



Annual Report 2002



.. Excellently positioned in the market for premium wines – Hawesko's segments energise one another in a unique business concept.

Mail order/e-commerce



»Number 1 in distance selling of premium wines in Germany and a European leader«

Carl Tesdorpf – Weinhandel zu Lübeck, Hanseatisches Wein- und Sekt-Kontor, Château Classic – Le Monde des Grands Bordeaux (F), The Wine Company (A)

Fine and premium wines (from € 5.00) for private customers

www.hawesko.de

Specialist wine-shop retail



»Number 1 in German specialist wine shops«

Jacques' Wein-Depot
Germany: 238 locations
Austria: 6 locations

Market segment: Fine wines (from € 5.00) for private customers

www.jacques-wein-depot.de

Wholesale



»Leading distributor in the premium segment«

CWD Champagner- und Wein-Distributionsgesellschaft, Wein-Wolf (Germany and Austria), Weinland Ariane Abayan, Selection Alexander von Essen, Edelobstbrennerei Ziegler, additional companies outside Germany

Market segment: Fine and premium wines for top-flight restaurants, caterers and specialist retailers

	2002	2001	2000	2002	2001	2000	2002	2001	2000
Sales (€ million)	102.5	106.7	98.8	90.5	84.5	73.6	74.0	72.8	59.9
EBIT (€ million)	5.0	6.3	0.2	9.3	9.3	8.5	4.5	4.2	2.8
Employees	256	261	293	52	47	47	116	104	92

... Hawesko – market leader
in Germany with expertise in fine
and premium wines



Key data Hawesko Group

	2002 € million	2001 € million	Change
Net sales	267.4	264.3	1.2%
Gross profit	114.8	111.3	3.3%
– in % of net sales	42.9%	42.1%	
Operating result (EBIT)	14.1	17.0	– 17.0%
– in % of net sales	5.3%	6.4%	
Consolidated earnings	4.5	6.9	– 34.8%
Cash flow from current operations	16.7	22.6	– 26.2%
Turnover of total assets	1.6	1.5	
Return on total assets	8.3%	9.8%	
Return on capital employed	13.1%	14.9%	
Earnings per share (€)	1.05	1.61	– 34.8%
Dividend per share (€)	1.00	1.15	– 13.0%
Total employees (average for the year)	558	527	5.9%

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- ● *Dear shareholders and friends of our company,*

2002 was the most difficult year for the retail trade in Germany since the currency reform back in 1948. The wider economic situation, which had already been less than rosy at the start of the year, deteriorated in the latter six months, with the result that gross domestic product grew by a mere 0.2%. One of the weakest individual sectors was private consumption, which fell (by 0.6%) for the first time in twenty years. Many factors contributed towards this disappointing development. The switch from the Deutsch-



mark to the euro at the start of the year, coupled with a widespread perception in Germany that inflation is higher than is actually the case, served to unsettle many customers. A string of new financial burdens on private households moreover resulted in falling disposable incomes. Severe flooding in parts of Germany, plummeting share prices and the Iraq crisis further dampened private households' propensity to spend.

Against this backdrop, the Hawesko Group fared relatively well, posting growth – albeit modest – of slightly more than one percent. The sharp rise in the number of orders and the rate of purchases at our retail outlets serve to underline just how effectively we were able to operate last year. The path we have chosen of focusing our energy on the quality of the range and on customer service has once again proven to be the correct one.

In our mail order/e-commerce business segment, for example, we were able to boost our sales by *Carl Tesdorpf – Weinhandel zu Lübeck* at the top end of the market by almost one-quarter. By focusing on high-quality products, our wholesale operations – which were suffering particularly from the effect of the weak economy on the restaurant trade – nevertheless posted higher sales. At *Jacques' Wein-Depot*, we were able to increase our sales both like for like and in absolute terms with the opening of 27 new outlets and by improving the way we address our customers.

2002 was also a successful year in the area of inventory management, to which we paid particular attention; this was a major source of our improved cash flow during that year.

If we consider the price of our shares at the start and end of 2002, it can be said that they held their ground reasonably well. Amid the weak climate of consumption outlined above, certain listed German and European retailers saw their market capitalisation slump by as much as 70 % during the course of last year. Here, too, our efforts to maintain an intensive dialogue and spirit of partnership with the world of finance, and to strengthen confidence in our focus on growth and profitability, appear to be bearing fruit.

These are principles that we seek to adhere to in the future, too. We aim to concentrate specifically on enhancing our profitability by steadily improving our range and the quality of the service that we offer our customers. Over the years we have acquired expertise that has secured us the status of one of Germany's leading players in the past, and will now further our ambitions in other European countries in the future.

At the root of this expertise are dedicated individuals: the employees throughout the group, as well as our very many retail and wholesale partners. They again demonstrated their expertise in so many ways throughout the 2002 financial year, and I should like to take this opportunity to extend my sincere thanks to them all, on behalf of the Board of Management. I would also like to thank the employee councils for their effective partnership, and of course our shareholders for their continuing confidence in us.

Yours sincerely,



Alexander Margaritoff

Chairman of the Board of Management

... Hawesko in the wine market

Hawesko Holding AG operates in Europe, where well over two-thirds of the world's wine is consumed. Its heartland is Germany, the largest wine import market in the world. Here it occupies the expanding high-quality segment, which corresponds to the "premium" category and higher. It is able to demonstrate the expertise of a market operator with a mastery of everything that makes the trading of wine so distinctive and so difficult. Hawesko Holding AG in consequence enjoys an excellent position – and is the market leader in Germany in each of its three areas of business.



Quality begins in the vineyard: determining the must content with the refractometer (left). Exquisite food and fine wines: the perfect liaison.





The home of many fine wines:

the hills of Tuscany.

Outstanding wines take time to mature:

wooden casks in a Californian winery (right).



... The world market for wine

Growth from quality segments

The volume of the world market for wine is currently estimated to be worth over € 100 billion. Its expansion continues unabated, especially in the segment of higher-quality wines, where there has been growth of around 5% each year for more than a decade.

This segment comprises wines commanding a retail price of € 3.50 per bottle or higher, and accounts for not quite half of the world wine market. The price bracket extending up to € 5.50 ("premium") represents 34% of the overall market, with wines selling for between € 5.50 and € 8.00 ("super premium") accounting for 10% of the market. Above these price and quality categories lie the "ultra-premium" and "icon" classes.

Wines classified as "premium" or higher have been gradually expanding their share of the overall market for around ten years. This upward trend reflects an array of ongoing changes which are affecting both the way wine is produced and how it is consumed.



Also the "Cape of Good Wines": South Africa has everything in abundance (left). The product of century-old vines: an exquisitely heady Shiraz (above).

Growing professionalism in the world of wine

More and more wine producers are coming to see quality as their objective: the emphasis is being placed not on the most economical method of production, but on how the best possible product can be created. This distinguishes the wine trade from most other consumer goods industries. Wine, as a product with complex natural origins, calls for exceptional expertise in its production.

The significant progress that has been made in the field of oenology has prompted a gradual refining of the techniques of wine production. Increasingly less is left to chance in the process of vinification. Winemaking knowledge is spreading worldwide as a result of the "flying winemakers" who transfer expertise from one continent to the next.

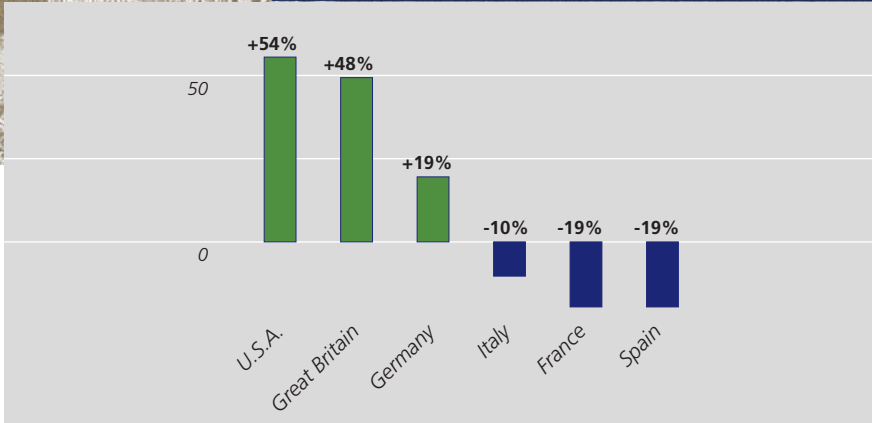
This focus on quality often goes hand in hand with an equally professional approach to the market. Many successful wine producers start by analysing the market, along the lines which have been practised in other consumer sectors for many decades. They then align their products with existing demand profiles and consumer preferences. Considered specifically in marketing terms rather than from a product viewpoint, the world market is far more dynamic than in the past.

