



## Hawesko Holding AG Hamburg

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### Nine-month Report at 30 September 2002

Hamburg, 30 October 2002

#### Highlights

in € million

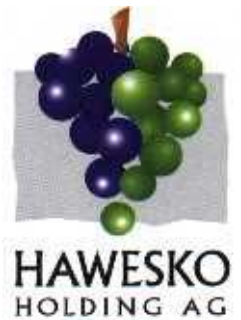
	3rd Quarter (1 Jul–30 Sep)			Nine months (1 Jan–30 Sep)		
	<u>2002</u>	<u>2001</u>	<u>+/-</u>	<u>2002</u>	<u>2001</u>	<u>+/-</u>
<b>Group sales</b>	<b>57.8</b>	<b>53.8</b>	<b>+ 7.6%</b>	<b>171.5</b>	<b>170.7</b>	<b>+ 0.5%</b>
<b>Result from operations (EBIT)</b>	<b>1.5</b>	<b>1.0</b>	<b>+58.8%</b>	<b>5.2</b>	<b>6.2</b>	<b>-15.8%</b>
<b>Consolidated earnings</b>	<b>0.1</b>	<b>-0.2</b>	<b>—</b>	<b>1.2</b>	<b>1.6</b>	<b>-24.5%</b>

Dear shareholders,

The business progress in the period from July to September 2002 gives us reason to be cautiously optimistic. The indications of the first six months became more tangible in the third quarter: while German retail is groaning under the worst slump in consumer activity for decades, the Hawesko Group has a solid foundation and has been able to further reinforce and expand its market position, despite the consumer restraint which has left its traces on our business as well.

The slowdown in sales, which was still noticeable in June, gave way to a significant revival in late summer and into the autumn. The September results in particular had considerably improved over the comparable period in the previous year. In the quarter under review overall, sales rose by 7.6% and EBIT by 58.8% compared to the prior year, so that in this nine-month period the sales losses of the first six months was more than compensated and the EBIT decline was significantly reduced. The latter was due primarily to a noticeable increase in wholesale business, which is connected to the intensified focus on renowned wines of the highest quality.

A particularly positive development is that all three business segments have again contributed to the increase in sales: mail order/e-commerce, stationary specialist retail and wholesale all posted growth rates of six to nine percent. Despite a sluggish consumer climate, *Jacques' Wein-Depot* has sustained its high expansion rate. In the past quarter we opened six new depots. The success of the *Jacques'*



loyalty card has provided a further impetus to the business of the existing depots. Direct marketing experience has been consistently implemented here.

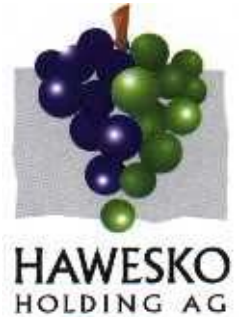
The volume of orders in the wholesale segment, which has once again become steadier, gives us reason for optimism particularly because it is an initial indication of the upcoming Christmas business. Furthermore, one of our wholesale companies, *CWD Champagner & Wein Distributionsgesellschaft*, succeeded on 1 August 2002 in gaining exclusive rights to sell four large French premium brands in Germany. With these new highlights, *CWD* has once again extended its first-class competence in French wines and champagnes. Thus we are successfully maintaining our strategy of continuously adding internationally renowned wines to our range of products.

And last but not least, our extremely successful campaign accompanying the introduction of the high-quality wines of the premiere Australian producer Penfolds has once again impressively demonstrated Hawesko's strength in distribution. This shows that an innovative product range based on uncompromising quality effectively meets upmarket needs, particularly in difficult times.

As you know, in the six-month report we had revised our sales and earnings forecast for the current fiscal year downwards in order to reflect the unfavorable economic environment. With the better development of the third quarter as a basis for the second half of the year, we can view the final quarter with greater optimism. As always, the course of Christmas business will be of decisive importance. We confirm our last forecasts of a slight increase in sales by 1 to 3% to € 270 million, and an EBIT which will be no more than 15% down on that of the previous year. Due to the reduced financing costs in the current year, the net Group result should be affected to a lesser degree.

