declined by 3.5% to € 62.2 million; in the first quarter of the previous year, the figure was € 64.5 million. Sales were distributed among the individual segments as follows: The specialist wine-shop segment (*Jacques' Wein-Depot*) posted sales of € 21.3 million in the quarter under review (+0.3% compared to the same period in the previous year). Sales in the wholesale segment amounted to € 20.2 million, compared to € 18.9 million in the previous year (+7.1%). The mail-order segment achieved sales of € 20.6 million compared to € 24.3 million in the previous year (–15.3%).

In the specialist wine-shop segment (*Jacques' Wein-Depot*), sales increased slightly despite three fewer days of sales due to the early Easter holidays; business was successful especially in the month of March. At 31 March 2005 there were 257 *Jacques' Wein-Depots* (one more than in the previous quarter); of which seven (at 31 December 2004: five) were operated in Austria, after the acquisition in January of the outlets previously operated by the sister company in the Group, *Wine Company*. In addition, two new locations were leased in Germany but not yet opened. Like-for-like sales declined slightly (by 1.1%) compared to the first quarter of 2004; however, adjusted for the effect of the fewer sales days, this figure was positive. The average sales receipt as well as the number of active customers rose, while the buying frequency remained stable.

The positive sales development in wholesale is due primarily to the sales of the products of Baron Philippe de Rothschild S.A.; these were added to the product range only after the completion of the comparable quarter of the previous year. Moreover, business development at the Hawesko subsidiaries *CWD Champagner und Wein Distributionsgesellschaft* and *Château Classic – Le Monde des Grands Bordeaux* was especially positive. The trade with Italian wines, on the other hand, was more difficult than in the comparable period of the previous year.

Business development in the mail-order segment was influenced by the fact that the extremely successful anniversary advertising campaign at the beginning of last year could not, of course, be repeated. The campaign in question was the 40th anniversary sales promotion "40 bottles of Pétrus for € 40 each". Furthermore, mail-order sales in Austria ceased, as the activities there were focused entirely on *Jacques' Wein-Depot* and on the wholesale segment under *Wein Wolf*. The number of orders and the average number of bottles per order declined compared to the same period of the previous year, while the number of active customers remained almost at the level of the previous year and the average price per bottle rose.

The consolidated gross yield rose slightly relative to sales. This is due on the one hand to the slightly reduced margin based on the specific merchandise mix in the wholesale segment, and on the other hand to the slightly increased margins of the specialist wine-shop retail and mail-order

segments. Personnel expenses relative to sales remained constant at 10.7%, while advertising expenses (ratio: 8.3% compared to 8.6% in the previous year) and delivery costs (3.8% compared to 4.0%) rose underproportionally. As a result of the new version of IFRS Guideline 3 (Business Combinations) taking effect, goodwill amortisation ceases to apply as depreciation expense from 1 January 2005. The Group's operative (EBIT) margin rose over that of the previous year.

Thus, despite reduced sales, the result of operations in the Group (EBIT) rose to €2.0 million, 4.2% above that of the comparable period in the previous year (€1.9 million; this prior-year figure was adjusted so that it includes retroactively the change in accounting from 1 January 2005 for two properties – the Logistics Center and an office building in Tornesch near Hamburg – from operating to finance leasing). Based on the increased sales and improved gross profit, the specialist wine-shop segment *Jacques' Wein-Depot* achieved an operating result of €1.7 million (previous year: €1.6 million). Due to the increase in sales, the operating result in the wholesale segment rose to €0.5 million (previous year: €0.3 million). Despite its decline in sales, the mail-order segment's contribution to EBIT remained almost unchanged thanks to optimised cost management (€0.7 million compared to €0.8 million in the previous year).

The reduction in financial indebtedness means that interest expenditures, at €0.4 million, is again lower compared to the previous year (€0.5 million, adjusted for the aforementioned change in accounting for leases). The effect of the application of IAS 39 (fair-value valuation) improved the financial result with €0.1 million, in contrast to the previous year (a charge of €0.5 million). The result before taxes on income thereby increased by €0.8 million to €1.7 million. The elimination of the negative influences of goodwill amortisation and of the negative result of the Austrian subsidiary *Wine Company* on EBIT improved the tax rate of the Group from 50.6% to 45.5%. The consolidated earnings after taxes and deductions for minority interests thus rose from €0.4 million in the previous year to €0.9 million. As there are no more option rights outstanding, the earnings per share can no longer be diluted. The profit per share amounts to €0.20, compared to €0.09 in the previous year (previous year, diluted: likewise €0.09). This was based on the figure of 4,416,496 (previous year: 4,405,496) shares in the reporting period.