More discerning consumers

Changes in consumer attitudes have likewise bolstered the observed trend towards higher quality. It is, for example, increasingly the case that people will drink less wine, but opt for a higher quality. Wine likewise fits in with an increasing awareness of health issues among consumers: wine is virtually the only alcoholic drink which, when enjoyed in moderation, is beneficial to health. Moreover the vast range of price and quality categories of wine means that there is considerable scope for the individual consumer to move up the scale as they explore the infinite complexity of wine.



Development of Wine Consumption 1990-2000



Source: Deutsche Bank

Experience has shown that even in economically difficult times, wine customers hold fast to their quality expectations and do not consume less. At most, they may exercise more restraint in choosing wines from higher price categories. Although they may sporadically attempt to cut corners by buying cheaper wines, for example from a supermarket, in the long run they will not lose the taste for the quality that only a wine specialist such as Hawesko can guarantee.

Consumption concentrated in Europe

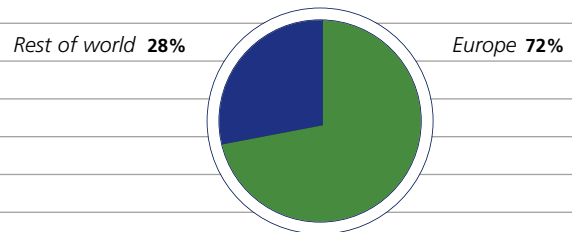
Europe is the heartland of worldwide wine consumption, accounting for a 72% share of the total volume. Within this region, a notable shift took place between 1990 and 2000: per capita wine consumption declined in countries where wine consumption is traditionally high – such as Italy, France and Spain (–10%, –19% and –19% respectively) – whereas it rose in countries where consumption is traditionally lower. Foremost among the latter are the USA (+54%) and Great Britain (+48%), as well as Germany (+19%).

Higher production outside Europe

Regardless of how consumption is broken down, the fact remains that wine production worldwide is steadily rising. The basis for the wine market as a whole to expand is becoming broader. Outside Europe in particular, new and ever larger winegrowing areas and production units are appearing. This has led to even greater product diversity and quality.

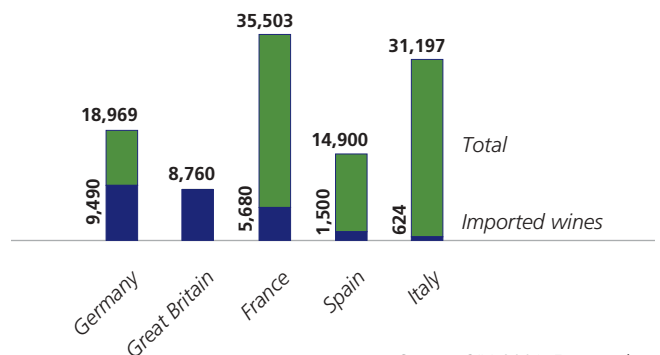
Wine Consumption worldwide

in %



Wine Consumption in Europe

in 1,000 hl



Source: OIV, 2001; Euromonitor

... Success factors in the wine market

Handling diversity

Of all consumer goods, wine is possibly the most diverse and complex product. A suitably differentiated approach needs to be adopted in order to do it justice.

The range of varieties, growing conditions and production methods – and their possible combinations – is immense. Wine acquires an added nuance through the particularities of the individual vintages. The challenge facing buyers within the wine trade is correspondingly tough.

Respecting characteristics

Stock management systems must take specific product lives and ageing processes into account. Maximum care is called for when storing and transporting such a delicate product. Maintaining a functioning supply chain which fulfils this purpose is the main challenge to supply chain management.

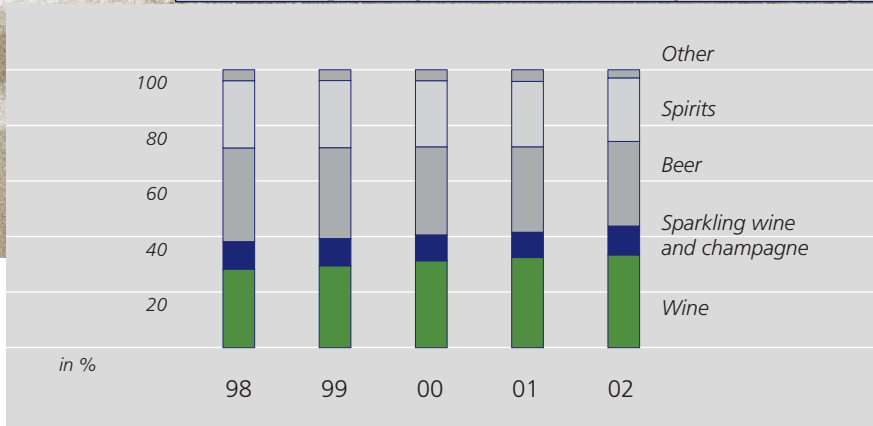
Knowing the right marketing approach

The remarkable breadth of the range makes the entire product area of wine confusing to the consumer, and means that each individual product needs to be explained. This problem can only be solved in part by creating out-and-out brand products, because unlike spirits, wines are prone to fluctuations in quality from one year to the next. It should also be borne in mind that an overly assertive brand robs the consumer of the enjoyment of “discovering” new wines for themselves. Classic, large-scale marketing is, if anything, counter-productive in the wine world, particularly where high-quality products are concerned.



*Hospitality and conviviality, anticipation
and enjoyment: the wine tasting.*





Source: GfK Panel Services 2003

... Hawesko and the German wine market

Why Hawesko is the market leader

Hawesko Holding AG operates in Europe, where well over two-thirds of the world's wine is consumed. Its heartland is Germany, the largest wine import market in the world. Consumer spending on wine there outstripped spending on beer for the first time in 2001; this marked upward trend continued in 2002.

In Germany, Hawesko Holding AG occupies the expanding high-quality segment of the wine market: this corresponds to the "premium" category and higher. The company deploys its experience and expertise in an effort to achieve maximum customer satisfaction and loyalty.

Hawesko Holding AG moreover excels at those tasks that make the wine trade so unusual and so challenging: shaping purchasing relations, handling the product appropriately, taking account of special market factors, and more. Its IT instruments are deployed day in, day out to the benefit of the entire company.

Hawesko Holding AG enjoys a strong position in consequence – and is the market leader in Germany in each of its three areas of business.

What Hawesko achieved in 2002

Hawesko was able to report growth and increased its market shares, despite the difficult situation on the German consumer market in 2002.

Many factors, from the introduction of the euro and the slack economy to the prospect of higher taxes and political uncertainty both within Germany and worldwide, contributed towards the bleakest consumer

climate for half a century. German consumers reacted with considerable price sensitivity and often opted for lower-priced alternatives. Overall sales of wine nevertheless rose, and wine's acceptance, expressed in terms of the number of households which purchase wine, once again increased (source: GfK).

The Hawesko companies were able to report an increase across the board in the number of purchase transactions in 2002, with the level of customer interest maintained or boosted. Hawesko held or improved its position in all three business segments:

In the mail order/e-commerce segment, *Hanseatisches Wein- und Sekt-Kontor* recorded an increase in sales of 4% for the second half of the year (excluding gifts business in the pre-Christmas period), *Carl Tesdorpf – Weinhandel zu Lübeck* saw its sales for the year rise by 24%, *The Wine Company* (Austria) reported sales up by more than 8% and *Château Classic – Le Monde des Grands Bordeaux* (France) enjoyed a rise in sales of over 5%. However, *Hanseatisches Wein- und Sekt-Kontor* suffered a slack first half of the year and a marked decrease in gifts business from business clients. Total sales from mail order/e-commerce activities were consequently down by 3.9%.

Sales in the specialist wine-shop sector (*Jacques' Wein-Depot*), including by new outlets, rose by 7.0%.

Despite the difficult business environment, the wholesale segment was also able to report a 1.7% rise in sales, principally as a result of the success of new additions to the product range.

Professional tasting with concealed labels: choosing wines for the specialist retail trade.



... A profile of the divisions

Integrated approach

Hawesko brings together three segments under the umbrella of its group organisation: mail order business, specialist wine-shop retailing, and wholesaling. This integrated approach creates benefits that are unique within the industry.

Hawesko is, for example, the distributor of choice for a great many renowned producers. The group is able to offer them a complete portfolio of sales channels: wholesale distribution and sales direct to the consumer. Business relations based on trust, often extending back over many years, confirm that Hawesko is the expert trading partner for the distribution of high-quality wines along the various sales channels that reflect their price ranges.

Hawesko likewise has the necessary capacity at its disposal for dealing with larger quantities of products from leading suppliers and marketing them appropriately. Meanwhile, top-quality products which are available only in small quantities are brought to their specific target clientele by Hawesko – the group is sufficiently diverse to be able to serve niche markets with efficiency.

The emphasis of the three divisions reflects the fine-link structures of the wine trade. Individual market niches within these areas are therefore served by specialised subsidiaries.

