Hawesko Holding AG
Hamburg

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Six-month report at 30 June 2002

Hamburg, 26 July 2002

Highlights

in € million

	2nd quarter (1 Apr – 30 Jun)			Six months (1 Jan – 30 Jun)		
	2002	2001	+/–	2002	2001	+/–
Group sales	**57.5**	**60.0**	**–4%**	**113.7**	**116.9**	**–3%**
Result from operations (EBIT)	**2.2**	**3.3**	**–33%**	**3.7**	**5.2**	**–30%**
Consolidated earnings	**0.6**	**1.3**	**–54%**	**1.1**	**1.8**	**–36%**

Dear shareholders,

The business progress of the Hawesko Group in the second quarter of 2002 was disuniform. After the relatively good sales performance of April and May, business slowed down again in June with the result that sales overall for the three-month period were down 4% on the prior-year period, and EBIT shrank by 33%.

A brief glance at the business pages of our newspapers is indicative of the overall economic mood. Headlines published over the past few weeks have included: "Surprise deterioration in business climate", "Recovery ailing", "Retail trade sees no signs of recovery". "German economy disappoints", "Falling share prices undermine economic growth", and so on. Some quarters of the retail trade are even claiming the situation is the worst it has been for half a century, and are expecting the percentage slump in sales to run into double digits. Much of this mood is attributable to our new currency, which has initially unsettled consumers. If the economic situation of Hawesko is compared with the current disposition of German commerce as a whole, we have to say that our group appears to be faring rather well.

My board colleagues and I nevertheless believe we should take heed of the difficult economic situation in downscaling our previous forecast for Hawesko for the 2002 financial year to reflect business progress up to the mid-way point. We now expect sales for 2002 as a whole to rise by between 1%

and 3% to around € 270 million. EBIT is likely to fall short of the previous year's level (€ 17 million), though the decrease should not be more than 15%. Thanks to the lower financing charges in the current year, consolidated earnings after taxes and minority interest compared with the previous year (€ 6.9 million or € 1.61 per share) are likely to be affected to a disproportionately minor degree.

Despite this disappointing development, we have every prospect of maintaining the successful progress that our company has enjoyed in recent years. We therefore have a number of good reasons to be cautiously optimistic.

We continue to place more emphasis on improving our operative business. In the mail order/e-commerce segment, for instance, we have been able to cut advertising production costs quite significantly as announced, and have boosted the gross margin by improving the product mix. We have regained the accustomed response rate to promotional mailings, even if people are buying in smaller quantities (in other words, the average size of an order) than was previously the case because of the economic climate. In the wholesale trade, we are at an advantage in being positioned in the upmarket segment and have every prospect of being able to add yet further top-class exclusive products to our range. And even though *Jacques' Wein-Depot* has not remained wholly unscathed by the general consumer mood, our first trials of customer cavassing measures for existing outlets have proven highly promising; this approach, which is based on the success of the *Jacques'* customer card, stands to benefit from our experience with direct marketing in the mail order/e-commerce segment.

It should also be pointed out that the present situation brings certain opportunities: for example, the possibility that the field of competitors will be thinned out, thus resulting in an increased market share and the prospect that we will be able to move into new, high-quality locations for *Jacques' Wein-Depot*.

Not least, wine enjoys a certain aura of tradition that is immune to the fleeting trends of our age. In the same way that wine is a product that has been traded for thousands of years, wine has been a part of everyday life since time immemorial. It is only in the past twenty years or so that certain market trends, which we identified at an early stage and capitalised on to good effect, have emerged: a growing affinity for wine in general, the trend towards higher-quality wines, and the trend towards new wines. The wine market thus offers a certain degree of constancy, rooted in its long-standing traditions, hand in hand with its current dynamism, which is engendered by the diversity of shifts in patterns of demand and production. We must in the end accept that it is prone to short-term fluctuations, and that such movements may be up as well as down.

Yours sincerely,

Alexander Margaritoff
Chairman of the Board of Management

Sales and business results

Second quarter

In the second quarter of the 2002 financial year (April to June), the Hawesko Group posted sales of € 57.5 million compared with € 60.0 million in the corresponding period of the previous year. Consolidated sales were down 4.1% on the strong prior-year quarter. The business results for the individual segments were mixed: whereas sales by the mail order/e-commerce and wholesale segments fell short of the prior-year level at € 19.3 million and € 17.1 million (–11.1% and –5.9%), specialist wine-shop retailing bettered the previous year's sales with a total of € 21.0 million (+5.0%).

