



# Hawesko Holding AG

## Hamburg

ISIN DE0006042708

Reuters HAWG.DE, Bloomberg HAW GR

### Three-month report to 31 March 2003

Hamburg, 29 April 2003

Highlights (in € million)	1.1.–31.3.	1.1.–31.3.	+/-
	2003	2002	
<b>Group sales</b>	<b>63.8</b>	<b>56.2</b>	<b>+ 13.6 %</b>
<b>Result from operations (EBIT)</b>	<b>1.7</b>	<b>1.5</b>	<b>+ 11.8 %</b>
<b>Consolidated earnings</b>	<b>0.6</b>	<b>0.5</b>	<b>+ 12.9 %</b>

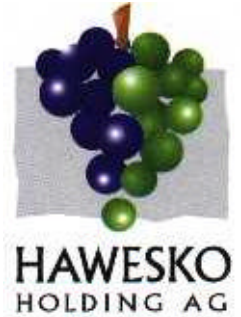
Dear shareholders,

The Hawesko Group started off the new business year posting strong sales gains. In spite of persisting consumer reticence almost all business segments were able to achieve gratifying gains. On the one hand we regard sales increases by almost 14 % and enhanced profits as a certain indication of an improving market situation by comparison with the same period last year. On the other hand, we perceive these gains as the fruit of our continuous process optimization work.

Especially today, with the wine market steadily profiting from fundamental changes in consumer culture, the Hawesko Group is benefiting from the endeavor to improve consistently its business operations. Over the past 10 to 15 years a definite shift towards quality of life is discernible in Germany, in connection with rising self-confidence on the part of consumers. As "smart shoppers" today's consumers can hardly be coerced in any way and make their purchasing decisions in a highly differentiated manner. In the case of particular exchangeable goods the focus is entirely on price – while sensory, sensual aspects and pleasure are key factors in deciding on other products. Wine is one such product, especially the higher quality grades.

As other semi-luxury goods, or products ranking among the "life's pleasures" wine is also characterized by the fact that increased expertise and connoisseurship of customers invariably leads to a more demanding and selective stance. Therefore, consumers will soon tend to turn away from buying discount wines, although it was perhaps these very wines – and their attractive prices – that opened the door to the world of wine. New demands are made on selection and quality, information and service. The "advanced" wine consumers who have broken away from a pure price orientation represent the main target group of the Hawesko Group. We offer these discerning clients a full range reflecting the highly diverse world of wine.

One of the special attractions of this world is the fact that it holds unique highlights and surprises in store, enabling wine aficionados to make new "discoveries" again and again. This attraction is part of the enjoyment and pleasure that wine lovers seek and that we would like to convey and mediate. We will only be able to accomplish this by our steadily improving perception of our clients' individual wishes and by addressing individual clients in an increasingly focused, targeted manner. Therefore we are consistently working on refining our marketing tools, product range design, buying and customer care. To this end we are committing extensive investments to new concepts and technologies. This is part of our growth strategy that we are implementing step by step. Another key element of this strategy



upon which we are currently concentrating is the strengthening of cooperation within the Group and the maximization of synergies.

Against the backdrop of our corporate development and the fundamental changes in consumer behavior we regard our Group as well positioned and equipped to prosper in what remains a difficult market environment in Germany. We are convinced that the Hawesko Group will be able to achieve a 5 % sales increase to € 280 million in the course of the 2003 business year in connection with a proportionally higher rise in EBIT.

Best regards,

Alexander Margaritoff  
CEO

### Sales and Result

In the first three months of 2003 the Hawesko Group succeeded in boosting sales by 13.6 % to €63.8 million. In the first quarter of the previous year sales of € 56.2 million had been recorded. Broken down according to individual segments, first quarter sales were as follows: mail order/e-commerce €27.4 million (+27.5 %), stationary specialist retail (*Jacques' Wein-Depot*) €20.2 million (+1.8 %), and wholesale € 16.1 million (+9.1 %).

The business developments in mail order/e-commerce are attributable to the combination of two special factors: on the one hand the strong response to the attractive topics highlighted in the advertising mailings (particularly in the months of January and February), on the other hand the shipping of the Bordeaux subscription wines of the 2000 vintage that were in strong demand.

In the specialist wine-shop segment (*Jacques' Wein-Depot*) the main volume of quarterly sales was in January and February. One new depot was opened in the reporting period. At 31 March 2003 the number of *Jacques' Wein-Depots* stood at 245. Six of these outlets were in Austria, while an additional four store locations have been leased, but not yet opened. Like-for-like sales have dipped by 3.9 % over the first quarter of 2002; this is mainly attributable to the trend towards lower average spend per sale that has been discernible since August 2002. During the reporting period, however, stabilization has been notable. Higher customer traffic reflects the sustained strong interest in our retail offerings.

Business progress in the wholesale segment was similar to the course of business in the other segments: Here too, gains were mainly recorded in the first two months of the year – and were especially strong in February.