Mail order/e-commerce: wines from around the world at home

The mail order and e-commerce sales channels are able to build on their proven customer benefits. The customers have the advantage of being able to peruse an extensive range of wines from all over the world at their leisure – from catalogues and brochures or on the Internet. They can obtain expert advice conveniently over the phone or by e-mail, and have their order delivered swiftly and reliably to their door.



· [astringent] = Describes a fuzzy sensation on the tongue usually caused by high tannin content.

· [wire netting] = A wire structure (French: agrafe = bracket) that holds the cork in place on a bottle of champagne or sparkling wine.

This segment primarily serves private customers with more demanding tastes in wine, from the “premium” category upwards. At the top end of this range there are “icon” wines such as Château Pétrus and Penfolds Grange. Since its establishment in 1964, *Hanseatisches Wein- und Sekt-Kontor* has served a total of one million customers.

This Hawesko division is in competition with a heterogeneous field of players comprising numerous smaller suppliers. It is larger than its closest ten competitors combined – and has potential for yet further growth.

Its flagship company, *Hanseatisches Wein- und Sekt-Kontor*, handles the core functions within the segment, namely purchasing, graphics & design and IT, serving as a competence centre. This company, from which the entire group derives its name, has focused its extensive range on the mainstream group of customers of high-class wines. This target group is addressed through biannual main catalogues each featuring over 500 products, promotional mail shots and an Internet website.

At the top end, the ultra-premium section of the market is covered by *Carl Tesdorpf – Weinhandel zu Lübeck*, a company which enjoys a tradition extending all the way back to 1678. It focuses on affluent customers and high-quality international wines commanding a price of approx. € 25 per bottle upwards.

The *Wine Company*, which operates in Austria, has tailored its range to reflect preferences there.

In *Château Classic – Le Monde des Grands Bordeaux*, Hawesko has a specialist company licensed and based in Bordeaux. It thus gives the group a direct hotline to the latest trends at this international centre of the wine world.

Specialist wine-shop retailing: taste and choose, as at the vintners

All Hawesko activities in specialist wine-shop retailing are concentrated within one company: *Jacques’ Wein-Depot*, which was established in 1974.

The individual Jacques’ Wein-Depot outlets are run by agency partners. These outlets have proven a successful sales channel for almost thirty years. The methodically applied concept is based on the principles of customer proximity and loyalty. The factors behind their success include the opportunity to taste wines with no obligation to buy, the informal atmosphere and the carefully selected range of wines which represent particular value for money. This has convinced a total of more than 700,000 Jacques’ customers since its establishment.

These retail outlets constitute the only nationwide network of shops in the German wine retailing business. This spread is also an asset when it comes to advertising. The company still possesses considerable potential for attracting customers who otherwise buy their wine from the supermarket or grocery store.

Jacques' has a highly attractive profile for many people who pursue an interest in wine, thanks to its product quality, the breadth and depth of its range and the expert advice it offers.

Wholesale: everything for the guest and customer

Hawesko's wholesale segment serves 12,000 clients in the exclusive restaurant and retail trade via several subsidiary companies. Its range comprises 4,000 exclusive wines and champagnes from several hundred different producers. These include numerous highly regarded establishments, such as Champagne Taittinger, Domaines Barons de Rothschild (Lafite), Domaine Laroche, Maison Louis Jadot, Marchesi Antinori, Miguel Torres, Paul Jaboulet Aîné, Penfolds, Pol Roger and Rosemount Estates.

The field of competitors for wine wholesaling is relatively narrow. Apart from Hawesko (wholesale sales in 2002: € 74 million), there are five other companies with sales in excess of € 10 million. The success of Hawesko's wholesale activities stems from its purchasing strength and extensive distribution network. Customer requirements and appropriately positioned high-calibre products serve as the points of reference for its activities.

CWD Champagner- und Wein-Distributionsgesellschaft and the *Wein Wolf Group* represent the core of this segment. *CWD* supplies a comprehensive range of wines to the restaurant trade and specialist retailers via a flexible system based on the mail order trading logistics of the Hawesko Group.

The *Wein Wolf Group* and its component companies are the exclusive distributors of renowned international wine companies in Germany and various neighbouring countries. The specialist expertise of the individual companies in the group has proven a great asset here: *Wein Wolf Vertriebs KG* places the emphasis on overseas and French wines, and *Weinland Ariane Abayan* specialises in top Italian wines; *Baron Alexander von Essen* compiles and markets a series collector' editions of wines; *Edelobstbrennerei Gebr. Ziegler* produces and sells top-grade eau de vie.

Sommelier acts as the group's outlet for up-market wines in the Polish market, while the joint venture with Gebrüder Heinemann, *Global Eastern Wine*, performs the same function in the Czech Republic; *Wein Wolf Vertrieb Österreich* does likewise in Austria.

· [decanting] = Carefully transferring the wine to a carafe in order to oxygenate it or separate off sediment.

Imposing backdrop and favourable climate: the Stellenbosch winegrowing area in South Africa.



... Highlights of 2002

Renowned names finding their markets

Thanks to its three corporate divisions, the Hawesko Group is easily able to cover widely differing markets. It is thus able to benefit in several different ways from its partnership with producers.

For example, the new exclusive partnership with the renowned Australian producer Penfolds opened up new horizons in the 2002 financial year. The wholesale segment (*Wein Wolf*) paved the way for the distribution of its wines, which are positioned at the upper end of its range. The mail order/e-commerce arm (*Hanseatisches Wein- und Sekt-Kontor*) promoted a Penfolds exclusive brand in a special mail shot. The specialist wine-shop retailer (*Jacques' Wein-Depot*) underpinned the marketing of Penfolds' Shiraz Cabernet Sauvignon and Chardonnay through the title story of its customer magazine "Jacques' Journal".

The broad range of Penfolds wines was targeted at suitable customer groups in this way: from exquisite cult products to more straightforward wines for everyday drinking. Such marketing campaigns must always uphold the reputation of the brands, a policy that Hawesko has also pursued for Marchesi Antinori wines, for instance.

The wholesale arm (*CWD*) was able to secure the distribution rights for further highly regarded producers in 2002: Domaine Faiveley (Burgundy), Pascal Jolivet (Loire), Paul Jaboulet Aîné and Pol Roger. Their products were incorporated immediately into Hawesko's distribution channels for end consumers. An intensive marketing partnership with the renowned Côtes du Rhône producer Paul Jaboulet Aîné was, for example, swiftly implemented. His exclusive wine "Les Carrières" was developed in the final quarter of 2002 and presented by *Hanseatisches Wein- und Sekt-Kontor* in a special promotional mail shot at the start of 2003.

Mail order/e-commerce activities fine-tuned

Hanseatisches Wein- und Sekt-Kontor and *Château Classic – Le Monde des Grands Bordeaux* respectively revised and relaunched their Internet websites in 2002. The focus was placed carefully on the tastes and interests of the individual target groups of consumers, which was reflected by the steep rise in sales following the relaunches: the volume of sales handled by each site rose by almost one-third.

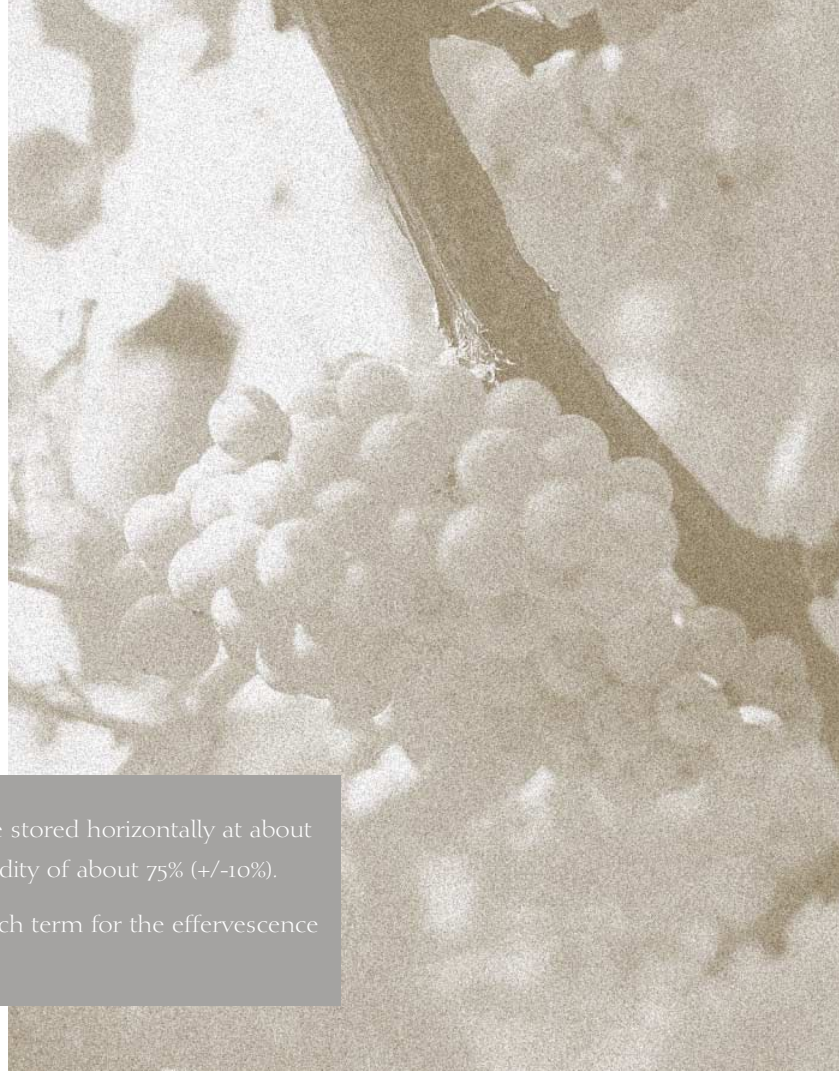
All promotional measures in the mail order/e-commerce segment were optimised to achieve an even more precise sales emphasis.