The restrained progress for the quarter as a whole was primarily due to the June results, which contrasted with the initially positive business progress achieved in April and May. In the mail order/e-commerce segment, *Hanseatisches Wein- und Sekt-Kontor* registered a level of orders in the second quarter that was unchanged from the previous year, though the average value of orders was down. The company *Carl Tesdorpf – Weinhandel zu Lübeck,* which operates at the ultra-premium end of the segment, and Austrian-based *The Wine Company* were able to report double-digit growth rates. The French subsidiary *Château Classic – Le Monde des Grands Bordeaux* reported lower sales in the wake of turbulence in the market for Bordeaux wines.

Business for *Jacques' Wein-Depot* (specialist wine-shop retailing segment) likewise proved particularly difficult in June. Like-for-like sales – in other words, at those locations that have been open for longer than two years – fell by 1.3% overall compared with the prior-year period. In addition to general consumer reticence, this development is attributable to fact that Easter business fell within the first quarter this year, and the fact that World Cup football matches coincided with otherwise busy shopping times (weekends in June). The *Jacques'* outlets in Austria revealed a steady improvement in results, though total sales are still at a low level. Five new outlets were opened in Germany in the second quarter; this brought the total up to 226 outlets in both countries. Rental agreements had been concluded for ten further locations at 30 June 2002.

In the wholesale business segment, business also let up towards the end of the quarter, after growth in April and May. A one-off sale, last year worth € 1.5 million, to a large customer could not be repeated this year. The reticence of end consumers in the restaurant and catering business became indirectly noticeable in this business segment.

The Group result from operations (EBIT) in the second quarter amounted to € 2.2 million, 32.8% below the prior-year's result (€ 3.3 million). The main reason for this was an increase in costs for the logistics and fulfillment operations amounting to € 0.5 million which arose from the introduction of a new computerized fulfillment system. Because of a shortfall in sales, the EBIT in the mail-order/e-commerce segment went down by € 0.3 million and in the wholesale segment by about € 0.2 million. The operating result of *Jacques' Wein-Depot* remained just under the level of the prior year, in spite of increased costs due to expansion.

First Half

Sales of the Hawesko Group went down in the first six months of fiscal year 2002 by 2.8% to € 113.7 million. The business environment was characterized by a pronounced consumer reticence which affected the months of January, February and June especially. In spite of the sales development, gross profit was increased by € 0.4 million to € 48.4 million. This is above all attributable to changes in the product mix.

The result from operations (EBIT) came to € 3.7 million and thus remained 29.6% below the result of the same period last year (€ 5.2 million). In spite of improvements in advertising expense, the lower-than-expected sales did not fully utilize capacities and led in part to the decrease in EBIT.

Financing charges decreased against the first half-year 2001 from € 1.7 million to € 1.3 million due to the lower interest rates during the period as well as a lower IAS 39 charge (valuation of financial instruments at fair value). The result before taxes on profits went down from € 3.6 million to € 2.4 million. The Group result after taxes and minority interests amounted to € 1.1 million (2001: € 1.8 million). This resulted in undiluted earnings per share of € 0.27, against € 0.40 in the first half-year of 2001. The figure for 2002 takes into account that for the period average, about 184,000 shares from the share buyback program were not in circulation and is thus based on the number of 4,221,500 shares. The diluted earnings per share, for which the exercise of option rights in full scope is assumed, amounts to € 0.26 (2001: € 0.39) per share.

Balance Sheet

The balance sheet total at 30 June 2002 declined compared to that at 31 December 2001 by € 8.7 million to € 163.0 million. This is due primarily to the decline in accounts receivable, which typically reach their highest level during the year on 31 December. Cash and cash equivalents were reduced by € 2.7 million.

Cash Flow Statement and Capital Spending

Cash flow from current operations in the period under review amounted to € –2.7 million, after € 3.5 million in the same period of the prior year. The main contributing factor to this development was an increase in inventories – high-quality products which were bought early for strategic reasons – as well as the lower operating result

Cash flow from investment activities came above all from proceeds from the sale of treasury shares as well as the cash payments for tangible assets. The cash flow from financing activities mainly reflects the payment of the dividend for fiscal year 2001, which was passed by resolution at the annual general meeting on 13 June 2002 as well as an increase in borrowings at the closing date of the period.

Capital spending amounted to € 2.6 million in the first half of 2002 (€ 2.6 million in the same period of the prior year). It relates mostly to shop fittings at *Jacques' Wein-Depot* and the introduction of an automated order-fulfillment system at *IWL Internationale Wein-Logistik*.

Outlook

Based on an economic environment which has become difficult again at mid-year and the continuing reticence of consumers in Germany, the management board believes it necessary to downscale its previous forecast for Hawesko – which looked for a sales increase by about 7% to between € 280 million and € 285 million and a proportionate increase of operating result by about 7% – for the 2002 financial year. Assuming that consumers in Germany remain cautious – but otherwise do not become even more reticent – the management board expects sales for 2002 as a whole to rise by between 1% and 3% to around € 270 million. EBIT is likely to fall short of the previous year's level (€ 17 million), though the decrease should not be more than 15%.