In absolute terms, the Group's gross income has increased, while the gross margin has declined. This is mainly due to the quarter's particular product mix, characterized by strong sales of Bordeaux subscription wines and the special campaigns in connection with active inventory management in the mail order/e-commerce segment. Personnel expense was lower as a percentage of sales, so the operating margin (EBIT sales margin) has therefore remained on par with the previous year.

Consequently the Group operating result (EBIT) was increased to €1.7 million and is 11.8 % above the comparable period in the previous year (€1,5 Mio.). The mail order/e-commerce segment recorded a decline by €0.1 million to €0.8 million; this area has been most strongly impacted by the shifts in product mix against the same period last year. The specialist wine-shop segment *Jacques' Wein-Depot* posted operating results of €1.5 million (previous year: €1.6 million, adjusted due to the inclusion of the wine seminar activities conducted under the auspices of *Viniversität*). The wholesale segment achieved an increase by around €0.4 million (previous year: nil), that is attributable in equal parts to enhanced performance of *CWD* and *Wein Wolf-Vertrieb*.

Due to a reduction in borrowings, as well as the once again positive effects of the application of IAS 39, financial expenditures declined over the first quarter of 2002 (€0.5 million) to €0.3 Mio. The pre-tax result rose by €0.3 million to €1.4 million; consolidated net profit after taxes and minority interests was up by €0.1 million to €0.6 million. The undiluted profit per share came in at €0.14, slightly above €0.13 in the previous year. The figure is based on a share count of 4,405,496 shares, following

4,246,100 shares last year. Diluted earnings per share, for which the exercise of option rights in full scope is assumed, also amounts to €0.14 (previous year: €0.13).



### Balance Sheet

The balance sheet total was down by € 16.9 million to € 152.1 million over the total recorded at 31 December 2002. This is mainly due to a decline in accounts receivable and other assets by € 11.0 million. This balance sheet item typically reaches its annual peak at December 31. Inventories dropped by € 2.2 million.

Shareholders' equity declined by € 3.5 million against 31 December 2002; this is mainly attributable to the reclassification of the proposed dividend to other liabilities. In the reporting period borrowings were reduced by further € 1.0 million.

In the first quarter of 2003 investments totaled € 1.0 million (previous year: € 1.1 million) and were mainly committed to depot fittings at *Jacques' Wein-Depot*.

### Cash flow

Cash flow for the period under review was recorded at €-0.2 million and was thereby above the figures of the same period last year (€-3.6 million). This is mainly due to the reduction of cash outflow for liabilities (without borrowings) and the reduction of inventories.

### Segment reporting

By comparison with last year's reporting the specialist wine-shop segment includes the Group's wine training activities under the name of the company *Viniversität Die Weinschule GmbH*. This leads to in a burden on results of € 0.1 million (previous year: €0.1 million) that would have otherwise been apportioned to miscellaneous/consolidation. The previous year's figures have been adjusted accordingly.

### Outlook

For the ongoing business year the management board anticipates increased sales of around 5 % to €280 million, as well as a proportionally higher rise in the operating result (EBIT). Enhanced Group profitability is being primarily targeted in the mail order/e-commerce segment: here, measures were initiated in the past year that will enable greater effectiveness of marketing spend and improved handling processes. The optimization of tied-up working capital will improve return on investment.

**Hawesko Holding AG**

**Profit and Loss Statement (as per IAS)**

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

	1.1.–31.3. 2003	1.1.–31.3. 2002
<b>Sales revenues</b>	<b>63.8</b>	<b>56.2</b>
Decrease (increase) in stocks of finished products	-0.0	0.1
Other operating income	2.6	2.3
Cost of goods purchased for resale	-38.0	-32.7
Personnel expenses	-6.5	-6.2
Depreciation and amortization	-1.0	-1.0
Other operating expenses	<u>-19.2</u>	<u>-17.1</u>
<b>Result from operations (EBIT)</b>	<b>1.7</b>	<b>1.5</b>
Financial result	-0.3	-0.5
Result before taxes on income	1.4	1.0
Taxes on income and deferred tax expense	<u>-0.7</u>	<u>-0.4</u>
<b>Result after taxes</b>	<b>0.7</b>	<b>0.6</b>
Profit due to minority interests	<u>-0.1</u>	<u>-0.0</u>
<b>Consolidated earnings</b>	<b><u>0.6</u></b>	<b><u>0.5</u></b>
Earnings per share (in €, undiluted)	0.14	0.13
Earnings per share (in €, diluted)	0.14	0.13
Average number of shares in circulation (in thousands, undiluted)	4,405	4,246
Average number of shares in circulation (in thousands, diluted)	4,416	4,290

**Hawesko Holding AG**  
**Consolidated Balance Sheet (as per IAS)**  
**(in € million, rounding differences are possible)**