Hanseatisches Wein- und Sekt-Kontor ventured into a further area of marketing by entering into partnerships with print media. The company acts as exclusive supplier for the "WeinZeit" offers of the "Zeit" weekly newspaper and for the wine selection of the daily business newspaper "Handelsblatt".

As part of the ongoing optimisation of the business segment, a wide variety of structural and other improvements were made:

The role of the Purchasing Department has been upgraded within the organisation and strengthened with the recruitment of three oenologists. This will allow it to perform even better.

Brought to light: an expertly pruned cluster of grapes will flourish.



- [storage] = Wine should be stored horizontally at about 12 degrees (+/-2 degrees) and an atmospheric humidity of about 75% (+/-10%).
- [mousseux] = The French term for the effervescence of a sparkling wine.

A personnel development concept extending over several years will not only improve the qualifications of junior management, but also further reinforce their motivation and loyalty to the company.

Segment planning and control have been focused more specifically on the tasks of the future through the introduction of new controlling software and instruments. With the implementation of the now completed data warehouse concept in 2003, the Sales and Marketing Departments will be able to use the existing data both more easily and more advantageously.

Expansion in specialist wine-shop retailing

Jacques' Wein-Depot increased the number of outlets by 27 to a total of 244 in 2002. Meanwhile the extensive modernisation programme continued with the conversion of 21 outlets.

The corporate identity of *Jacques'* is gradually being modernised: the previous logo, which has been in use for over ten years, is being replaced by the version in italics that is already used on the "Jacques' Journal" customer magazine.

The "Journal" continues to be well received by customers. The number of issues was increased to three in 2002, following on from the two issues appearing in the inaugural year of 2001.

The customer card launched at the end of 1999 has also now become well established. Purchasing and marketing activities are optimised on the basis of the data that can be obtained through this medium. Over 350,000 card-holders shopped at *Jacques' Wein-Depot* in 2002.

Jacques' Wein-Depot is adopting new approaches to attracting first-time customers: as in the mail order/e-commerce sector, it uses the data on purchases to gauge the success of individual campaigns. This enables it to use its advertising budget more efficiently.

· [refractometer] = An optical precision-measuring instrument with which the sugar content of grapes is measured by determining the refraction of light passing through them. The reading that the instrument shows is the sugar content in degrees Oechsle (°Oe).

In marked contrast to the difficulties encountered by the retail sector in 2002, store traffic was boosted by 11%. However, as the average purchase total fell for the first time by 4%, sales by *Jacques' Wein-Depot* showed an overall rise of 7%.

Consolidation of wholesale business

Compared with the steep growth rates achieved in recent years, 2002 was a year of consolidation for wholesale operations. Sales remained stable or experienced marginal growth. The range was held stable in the face of tougher market conditions. Various shake-ups in the wine market necessitated particular flexibility: we were able to take adequate account of trends affecting quality, price and country of origin and actively shape them.

The wholesale division was for instance able to incorporate the entire spectrum of Penfolds wines fittingly into its various different sales channels. For its part, *CWD* included various new producers in its range on an exclusive basis, including such big names as Pol Roger and Paul Jaboulet Aîné. This has provided a permanent boost to both the wholesale segment and the end consumer segments of the Hawesko Group.

We continued with our efforts to develop various emerging foreign markets. Wholesale business was expanded in Eastern and Southeast Europe; the operating result in Austria was gratifyingly positive. The joint venture with Gebrüder Heinemann in the Czech Republic likewise reported a positive operating result.

IT, logistics and knowledge of wine increasingly important

It became possible to exploit further synergy benefits on a group-wide scale in the information technology and logistics areas. *Hanseatisches Wein- und Sekt-Kontor* has

concentrated its IT expertise in a special team, which is also available to provide advice and perform checks for the sister companies.

Synergy benefits were also realised by combining purchases of services on behalf of the group. For example, *Jacques'* and *Wein Wolf* purchase transport and warehousing services jointly. The areas of IT service, hardware and software also benefit as a result of intra-group pooling when contracting out services to third-party providers.

Particular care is called for in the handling of wine, the management of its supply chain and when performing related tasks. It is therefore often best for Hawesko to take control of the logistics side itself. The group has its own logistics company in *IWL Internationale Wein Logistik*. *IWL* started to implement a new processing system in 2002. *IWL* was able to maintain its business with outside customers and optimise the level of utilisation of its warehouse capacity by using the services of warehousing companies from other sectors.

The *Viniversitaet* promotes wine culture and expertise in wine. It is the first school of wine to offer a nationwide programme. Seminars for wine enthusiasts and professionals are staged in all conurbations on a regular basis. In 2002, over 4,000 people attended *Viniversitaet* events. At basic courses the participants learn more about wine, and explore their own tastes. The professional seminars, held in conjunction with the Wine and Spirit Education Trust (WSET)[®], act as a springboard to sitting examinations and obtaining internationally recognised certificates. The *Viniversitaet* consequently also provides the *Jacques'* partners with a fitting opportunity to deepen their knowledge of wine. It performs the groundwork for promoting wine's appeal among an ever greater circle of connoisseurs.

... Outlook for 2003

Together, even stronger

Hawesko will pinpoint and exploit further potential for synergy in every segment in 2003. Communication between the individual group companies – which are geographically widespread in some cases – is to be intensified. In this area, as everywhere, the group has the reassuring knowledge that its employees are notably eager to learn and to embrace change.

Mail order/e-commerce even more efficient

The project to optimise advertising in the mail-order/e-commerce segment is focusing on testing and analysing individual measures. It is building on the opportunities created by the new data warehouse and will yield its first results in 2003. By ensuring that data is evaluated faster and more effectively, it is opening up scope for analysing the extensive customer and stock management data of *Hanseatisches Wein- und Sekt-Kontor* continuously. It thus constitutes a virtuous circle in the marketing area. It moreover makes current developments even more transparent by highlighting trends in demand for specific products, in prices/costs and inventory. Hand in hand with organisational changes being made in the purchasing department, it establishes optimum conditions for planning, implementing and evaluating marketing measures.

Hawesko's ability to handle its target product, wine, in the correct manner is a significant competitive advantage. In order to maintain this edge, the quality assurance aspect of Hawesko's procurement activities is being extended. Systematic monitoring will encompass no longer only product quality, but will extend also to significant aspects of the purchasing process.

The segment is aiming to repeat the successes of the past year by launching new products in 2003. The attractive new products include a special wine to mark the 325th anniversary of *Carl Tesdorpf – Weinhandel zu Lübeck* and an extraordinary discovery from Tunisia.

The marketing partnerships that have been established with newspapers represent an ideal basis on which to refine our concepts. Drafts of an additional business model are currently being elaborated.

The venue of a crucial manual process: the "riddling rack" in the champagne cellar (right). Components of good wine: grape, soil, weather, experience – and time to mature (far right).



Even greater customer focus in specialist wine-shop retailing

Jacques' Wein-Depot will continue its renewed growth in the 2003 financial year. This will be generated on the one hand by the opening of additional sales capacity, with between 15 and 20 new outlets scheduled to open. On the other hand, this segment plans to boost the level of sales by existing outlets. It is aiming to make more effective use of customer card data and to attract new clientele to existing outlets through advertising measures.

The launch of a customer management system in 2003 will be of prime importance. It will substantially help the retail outlet partners to optimise their customer relations: purchase data will be used to bring marketing, purchasing and customer advice even more closely in line with customers' requirements and preferences.

Wholesale segment in even closer touch with the market

The ambition of the Hawesko wholesaling segment is always to have the most attractive product range on the market. For this reason, it will actively continue to search for new exclusive products in the 2003 financial year.

The market is still suffering the effects of consumer reticence. There has consequently been a shift in the requirements of restaurateurs and retailers. The wholesale arm has responded by moving the emphasis in the product range on offer. Thanks to its more intensive customer service activities, it will be even better placed to meet the requirements of its business partners in 2003.