Balance Sheet

Deviating from the previous year, the balance sheet will be drawn up in accordance with IFRS from 1 January 2005 by the expected maturity of the asset or the liability. Long-term assets and liabilities are defined as those that have a term of more than one year, while short-term assets and liabilities are defined as those with terms of one year or less. Because of the accounting changes in conjunction with the IFRS Improvement Project, which converted the leases of two properties from operating to finance leases, the book value of these properties will be included retroactively from 2005 in the balance sheet item "Fixed Assets". This will result in an increase in tangible assets of €9.8 million and in the balance sheet total at 31 December 2004 to €164.3 million. On the liabilities side, the leasing payments will be capitalised: The part due within one year will be included and listed under short-term borrowings. The part due after one year will be included and listed under the long-term borrowings.

Compared to the figure at 31 December 2004, the balance sheet total declined by €22.4 million to €141.9 million. This is due primarily to the decline in trade receivables of €17.7 million. This item typically reaches its highest level at 31 December. The liquid resources were reduced by €3.7 million.

Compared to the figure as at 31 December 2004, the equity capital declined by €5.5 million; this is due mainly to the shift of the proposed dividend to other liabilities. In the period under review, the long-term borrowings were reduced by €0.8 million and the short-term borrowings by €2.0 million.

Investments in the first quarter of 2004 amounted to €0.7 million (previous year: €0.8 million). These are related mainly to equipment replacement in the Group.

Cash Flow Statement and Capital Spending

Cash flow from current operations amounted to €1.8 million for the period under review and was thus below the figure for the same period of the previous year (€3.1 million). This was due to the smaller reduction in inventories.

The item “Net outflow of funds for investment activities” includes the payment of a loan granted to a member of the management board in the amount of € 1.5 million.

Outlook

Even though current economic forecasts indicate an upturn in the sector, the corporate planning of the Hawesko Group for fiscal year 2005 remains cautious. Accordingly, it focusses primarily on the further refinement of the marketing in the individual business divisions, the optimisation of operations of the mail-order segment in particular, and the judicious expansion of the specialist wine-shop segment.

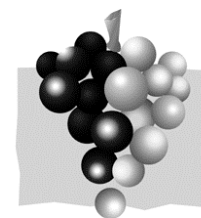
For the year overall, the management board anticipates an increase in sales. The main areas of growth are expected to be as follows: on the one hand, sales increases at *Jacques' Wein-Depot* – both in the existing stores as well as through five to ten planned new openings, and on the other hand, the sales contribution of the Philippe de Rothschild wines, which will now be included in wholesale sales for a full year and for which Hawesko has exclusive distribution rights.

The operative result is also expected to increase over 2004. The intensified working-capital management program will be retained in order to achieve a clearly positive free cash flow in 2005 as well. Currently, a figure between €8 million and €12 million is expected. This would provide a basis for dividend continuity.

Continued long-term working capital management can also ensure the desired increase in the return on capital employed (ROCE); the figure for fiscal year 2004 was 17%, or 16% in accordance with IFRS accounting changes adopted from 1 January 2005. Additional process and cost optimisation should facilitate further improvement in the EBIT margin (fiscal year 2004: 5.8%, or 6.0% in accordance with IFRS accounting changes adopted from 1 January 2005).

The investments in tangible assets will most likely amount to €4 million to €5 million in fiscal year 2005. Investment is expected to focus on the new openings of *Jacques' Wein-Depot* as well as IT equipment in the mail order and logistics divisions. These investments will be financed using the cash flow from current operations.

Should the economy and the consumer mood improve, the Hawesko Group would be in an outstanding position for especially profitable growth in accordance with estimates of the management board.