Best regards,

Alexander Margaritoff  
CEO



## Sales and Result

### Third Quarter

In the third quarter of fiscal year 2002 (July to September), the Hawesko Group achieved sales of € 57.8 million, compared to € 53.8 million in the same period of the previous year. This corresponds to an increase of 7.6%. After disuniform sales development in the first and second quarters, all business segments posted growth in the quarter under review. Sales were distributed as follows: mail order/e-commerce € 21.0 million (+6.0%), specialist retail € 19.7 million (+9.0%) and wholesale € 17.1 million (+7.8%).

In the mail order/e-commerce segment, growth in the third quarter was due primarily to the flagship subsidiary *Hanseatisches Wein- und Sekt-Kontor* and the specialist in top premium wines, *Carl Tesdorpf – Weinhandel zu Lübeck*. The 4.6% sales increase at *Hanseatisches Wein- und Sekt-Kontor* resulted mainly from the higher response rates of the advertising mailings, which have been improved in quality.

The continued expansion of locations and the widespread acceptance of the *Jacques'* concept have once again permitted the specialist retail segment (*Jacques' Wein-Depot*) to increase its sales. During the quarter, a trend towards lower average spend per sale appeared. In the third quarter, six new domestic stores were opened, bringing the total number of depots in Germany and Austria to 232 at 30 September 2002. Twelve additional stores had been leased in Germany by the end of the quarter, but were not yet opened. Like-for-like sales rose by 1.5% over the third quarter of 2001.

Business progress in the wholesale segment was characteristically seasonal and distinguished by increase in sales of the Italian premium wines. Because the new distribution rights for four producers of top wines were acquired by *CWD* only as of 1 August 2002, no notable sales from this source were posted yet in the quarter under review.

The Group operating result (EBIT) in the third quarter amounted to a good € 1.5 million, over that of the comparable period in the previous year (nearly € 1.0 million). The strongest increase in results was posted by the wholesale segment: from just under € 0.1 million in the third quarter of the previous year to € 1.2 million in the quarter under review. This is due primarily to the above-mentioned sales of the premium Italian wines. The operating result in the specialist retail segment (*Jacques' Wein-Depot*) amounted to € 1.3 million, down by € 0.3 from the previous year. This reflected the intensified renovation of the depots as well as the introduction of a new corporate design. The mail order/e-commerce segment finished the third quarter – usually its weakest one – with a positive operating result for the first time, posting € 0.1 million (prior year: € – 0.2 million).

### Nine-month results

In the first nine months of fiscal year 2002, sales of the Hawesko Group increased by 0.5% compared to the comparable period a year ago to € 171.5 million. This must be viewed against the background of the continued stagnation of the German economy, which made the months of January, February and June especially difficult for the Hawesko Group. The strong sales in July and September compensated for the sales decline in the first half of the year.

Mostly due to the changes in the product mix, gross profit rose by € 3.4 million to € 73.7 million, corresponding to a gross margin of 43.0% (41.2%).

The result from operations (EBIT) in the first nine months of 2002 amounted to € 5.2 million, down from € 6.2 million on the year-ago period. This decline is due primarily to the expansion of human resources capacity, which took place based on the higher sales expected in the medium term.



Financing charges decreased against the nine-month period of 2001 by € 0.6 million to just under € 2.4 million. This is due partially to the lower IAS 39 charge, which results from the valuation of interest rate derivatives at fair value; it amounted to € 0.4 million (2001: € 0.6 million). Interest rate derivatives are used by the Hawesko Group exclusively for operative business.