Improved database management and IT support will make it appreciably easier to acquire new customers. This is a major working target for the financial year.

There are plans to step up expansion in Eastern and Southeast Europe in the course of 2003. One additional country in that region is to be included in the process, if possible.

The wholesale arm is maintaining a course of consolidation in its individual product segments.

Hawesko even more forceful

Following numerous internal structural improvements, the Hawesko Group plans to increase its efficiency in 2003. It will thus be more able to act forcefully and assertively in its various markets. It is working to strengthen its position as the largest operator in the German market for the distribution of high-quality wines. Its objective is to become the market leader in Europe as a whole.

.. [acidity] = The overall acidity of a wine stems from several different types of acid. These consist predominantly of (somewhat milder) tartaric acid and (somewhat stronger) malic acid. The latter gives the wine a more intensive, powerful flavour. The interplay of the residual sugar content, the alcohol content and the acids fundamentally determine the basic flavour of a wine.



... Hawesko in the capital market

The shares of Hawesko Holding AG represent an investment in a high-growth, internationally expanding “pure-play” enterprise: in the market leader in the quality segment of the German wine trade, which is also the world’s largest wine import market. Investors who deem the wine market to be attractive can find in Hawesko a particularly good opportunity because it is a trading company with high capital efficiency. Although Hawesko Holding AG is only a small-cap company, its shares are highly-regarded among investors precisely for that reason, and are regularly scrutinised by analysts from eight banks and research institutes.

Shares hold ground in 2002

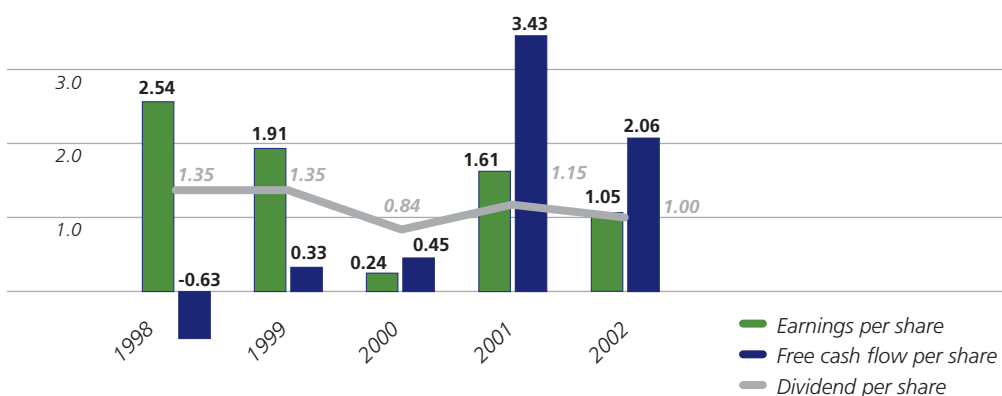
2002 was also a difficult year for the financial markets. The STOXX index, a major indicator of the mood of European share markets, slumped by over 30% over the course of the year. Hawesko shares, however, fared reasonably well: after starting the year at around € 17, they climbed to a year-high of € 27 towards the middle of the year, bolstered by expectations of an economic recovery in Germany. When no improvement in the economic situation materialised, they then slipped back to approximately their starting level by the end of the year (€ 16). By contrast, other European retailers saw their shares lose anything between 30% and 70% of their value in the course of the year.

Sound reasons for investing in Hawesko

Hawesko is notable for its low level of tied-up capital compared with similar listed companies, particularly in the wine trade. In other words, as a company without significant amounts of capital tied up in vineyards or production facilities, Hawesko is able to attain a higher level of capital efficiency. Hawesko is working on reducing its entrepreneurial risks still further, by gradually refining its working capital management. Another advantage for Hawesko in the high-growth sector of trading quality wines is that it is not easy to gain a foothold in this market.

Key figures per share

in €



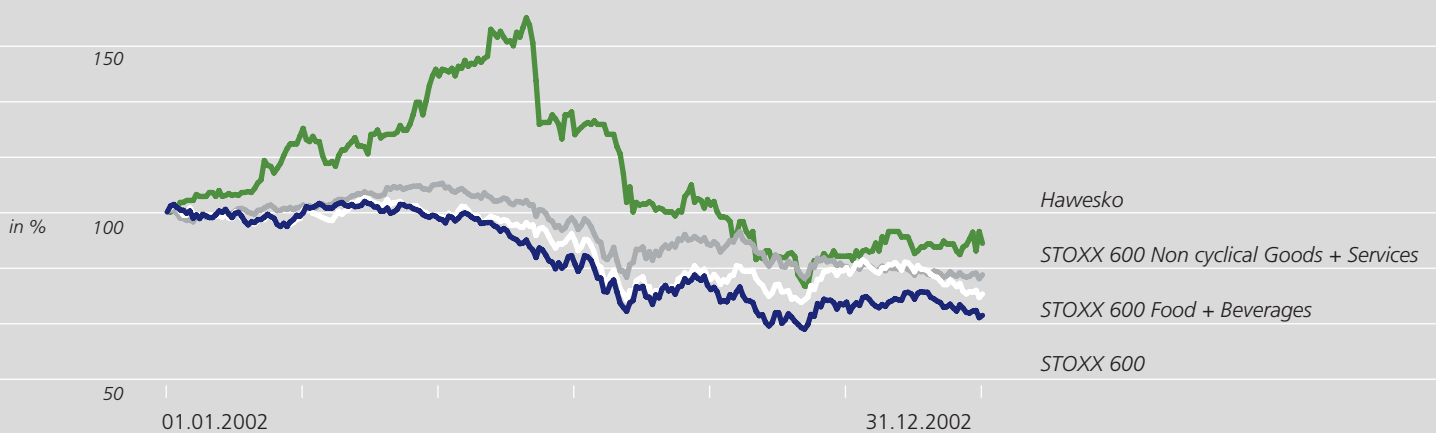
Measurable appreciation in value

The Board of Management and the senior executives have the obligation to enhance the long-term value of the Hawesko Group through their entrepreneurial actions. It is measured by the two indicators EBIT profit margin and capital turnover. In the 2002 financial year, the EBIT profit margin fell to 5.3%, from 6.4% in the previous year. Capital turnover, on the other hand, was boosted from 1.5 in 2001 to 1.6 in the year under review. This latter indicator benefited in particular from progress in the field of inventory management. We are seeking to make further long-term improvements in this area in 2003 as well.

High regard among investors

Hawesko believes investor relations is about communicating with representatives of the capital market – fund managers, financial analysts, business journalists – about both the current business situation and the management’s expectations regarding future developments. For a small-cap business such as Hawesko, investor relations work is of particular strategic significance. Its purpose is ultimately to generate understanding of a specific corporate strategy in an environment in which the larger market players generally capture all the attention, in order to pave the way for the financing of future growth. Over 100 individual discussions were held by way of investor relations in the 2002 financial year. Six events for analysts and fund managers took place in Germany, the Netherlands, Great Britain and, for the first time, Australia. The following banks and institutes monitored the development of the Hawesko Group and its shares in 2002, and published their analyses: Bankhaus Lampe, Cazenove & Co., Deutsche Bank, DZ BANK, Independent Research, KBC Peel Hunt and M.M. Warburg & CO. ING-BHF BANK took Hawesko under coverage for the first time in 2002.

Development of Hawesko share



Corporate governance

Declaration of Compliance pursuant to Section 161 of German Stock Corporation Law

Hawesko Holding AG declares its support to responsible company leadership and supervision directed towards increasing the value of the company. The transparency of the principles of the company as well as the presentation of its continuous development shall be securely in place to create, to obtain and to strengthen confidence in the company for its customers, business partners and shareholders.

Therefore the Hawesko Holding AG approves the German Corporate Governance Code and the values expressed in the Code. Most of the statements and recommendations in the Code have been practiced for years at Hawesko Holding AG. This shall remain so in the future. In only three points does Hawesko Holding AG differ from the recommendations of the Code:

- The consolidated financial statements of Hawesko Holding AG will not be published within 90 days after the fiscal year-end, but within approximately 120 days. This longer period is necessary to be able to combine the publication of the consolidated financial statements and annual report with the report for the first three months of the next fiscal year. Nevertheless, a press release regarding sales volume and results of the fiscal year will already be published within 45 days after fiscal year-end.
- The D&O insurance contracts (Directors & Officers Liability) do not provide for a personally-liable portion payable in addition by members of the Board of Management or the Supervisory Board. This is not, in the company's view, reasonable given the framework of German law. On one hand the individual is liable in any case if there is malfeasance with prior intent, on the other hand it interferes with the entrepreneurial spirit if the corporate management is liable for what they have endeavored for the company's welfare and in good faith.

· [vinification] = The process of producing wine, encompassing everything from the delivery of the grapes at the winery to the bottling of the wine.