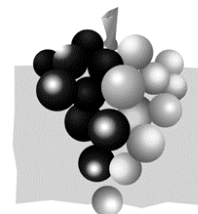
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Profit and loss statement (as per IFRS)

(in € millions, rounding differences are possible)

	1.1.–31.3. 2005	1.1.–31.3. 2004
Sales revenue	62.2	64.5
Decrease (increase) in finished goods inventories	0.0	0.0
Other operating income	2.5	2.5
Cost of purchased goods	–36.7	–38.1
Personnel expenses	–6.7	–6.9
Depreciation and amortisation	–1.1	–1.2
Other operating expenses	<u>–18.2</u>	<u>–18.8</u>
Result from operations (EBIT)	2.0	1.9
Financial result		
Interest earnings/expenditures	–0.4	–0.5
Earnings/expenses from the fair-value valuation	<u>0.1</u>	<u>–0.5</u>
Result from ordinary activities	1.7	0.9
Taxes on income and deferred tax expenses	<u>–0.8</u>	<u>–0.5</u>
Result after taxes	0.9	0.4
Profit due to minority interests	<u>–0.0</u>	<u>–0.0</u>
Consolidated earnings	<u>0.9</u>	<u>0.4</u>
Earnings per share (in €, undiluted)	0.20	0.09
Earnings per share (in €, diluted)	n.a.	0.09
Average number of shares in circulation (Numbers in thousands, undiluted)	4,416	4,405
Average number of shares in circulation (Numbers in thousands, diluted)	n.a.	4,416



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Hawesko Holding AG

Consolidated balance sheet (as per IFRS)

(in € million, unaudited,

Rounding differences are possible)

31.3.2005

31.12.2004

Assets

Long-term assets

Intangible fixed assets	6.6	6.4
Tangible fixed assets	24.4	24.9
Financial assets	1.7	0.7
Advance payments on stocks	4.4	2.7
Accounts receivable and other assets	1.1	1.2
Deferred tax assets	<u>20.2</u>	<u>20.8</u>
	58.4	56.8

Short-term assets

Inventory stocks	57.4	60.6
Trade receivables	18.3	35.9
Miscellaneous current assets	2.3	1.8
Cash in banking accounts and cash on hand	<u>5.5</u>	<u>9.1</u>
	83.4	107.5

141.9

164.3

Liabilities

Shareholders' equity

<i>Subscribed capital of Hawesko Holding AG</i>	13.2	13.2
<i>Adjustment as per IFRS</i>	<u>-4.4</u>	<u>-4.4</u>
	8.9	8.9
Capital reserve	5.9	5.9
Revenue reserves	32.6	30.6
Adjustment resulting from currency translation	-0.0	-0.0
Unappropriated group profit	14.0	21.4
Minority interests	<u>0.8</u>	<u>1.1</u>
	62.2	67.8

Long-term provisions and liabilities

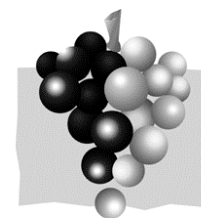
Provisions for pensions	0.5	0.5
Other long-term provisions	0.2	0.2
Borrowings	13.8	14.6
Advances received	5.2	3.3
Other liabilities	0.2	0.2
Deferred tax assets	<u>0.8</u>	<u>0.8</u>
	20.7	19.7

Short-term provisions and liabilities

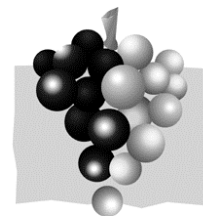
Short-term provisions	7.7	9.1
Borrowings	15.6	17.6
Advances received	0.9	5.4
Trade accounts payable	23.3	32.7
Other liabilities	<u>11.5</u>	<u>11.9</u>
	59.0	76.8