The Group result before income tax declined by € 0.4 million from the comparable period of the previous year to € 2.9 million. The Group result after taxes and minority interests amounted to € 1.2 million (2001: € 1.6 million). This resulted in undiluted earnings per share of € 0.28, compared to € 0.37 for the first nine months of 2001. The figure for 2002 is based on the number of 4,282,800 shares. The diluted earnings per share, for which the exercise of option rights in full scope is assumed, likewise amounts to € 0.28 (2001: € 0.36).

### **Balance Sheet**

The balance sheet total at 30 September 2002, at € 171.5 million, remained nearly unchanged from that of 31 December 2001. Due to the seasonal nature of the business, accounts receivable declined by € 10.7 million, whereby inventories rose by € 13.7 million – mainly in the run-up to the Christmas sales and because early purchase of certain premium Italian wines was necessary to maintain exclusive sales rights.

Financial liabilities increased, mostly due to the build-up in inventories.

### **Cash Flow Statement and Capital Spending**

Cash flow was influenced mainly by the changes in the balance sheet described above: cash flow from current operations amounted to € –11.7 million (prior year: € 5.1 million). This decline was caused by a number of circumstances: the increase in inventories in the course of developing stocks for newly added premium wines, the above-mentioned securing of exclusive rights for certain Italian wines and a swing of € 8.7 million in the item "Change in accounts receivable and other assets", which in the comparable period of the previous year still included non-recurring cash inflows from tax refunds and from the sale and lease-back for the expansion of the logistics center.

Cash flow from financing activities reflects primarily an increase in the financial debt due to the build-up of inventories.

Capital spending in the first nine months amounted to € 4.1 million (prior year: € 3.2 million). It was related mostly to the automated order fulfillment system at *IWL Internationale Wein-Logistik* and depot openings at *Jacques' Wein-Depot*.

### **Outlook**

Based on the difficult economic environment, the management board had already revised its sales and earnings forecast for 2002 in the six-month report. It now reaffirms this forecast: for the year overall, a slight increase in sales – by 1% to 3% to roughly € 270 million – is expected, and operating profit should be no more than 15% below the figure for the previous year. This takes into account that, based on experience, significantly more than one third of the annual sales of the Group and a good two thirds of its annual EBIT are earned in the fourth quarter of the year. Further increases in sales and operating profits are expected for fiscal year 2003.

**Hawesko Holding AG**  
**Profit and Loss Statement**

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

	1 Jan – 30 Sep 2002	1 Jan – 30 Sep 2001	+ / -
<b>Sales revenues</b>	<b>171.5</b>	<b>170.7</b>	<b>0.5%</b>
Cost of purchased goods	-97.8	-100.4	- 2.6%
<b>Gross profit on sales</b>	<b>73.7</b>	<b>70.3</b>	<b>4.9%</b>
Other operating income	7.4	6.5	12.9%
Personnel expenses	- 19.0	- 16.9	12.4%
Depreciation and amortization	- 3.3	- 3.1	5.9%
Other operating expenses	- 53.5	- 50.5	5.9%
<b>Result from operations (EBIT)</b>	<b>5.2</b>	<b>6.2</b>	<b>-15.8%</b>
Financial result	- 2.4	- 2.9	-19.8%
Result from ordinary operations	2.9	3.3	-12.1%
Taxes on income and deferred tax expense	- 1.3	- 1.4	- 5.4%
<b>Result after taxes</b>	<b>1.5</b>	<b>1.9</b>	<b>-17.3%</b>
Profit due to minority interests	- 0.3	- 0.3	23.6%
<b>Consolidated earnings</b>	<b>1.2</b>	<b>1.6</b>	<b>-24.5%</b>
<b>Earnings per share in €</b>	<b>0.28</b>	<b>0.37</b>	