Financial calendar 2003

5 June, 2003	<i>Annual General Meeting of shareholders in Hamburg/last day before ex-dividend</i>
30 July, 2003	<i>Six-month report 2003</i>
29 October, 2003	<i>Nine-month report 2003</i>
Early February 2004	<i>Preliminary report 2003</i>
End of April 2004	<i>Publication of 2003 Annual Report, Analyst conference</i>

- The Supervisory Board of the Hawesko Holding AG will not set up a special audit committee because the current total number of six Supervisory Board members ensures that all members will be informed in equally explicit terms about the accounts and can be included in the dialogues with the auditors.

The management of the company as well as representation in business with third parties is the sole responsibility of the Board of Management. It is supervised and advised by the Supervisory Board. The Supervisory Board will be informed regularly, promptly and extensively about all company-relevant issues concerning strategies, business development and risks by the Management Board according to the legal regulations. The Board of Management coordinates the strategic direction of the company with the Supervisory Board.

The shareholders exercise their co-administration and supervisory rights at the annual general meeting. Each share of Hawesko Holding AG grants one vote. Therefore the principle of "one share, one vote" has been completely implemented since there is no maximum limit for the votes of one shareholder or special voting rights. Each shareholder is entitled to participate in the annual general meeting, to speak regarding any agenda items and to demand information about business affairs to the extent necessary to come to a fair and appropriate evaluation of a topic at the annual general meeting.

Since Hawesko Holding AG understands Corporate Governance as being a process which is subject to continual optimization, it is open to any possible improvements.



Hard work, rich rewards: the grape harvest – here at Stellenbosch, South Africa (far left). A new world of wine: the fifth continent.



An ancient cultivated plant, a penchant for modern methods and a well-developed consciousness for quality: Australia is making the world market for wine more dynamic.



.. [Botrytis] = botrytis cinera is the noble rot which draws out water and intensifies the taste in the grapes – a basic prerequisite for Beeren- and Trockenbeereauslese.

... Combined management report

Hawesko Holding AG has its origins in the wine mail order company *Hanseatisches Wein- und Sekt-Kontor*, founded in 1964, and the specialist wine-shop retailer *Jacques' Wein-Depot*, which was established in 1974. Hawesko Holding AG was created on January 1, 1998 through the contribution of these companies, together with the wine wholesaler *CWD Champagner- und Wein-Distributionsgesellschaft*. In 1999, a majority shareholding of 90% was acquired in the *Wein Wolf* Group, one of the leading wine wholesalers in Germany. The Hawesko Group extended its activities to other European countries in 2000. The strategy of the group focuses on consolidating and building up a strong market position as Germany's leading supplier of premium-quality wines and champagnes, and on gradually extending the international spread of the companies which make up the group.

Weak development of the German economy as a whole

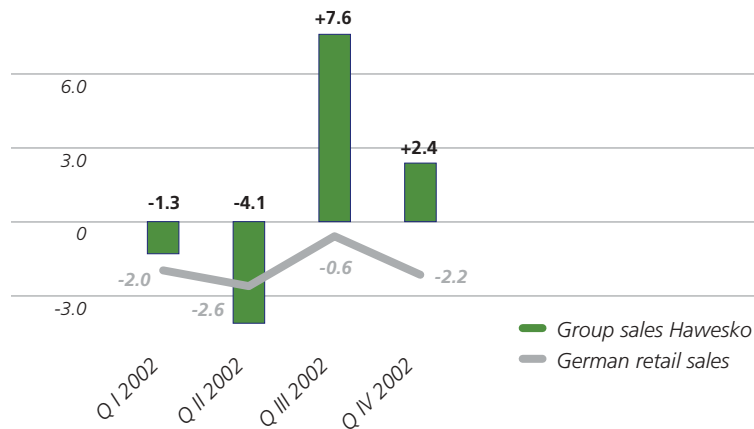
The economic recovery that was expected in Germany in the second half of 2002 failed to materialise. Instead the economy remained flat, with gross domestic product rising by a mere 0.2% (previous year: 0.6%). This weak development is attributed by experts to the cautious consumer behaviour of private households and the renewed downturn in investment of 6.4% (2001: 5.3%). The 0.6% fall in private consumption is attributable above all to lower disposable income. This came about as a result of falling income from investments and higher taxes and social insurance contributions.

Development of the sector: long-term trend to wine

On the one hand the wine market in Germany showed signs of the general consumer weakness: the average price of all wines (German and imported) fell by approx. 5% in 2002 according to a survey conducted by GfK. On the other hand, however, the marked long-term trend towards increased wine consumption held up: wine accounted for an increased share of spending on alcoholic beverages, up from 32.4% (2001) to 33.3% (2002), whereas a lower proportion of the total was spent on both spirits and beer than in the previous year. In terms of quantity, the statistic for per capita wine consumption showed a year-on-year increase in 2002 of just under half a litre, to 24.3 litres per capita.

Hawesko in comparison to German retail

Change in %



The Hawesko Group fared comparatively well in 2002, in the light of the adverse climate for consumption. According to the Federal Statistics Office, retail sales in Germany fell by 2.0% in the first quarter of 2002 compared with the prior-year quarter, 2% in the second, 0.6% in the third and 2.2% in the fourth. The sales progress of the Hawesko Group was better in each of these quarters apart from the second: – 1.3%, – 4.1%, + 0.6%, + 2.4%. Hawesko's sales in the second quarter suffered from the very difficult trading context in June.

Sales and earnings

Higher volume sold led to sales increase

The net sales of the Hawesko Group in 2002 as a whole rose by 1.2% to € 267.4 million. This increase is primarily attributable to the higher volume sold: the total number of bottles or units rose to around 41 million, compared with 40 million in the previous year. Over 90% of sales were achieved in Germany. French wines accounted for around 45% of sales, with Italian wines bringing in some 25% and Spanish wines some 12%. Whereas the mail order/e-commerce business segment was unable to emulate the previous year's sales figure, the specialist wine-shop retail and wholesale sales channels both enjoyed higher sales. The gross profit margin for the group rose from 42.1% in the previous year to 42.9% in the year under review. This reflects both the specialist wine-shop retail segment's higher share of consolidated sales and the improved gross profit margin in the wholesale segment. The less profitable champagne business, on the other hand, lost ground.

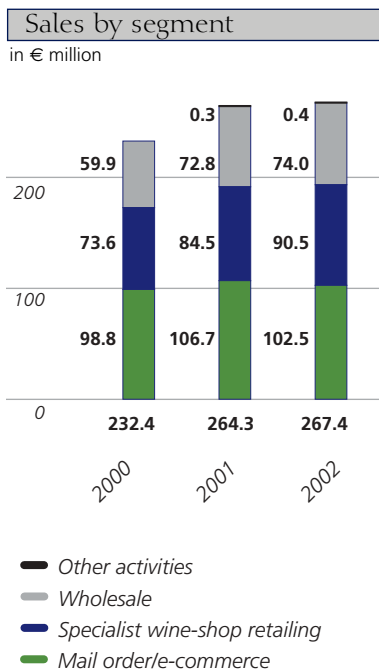
Lower values per purchase weighed down EBIT

The operating result (EBIT) for the group fell by 17.0% to € 14.1 million; this corresponds to an operating margin of 5.3% of sales (2001: 6.4%). This deterioration in earnings stems from the lower value per order or purchase and a higher number of purchase transactions for our core businesses, from lower pre-Christmas gifts business and from the changeover, begun this year, to a new warehousing and order picking system at *IWL Internationale Wein Logistik*. On the other hand, the start-up losses from the development of new sales channels were further reduced or, in some cases, the break-even point achieved.

Other operating expenses showed an increase on the prior-year figures as a result of extension, renovation and conversion work in the specialist wine-shop retail segment, and a shift in the structure of orders at the mail order sales companies. This expense item, representing 30.0% of sales, is 1.0 percentage point up against 2001.

Weak gifts business in mail-order/e-commerce

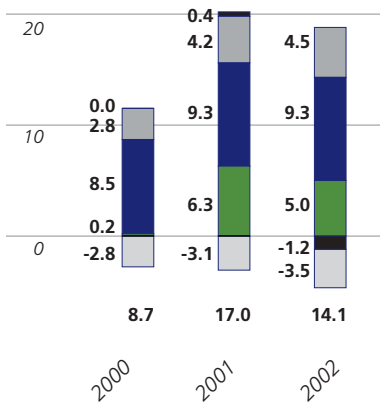
Sales in the mail order/e-commerce business segment were down by 3.9% overall to € 102.5 million. This fall in sales is primarily due to pre-Christmas gifts business, though this downturn was compensated for in part by higher sales of Bordeaux wines (specifically via the subsidiary *Château Classic – Le Monde des Grands Bordeaux*). The ongoing drive to promote the new areas of business in 2002 likewise had a positive impact on sales compared with the previous year. The customer structure has improved as a result of the acquisition of new customers who offer corresponding potential for higher sales: 48,000 new customers (2001: 49,000) were acquired for standard business, and 21,000 new customers (2001: 23,000) for the gifts business. The operating result (EBIT) for the mail order/e-commerce division fell to € 5.0 million (previous year: € 6.3 million). This reversal was due to the lower sales as described above, though we were able to counteract this development in sales specifically for pre-Christmas gifts business by adopting a focused approach to cost management. Business in the ultra-premium segment (*Carl Tesdorpf – Weinhandel zu Lübeck*) crossed the profitability threshold in the reporting period. The market entry in Austria (*The Wine Company*) imposed a lower burden on earnings in 2002 than in the previous year.