141.9

164.3



Hawesko Holding AG		
Consolidated Cash Flow Statement (as per IFRS)		
(in € million, unaudited, Rounding differences are possible)	1.1.–31.3. 2005	1.1.–31.3. 2004
Result before taxes on income	1.7	0.9
Depreciation of fixed assets	1.1	1.2
Interest result	0.3	1.1
Result from retirements of fixed assets	–0,0	—
Change in inventories	1.4	2.1
Change in other short-term assets	17.9	13.2
Change in provisions	–1.6	–1.9
Change in liabilities (excluding borrowings)	–18.3	–12.6
Taxes on income paid out	<u>– 0.8</u>	<u>– 0.9</u>
Net inflow of payments from current operations	1.8	3.1
Outpayments for loans issued	–1.5	–0.4
Outpayments for tangible and intangible assets	–0.7	–0.8
Inpayments from the disposal of intangible and tangible assets	0.0	0.1
Inpayments from the disposal of financial assets	=	<u>0.0</u>
Net outflow of funds for investment activities	–2.2	–1.1
Outpayments for dividends	?	?
Outpayments to minority interests	?	?
Outpayments for finance-leasing liabilities	–0,2	–0,2
Change in other borrowings	–2.5	–8.6
Interest paid out	<u>– 0.5</u>	<u>– 0.5</u>
Net outflow of funds for financing activities	<u>–3.2</u>	<u>–9.3</u>
Net decrease in cash and cash equivalents	–3.7	–7.3
Cash and cash equivalents at the beginning of the period	9.1	14.3
Cash and cash equivalents at the end of the period	5.5	7.0



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Hawesko Holding AG

Statement of Changes in Group Equity

in € million, unaudited,
Rounding differences are
possible

	Subscribed capital	Capital reserve	Revenue reserves	Adjustments resulting from currency translation	Unappro- priated group profit	Minority interests	Total
Status at 1 January 2004	8.9	5.8	25.7	-0.0	25.8	1.3	67.4
Adjustment from the application of IAS 17 to 1.1.2004					-0.9		
Appropriation to revenue reserves			4.8		-4.8		—
Treasury shares							—
Dividends					-4.8	-0.3	-5.2
Currency translation differences				0.0		0.0	0.0
Merger of the <i>Wine Company</i>						—	—
Period profit					0.4		0.4
Status at 31 March 2004	8.9	5.8	30.5	-0.0	15.6	1.1	61.8
Status at 1 January 2005	8.9	5.9	30.6	-0.0	21.4	1.1	67.8
Appropriation to revenue reserves			2.7		-2.7		—
Treasury shares			-0.6				-0.6
Dividends					-5.5	-0.3	-5.8
Currency translation differences						0.0	0.0
Period profit					0.9	0.0	0.9
Status as of 31 March 2005	8.9	5.9	32.6	-0.0	14.0	0.8	62.2

Segments (in € millions, rounding differences are possible)					
1.1.–31.3.2005	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	21.3	20.2	20.6	0.1	62.2
Operating result (EBIT)	1.7	0.5	0.7	-0.9	2.0
1.1.–31.3.2004	Specialist retail	Wholesale	Mail order*)	Miscellaneous/ Consolidation*)	Group
External sales	21.2	18.9	24.3	0.1	64.5
Operating result (EBIT)	1.6	0.3	0.8	-0.7	1.9

*) Adjusted due to the retroactive conversion of the leases of two properties to finance leasing from 1 January 2005.

Appendix to the three-month report to 31 March 2005

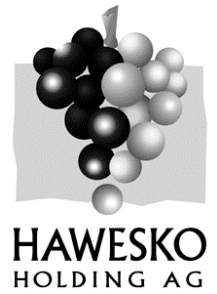
General principles: This report was written in accordance with International Accounting Standard (IAS) 34 according to the requirements of the current guidelines of the International Accounting Standards Board (IASB), London. This report is unaudited.

Consolidation: The consolidated group of Hawesko Holding AG remains unchanged from that listed in the 2004 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 2004. The IAS and IFRS, revised as part of the IASB Improvement Project, have been applied. (2) Cyclical events which occur during the year, insofar as they are material, 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. (5) The number of shares held by members of the supervisory board and management board as well as the options granted to the members of the management board remain unchanged from 31 December 2004. (6) Hawesko Holding AG currently holds 20,000 treasury shares.

Other information	1.1–31.3. <u>2005</u>	1.1.–31.3. <u>2004</u>
Employees (average during the period)	552	565



Calendar:

Annual general meeting	20 June 2005
Ex-Dividend	21 June 2005
Second quarter/Six-month report	27 July 2005
Third Quarter/Nine-month-report	26 October 2005
Preliminary report for fiscal year 2005	End of January 2006

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