Hawesko Holding AG Profit and Loss Statement (in € million, unaudited, rounding differences are possible)	1 Jan – 30 Jun 2002	1 Jan – 30 Jun 2001	+ / -
Sales revenues	**113.7**	**116.9**	**–2.8%**
Cost of purchased goods	–65.3	–68.9	–5.2%
Gross profit on sales	**48.4**	**48.0**	**0.7%**
Other operating income	5.1	4.5	13.5%
Personnel expenses	– 12.5	– 11.1	12.8%
Depreciation and amortization	– 2.1	– 2.1	3.5%
Other operating expenses	– 35.1	– 34.1	2.9%
Result from operations (EBIT)	**3.7**	**5.2**	**–29.6%**
Financial result	– 1.3	– 1.7	–23.2%
Result from ordinary operations	2.4	3.6	–32.5%
Taxes on income and deferred tax expense	– 1.1	– 1.6	–29.4%
Result after taxes	**1.3**	**2.0**	**–35.0%**
Profit due to minority interests	– 0.2	– 0.3	–28.3%
Consolidated earnings	**1.1**	**1.8**	**–35.9%**
Earnings per share (undiluted)	0.27	0.40	–32.5%
Earnings per share (diluted)	0.26	0.39	–33.3%

Hawesko Holding AG Consolidated Balance sheet (in € million, quarters unaudited)	30 Jun 2002	31 Dec 2001	+ / -
Assets			
Fixed assets	22.1	21.8	1.3%
Inventories	84.1	77.8	8.1%
Trade accounts receivable	18.5	32.9	-43.8%
Other current assets	5.8	4.0	45.3%
Cash in banking accounts and cash on hand	3.4	6.1	-44.9%
Deferred taxes	27.9	28.8	-3.3%
Prepaid expenses	1.3	0.3	355.4%
Total	**163.0**	**171.7**	**-5.1%**
Liabilities and shareholders' equity			
Shareholders' equity and reserves	61.1	60.5	17.4%
Minority interests	0.8	1.0	-18.7%
Provisions	10.9	11.9	-8.4%
Borrowings	51.5	46.9	9.9%
Trade accounts payable	25.3	30.7	-17.6%
Other liabilities	13.4	20.7	-35.4%
Total	**163.0**	**171.7**	**-5.1%**

Hawesko Holding AG
Consolidated Cash Flow Statement

(in € million, unaudited)	1 Jan – 30 Jun 2002	1 Jan – 30 Jun 2001
Result before taxes on income	2.4	3.6
Depreciation of fixed assets	2.1	2.1
Interest result	1.3	1.7
Change in inventories	– 6.3	– 0.7
Change in other short-term assets	12.1	12.2
Change in provisions	– 0.4	0.2
Change in liabilities (excluding borrowings)	–12.7	–15.3
Taxes on income paid out	– 1.1	– 0.4
Net outflow (inflow) of payments from current operations	**– 2.7**	**3.5**
Acquisition of subsidiaries net of funds acquired	?	– 0.0
Outpayments for tangible assets and intangible assets	– 2.6	– 2.6
Inpayments from the disposal (outpayments for the acquisition) of treasury shares	4.4	– 0.1
Inpayments from the disposal of intangible assets and tangible assets	0.2	0.1
Inpayments from the disposal of financial assets	0.0	0.1
Net inflow (outflow) of funds for investment activities	**2.0**	**–2.6**
Outpayments for dividends	– 5.1	–3.7
Outpayments to minority interests	– 0.3	– 0.2
Change in borrowings	4.6	– 4.6
Interest paid out	– 1.3	– 1.5
Outflow of net funds from financing activities	**– 2.1**	**– 10.0**
Net decrease in funds and cash equivalents	**– 2.8**	**– 9.1**
Cash and cash equivalents at start of period	5.6	9.6
Cash and cash equivalents at end of period	**2.9**	**0.5**

Segments (in millions €, rounding differences possible)

1st six months 2002	Mail order/ E-Commerce	Specialist retail	Wholesale	Miscellaneous/ Consolidation	Group
Sales	**40.8**	**40.8**	**31.9**	**0.1**	**113.7**
Operating result (EBIT)	**1.5**	**3.7**	**1.1**	**– 2.6**	**3.7**

1st six months 2001	Mail order/ E-Commerce	Specialist retail	Wholesale	Miscellaneous/ Consolidation	Group
Sales	**45.9**	**37.9**	**33.0**	**0.1**	**116.9**
Operating result (EBIT)	**1.4**	**3.8**	**1.9**	**– 1.8**	**5.2**

Other data	1.1–30.6. 2002	1.1.–30.6 2001
Employees (average during the period)	488	441

Calendar:

Third quarter/Nine-month report	End of October 2002
Preliminary report for fiscal year 2002	Mid-February 2003

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