Jacques' Wein-Depot boosts sales

The business segment for specialist wine-shop retailing (*Jacques' Wein-Depot*) boosted its net sales by 7.0% to € 90.5 million. Disregarding new outlets, sales for this business segment were up 0.4% on the previous year. The positive sales development is attributable to the opening of a further 27 outlets. Increasingly widespread use of the *Jacques'* customer card had a favourable impact on business. Whereas the average till receipt fell for the first time in ten years from August onwards, the number of purchase transactions saw an 11% rise for the year. At the end of the year under review there were 244 *Jacques'* outlets, including six in Austria (end of 2001: 217, including six in Austria). At 31 December 2002 rental agreements for a further three outlets had already been taken out. Even in a weak consumption climate, *Jacques' Wein-Depot* thus achieved a high rate of expansion. The modernisation programme was systematically pursued in the year under review. 18 retail wine outlets were modernised, and three were closed and re-opened in a better location. The operating result (EBIT) remained virtually unchanged at € 9.3 million as a result of the decrease in average purchase and of the extension, renovation and conversion work to outlets.

Consolidated EBIT
in € million



- Other activities
- Wholesale
- Specialist wine-shop retailing
- Mail order-commerce
- Costs for the holding company and consolidating items

EBIT margins

	4.7%	5.7%	6.1%
	11.5%	11.0%	10.3%
	0.2%	5.9%	4.9%
Group	3.7%	6.4%	5.3%
	2000	2001	2002

Wholesale: sales increase of Italian wines

Sales for the wholesale business segment rose by 1.7% in the year under review. The springboard for this development was a renewed increase in sales of Italian wines (in particular by the producer Antinori). The successful launch of Penfolds wines also had a positive effect. On the other hand, sales of champagnes and French wines were down. The two complementary wholesaling concepts continue to be run as separate entities: the *Wein Wolf* Group acts principally as a classical distributor to top catering establishments, and *CWD* as a flexible wholesaler basing its operations on mail order delivery. The sustained popularity of the Antinori products in particular helped boost the operating result (EBIT) in the wholesale segment to a total of € 4.5 million, in spite of the difficult business environment in the year under review (previous year: € 4.2 million).

New warehousing and order picking system

The other activities of the group alongside its three main segments – *Viniversitaet* and *IWL Internationale Wein-Logistik* – had the effect of diminishing EBIT by € 0.3 million and € 0.9 million, respectively, in the year under review. The principal cause for the higher costs at *IWL* against the previous year was initiating the changeover to a new warehousing and order picking system.

Costs for the holding company and consolidating items amounted to € 3.5 million (2001: € 3.1 million). This increase was prompted by a change in the group management structure.

Consolidated net income: higher tax charge contributed to decrease

The consolidated earnings before taxes totalled € 11 million, down € 2.5 million on the prior-year figure. The financing expenses include the measurement of interest rate derivatives at market value, as required by IAS 39 from 2001. This diminished earnings for the year under review by € 0.5 million (previous year: € 0.5 million). As a result of the lower earnings before taxes on the one hand and a significantly higher taxation ratio on the other, the consolidated earnings after taxes slipped to € 5.1 million (previous year: € 7.4 million). The taxation ratio for 2002 was 53.9% (previous year: 45.3%); the rise results above all from the write-down of deferred tax assets in respect of fiscal loss carryforwards. The latter were rendered necessary by the weaker business progress anticipated in Austria. Consolidated earnings after taxes and minority interest totalled € 4.5 million (previous year: € 6.9 million).

The earnings per share reached € 1.05 (2001: € 1.61). Taking into account the 11,000 options which were issued in conjunction with convertible bonds and which may be exercised in 2004, the diluted earnings per share are likewise € 1.05.

Net income of the parent company and proposal on the appropriation of earnings

The income statement of Hawesko Holding AG, as parent company of the group, is dominated by its holding activities and – unlike the Consolidated Income Statement – is prepared in accordance with the German Commercial Code. The result from shareholdings fell due to the lower earnings of the subsidiaries, from € 15.0 million in the previous year to € 11.1 million in the year under review.

The annual financial statements of the parent company at 31 December 2002 show a net income of € 8.8 million (previous year: € 10.2 million). Following allocation of € 4.4 million to the other revenue reserves, there remains an unappropriated profit of € 4.5 million, with a profit carryforward of € 0.1 million. The Supervisory Board and Board of Management propose to the Shareholders' Meeting that the unappropriated profit for the year be appropriated as follows:

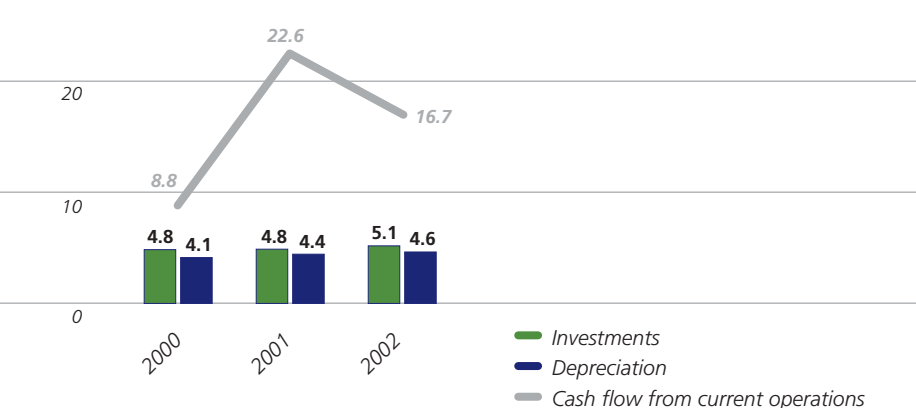
Payment of a dividend of € 1.00 per individual share certificate on the capital stock of € 13,216 thousand.

Consolidated cash flow down after one-time effects in prior year

in € million	2002	2001
Cash flow from current operations	+16.7	+22.6
Cash flow from investing activities	- 0.4	- 6.0
Cash flow from financing activities	- 13.5	- 20.5

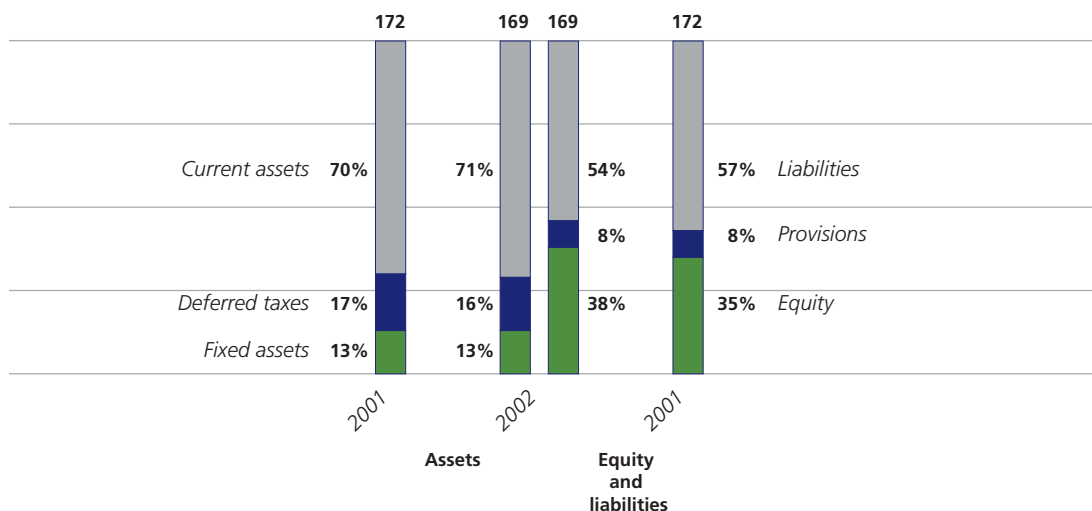
Cash flow from current operations for the group fell by € 5.9 million to € 16.7 million. This was due on the one hand to the lower earnings, and on the other to the fact that the reference year 2001 included positive one-off effects from tax rebates and sale and lease-back arrangements amounting to € 4.4 million. Although the improvement in working capital had a positive effect in 2002, the year under review, the absence of the two aforementioned effects could not be compensated for. The cash flow from investing activities includes cash inflows totalling € 4.4 million from the sale of treasury shares. The cash outflow to reduce borrowings amounted to € 5.4 million.