**Hawesko Holding AG**  
**Consolidated Balance Sheet**

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

	30 Sep 2002	31 Dec 2001	+ / -
<b><u>Assets</u></b>			
Fixed assets	22.4	21.8	2.7%
Inventories	91.5	77.8	17.6%
Trade accounts receivable	20.7	32.9	- 37.0%
Other current assets	5.5	4.0	36.9%
Cash and cash equivalents	1.7	6.1	-72.9%
Deferred taxes	27.6	28.8	- 4.4%
Prepaid expenses	2.3	0.3	—
<b>Total</b>	<b>171.5</b>	<b>171.7</b>	<b>- 0.1%</b>
<b><u>Liabilities and shareholders' equity</u></b>			
Shareholders' equity and reserves	60.6	60.5	0.1%
Minority interests	1.0	1.0	1.5%
Provisions	12.3	11.9	3.1%
Borrowings	60.7	46.9	29.6%
Trade accounts payable	22.9	30.7	- 25.4%
Other liabilities	14.0	20.7	- 32.5%
<b>Total</b>	<b>171.5</b>	<b>171.7</b>	<b>- 0.1%</b>

<b>Hawesko Holding AG</b> <b>Consolidated Cash Flow Statement</b> (in € million, unaudited, rounding differences are possible)	1 Jan–30 Sep 2002	1 Jan–30 Sep 2001
Result before taxes on income	2.9	3.3
Depreciation of fixed assets	3.3	3.1
Interest result	2.4	2.9
Change in inventories	– 13.7	– 10.8
Change in other short-term assets	10.7	19.4
Change in provisions	0.4	1.1
Change in liabilities (excluding borrowings)	– 14.6	– 11.0
Taxes on income paid out	<u>– 3.0</u>	<u>– 3.0</u>
<b>Net outflow (inflow) of payments from current operations</b>	<b>– 11.7</b>	<b>5.1</b>
Acquisition of subsidiaries net of funds acquired	—	– 0.1
Outpayments for tangible assets and intangible assets	– 4.1	– 3.2
Inpayments from the disposal (outpayments for the Acquisition) of treasury shares	4.4	– 1.4
Inpayments from the disposal of intangible assets and tangible assets	0.2	0.2
Inpayments from the disposal of financial assets	<u>0.0</u>	<u>0.0</u>
<b>Net inflow (outflow) of funds for investment activities</b>	<b>0.6</b>	<b>– 4.6</b>
Outpayments for dividends	– 5.1	– 3.7
Outpayments to minority interests	– 0.3	– 0.2
Change in borrowings	11.9	– 0.8
Interest paid out and received	– <u>2.0</u>	– <u>2.5</u>
<b>Inflow (Outflow) of net funds from financing activities</b>	<b><u>4.5</u></b>	<b><u>– 7.1</u></b>
<b>Net decrease in funds and cash equivalents</b>	<b>– 6.6</b>	<b>– 6.6</b>
Cash and cash equivalents at start of period	5.6	9.6
<b>Cash and cash equivalents at end of period</b>	<b>– 1.0</b>	<b>2.9</b>

<b>Segments</b> (in € million, rounding differences are possible)					
1 Jan–30 Sep 2002	Mail order/ E-commerce	Specialist retail	Wholesale	Miscellaneous /Consolidation	Group
Sales	61.8	60.5	48.9	0.3	171.5
Operating result (EBIT)	1.6	5.0	2.4	– 3.7	5.2
1 Jan–30 Sep 2001	Mail order/ E-commerce	Specialist retail	Wholesale	Miscellaneous /Consolidation	Group
Sales	65.7	56.0	48.8	0.2	170.7
Operating result (EBIT)	1.2	5.4	2.0	– 2.4	6.2

<b>Other data</b>	1 Jan–30 Sep <u>2002</u>	1 Jan –30 Sep <u>2001</u>
Employees (average during the period)	518	489

**Calendar:**

- Preliminary report for fiscal year 2002 End of January 2003
- Balance sheet press conference /  
Publication of the financial report for 2002  
First quarter report 2003 / Three-month report End of April 2003
- Annual general meeting 5 June 2003

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