	31.3.2003	31.12.2002
<b><u>Assets</u></b>		
Fixed assets		
Intangible fixed assets	7.3	7.4
Tangible fixed assets	14.4	14.4
Financial assets	<u>0.2</u>	<u>0.2</u>
	21.9	22.0
Current assets		
Inventories	74.7	76.9
Trade accounts receivable and other assets	24.1	35.1
Cash in hand and at banks	<u>5.8</u>	<u>8.4</u>
	104.5	120.4
Deferred taxes	25.5	26.3
Prepaid expenses	0.2	0.3
	<b><u>152.1</u></b>	<b><u>169.0</u></b>
<b><u>Liabilities and shareholders' equity</u></b>		
Shareholders' equity and reserves		
<i>Hawesko Holding AG subscribed capital</i>	13.2	13.2
<i>Adjustment as per IAS</i>	<u>-4.4</u>	<u>-4.4</u>
	8.9	8.9
Capital reserve	5.8	5.8
Revenue reserves	25.0	20.6
Balancing items resulting from currency conversion	-0.0	-0.0
Consolidated net income	<u>21.2</u>	<u>29.1</u>
	60.9	64.3
Minority interests	1.0	1.2
Provisions		
Pension provisions	0.4	0.4
Tax provisions and deferred taxes	3.3	3.4
Other provisions	<u>7.5</u>	<u>8.4</u>
	11.2	12.2
Liabilities		
Borrowings	39.8	40.9
Payments received on account	5.4	10.4
Trade accounts payable	26.0	31.3
Other liabilities	<u>7.9</u>	<u>8.6</u>
	79.1	91.3
	<b><u>152.1</u></b>	<b><u>169.0</u></b>

<b>Hawesko Holding AG</b>		
<b>Consolidated Cash Flow Statement (as per IAS)</b>		
(in € million, unaudited)	1.1.–31.3. 2003	1.1.–31.3. 2002
Result before taxes on income	1.4	1.0
Depreciation of fixed assets	1.0	1.0
Interest result	0.3	0.5
Change in inventories	2.2	-0.4
Change in other short-term assets	12.2	15.4
Change in provisions	-0.8	0.5
Change in liabilities (excluding borrowings)	-15.5	-20.6
Taxes in income paid out	<u>- 0.9</u>	<u>- 1.0</u>
<b>Net outflow of funds in current operations</b>	<b>-0.2</b>	<b>-3.6</b>
Acquisition of subsidiaries net of funds acquired	?	?
Outpayments for tangible and intangible assets	-1.0	-1.1
Outpayments for the acquisition of own shares	?	-1.3
Receipts from the disposal of tangible and intangible assets	0.1	0.1
Receipts from the disposal of financial assets	<u>0.0</u>	<u>0.0</u>
<b>Net outflow of funds for investment activities</b>	<b>- 0.9</b>	<b>-2.3</b>
Dividend payments	?	?
Payments to minority interests	?	?
Change in borrowings	-1.0	2.7
Interest paid	<u>- 0.6</u>	<u>- 0.6</u>
<b>Net inflow/outflow of funds for financing activities</b>	<b><u>-1.5</u></b>	<b><u>2.0</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>- 2.6</b>	<b>-3.8</b>
Cash and cash equivalents at the beginning of the period	8.4	5.6
<b>Cash and cash equivalents at the end of the period</b>	<b>5.8</b>	<b>1.8</b>

<b>Segments</b> (in € million)					
1 <sup>st</sup> Quarter 2003	Mail order/ e-commerce	Specialist retail	Wholesale	Miscellaneous/ consolidation	Group
<b>External sales</b>	<b>27.4</b>	<b>20.2</b>	<b>16.1</b>	<b>0.0</b>	<b>63.8</b>
<b>Operating result (EBIT)</b>	<b>0.8</b>	<b>1.5</b>	<b>0.4</b>	<b>- 1.0</b>	<b>1.7</b>
1 <sup>st</sup> Quarter 2002	Mail order/ e-commerce	*) Specialist retail	Wholesale	*) Miscellaneous/ consolidation	Group
<b>External sales</b>	<b>21.5</b>	<b>19.9</b>	<b>14.8</b>	<b>0.0</b>	<b>56.2</b>
<b>Operating result (EBIT)</b>	<b>0.9</b>	<b>1.6</b>	<b>0.0</b>	<b>- 1.0</b>	<b>1.5</b>

\*) Adjusted due to the transfer of wine seminar activities from *Miscellaneous* to *Specialist retail* with effect from 2003

<b>Other data</b>	1.1.–31.3. <u>2003</u>	1.1.–31.3. <u>2002</u>
Employees (average during the period)	566	507

#### **Calendar:**

Annual General Meeting	5 June 2003
Ex dividend	6 June 2003
Second quarter/half-year report	End July 2003
Third quarter/nine-month report	End October 2003
Preliminary report for fiscal year 2003	End January 2004

Published by: Hawesko Holding AG  
– Investor Relations –  
20205 Hamburg  
GERMANY

Tel. + 49 40 / 30 39 21 00  
Fax +49 40 / 30 39 21 05  
Internet: <http://www.hawesko.com>