Investments, depreciation and cash flow
in € million



Consolidated balance sheet structure

in %, Balance sheet total in € million



Capital investment mainly in expansion of *Jacques' Wein-Depot*

The Hawesko Group invested € 5.1 million in intangible assets, in property, plant and equipment and in acquisitions in the year under review (previous year: € 4.8 million).

Investments in property, plant and equipment totalled € 4.0 million (previous year: € 4.2 million). These measures were for the expansion and modernisation of specialist retail outlets for *Jacques' Wein-Depot* (€ 2.5 million) and for replacement investments. The investments in intangible assets of € 1.1 million (previous year: € 0.5 million) relate substantially to computer software; € 0.7 million of this total was for a new warehousing and order picking system at *IWL Internationale Wein-Logistik*.

Consolidated balance sheet: rise in equity

The Consolidated Balance Sheet total fell from € 171.7 million in the previous year to € 169.0 million in the year under review. This represents a decrease of 1.6%.

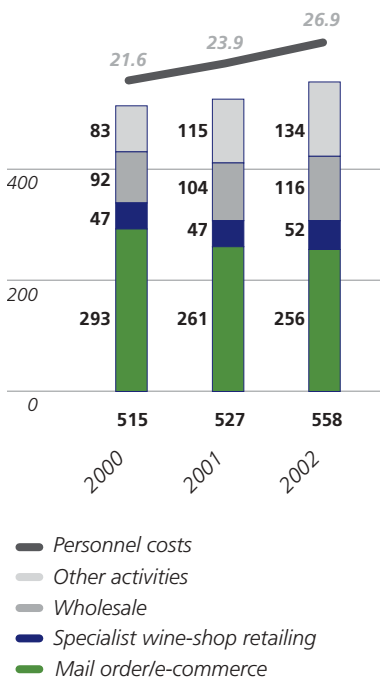
Fixed assets, which totalled € 22.0 million, remained virtually unchanged from the previous year (€ 21.8 million). This item substantially comprises goodwill from the consolidation of the *Wein Wolf* Group (€ 4.9 million) and *Château Classic – Le Monde des Grands Bordeaux* (€ 0.5 million) as well as *Carl Tesdorpf – Weinhandel zu Lübeck* (€ 0.3 million). Current assets fell from € 120.8 million to € 120.4 million. The reduction in inventories and the decrease in trade receivables together came to € 2.7 million in the year under review. The significant reduction in trade receivables of € 1.8 million is attributable both to the higher level of payments received at the end of the year compared with one year earlier as well as to lower gifts business. Cash and cash equivalents, on the other hand, rose by € 2.3 million. Deferred tax assets showed a fall of € 2.5 million.

Consolidated equity rose year on year by € 3.8 million to € 64.3 million. The equity ratio (prior to the distribution of profit) consequently rose from 35.3% to 38.1% of the balance sheet total. The revenue reserves were boosted by € 1.4 million by the sale of all treasury shares in the year under review, whereas they had seen a gradual fall in previous years as a result of the acquisition of treasury shares.

Liabilities fell by € 7.0 million to € 91.3 million. In particular borrowings were reduced by € 6.0 million in the year under review, to € 40.9 million. These liabilities are in connection with credit arrangements with various German banks.

The capital turnover improved yet again in 2002 to 1.6 (previous year: 1.5). This was attributable in the first instance to the lower level of receivables at the balance-sheet date, coupled with the slight rise in sales.

**Total employees/
Personnel costs**
Personnel costs in € million



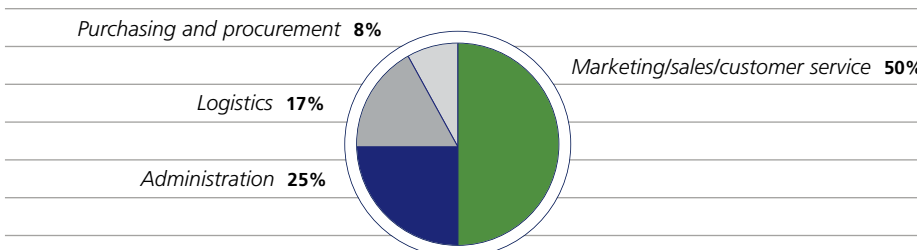
Higher number of employees in Wholesale and in the Logistics Centre

The Hawesko Group employed an average of 558 people in the year under review. This is 31 more than the average for the previous year. The year-on-year change was prompted mainly by the wholesale segment and by the logistics centre (included in Other Activities). In the case of the latter, the average number of employees went up because more temporary workers were used during the implementation phase of the new warehousing and order picking system.

The employee structure, on the basis of function, is as follows: marketing/sales/customer service 50% of the employee total, administration 25%, logistics 17% and purchasing and procurement 8%.

Personnel costs increased by 12.5% to € 26.9 million in the year under review. The personnel costs ratio rose from 9.0% of sales in the previous year to 10.1%. This change is attributable to two causes. The first is the recruitment of additional personnel in the marketing, purchasing and sales areas with an eye to future growth, but seen against flat sales in the year under review. The second is the one-off effect of extra temporary workers during the implementation of the new warehousing and order picking system.

Employee structure by function



Hawesko Holding AG has been a member company of the Pensionskasse des Handels pension fund since 1 January 2002. Our membership paves the way for providing all domestic employees of the Hawesko Group with effective retirement benefit arrangements, including cover for invalidity and surviving dependants. The combination of employer subsidies and a component taken directly from the individual employee's salary makes it possible to build up a stable provision for old age through contributions that are exempt from tax and social insurance. At 31 December 2002, 239 employees of the group belonged to this pension fund.

The employee share-purchase scheme was moreover extended in 2002. All employees who qualified were offered shares in Hawesko Holding AG at a discount on the quoted stock-exchange price. 15% of qualifying employees used this opportunity in 2002, including an above-average proportion of management employees.

Development costs

The changing face of the market obliges the Hawesko Group to continue investing in the future. The principal development activities during the year under review included the following:

Introduction of a new warehousing and logistics system

The task for the logistics centre for the mail order/e-commerce segment in Tornesch, near Hamburg, of processing orders and handling the flow of goods is an increasingly challenging one. In response, we started to introduce a new warehousing and order picking system in 2002. Independently of the internal merchandise information system, it focuses on the tasks that arise in the materials flow area. The launch of the new system incurred additional costs totalling € 0.7 million. The project plans envisage that the changeover will be completed in fiscal year 2004. A further sum likely to be in the order of € 0.5 million will be invested here in the 2003 financial year.

Further expansion of business activities in Austria

The Hawesko Group has been extending its mail order operations into Austria since the 2000 financial year, through the establishment of a new subsidiary under the name of *The Wine Company*. The product range there includes Bordeaux wines, champagnes and high-quality Austrian and Italian wines. Sales in the year under review reached € 3.3 million (previous year: € 3.0 million), diminishing the consolidated operating result by € 0.5 million (previous year: € 0.6 million). We are currently examining whether mail order sales could be bolstered by over-the-counter sales, in order to generate a positive effect on earnings in the medium term. A similarly negative earnings effect to the year under review is expected for 2003.

Jacques' Wein-Depot in addition operated six outlets in Austria in the year under review. These operations diminished earnings by € 0.1 million (previous year: € 0.3 million).

Risk report

In the context of its sales operations, the Hawesko Group is exposed to the risks that go hand in hand with entrepreneurial activity. It has established modern instruments of controlling for the observation and reporting of risks. These are implemented as a means of informing the decision-makers in good time of potential problems. In addition to the general business risk, the group is exposed to the following risks:

Wine as a natural product

Wine is a product of nature which accordingly exhibits variations in quality from year to year, and from variety to variety, depending on the weather, the individual locations and the fermenting processes. This variation affects the price that a product can command, and influences demand for individual products. On the strength of its many years of experience in the wine market, the Hawesko Group is able to limit the impact of these risks, but can never exclude them entirely.

Competition

There is increasing competition within the wine market, both from specialist niche suppliers and from larger, financially strong groups. Within its context, the Hawesko Group is pursuing the strategy of consolidating its market position on the basis of high-quality products through its expertise in database marketing, and of strengthening this position both in Germany and abroad.

Seasonal business

The Hawesko Group publishes its business results each quarter. These results reflect fluctuations that are attributable to the seasonal nature of its business. The sales and results for the individual quarters fluctuate e.g. as a result of the number of advertising mail shots, the frequency of which is determined on the basis of when the various public holidays fall each year. The Hawesko Group in addition regularly generates a large portion of its sales and earnings in the final quarter of the year. Gifts business in the run-up to Christmas generally accounts for around 10% of consolidated sales. The result particularly for the third quarter of each year reflects the costs of assembling selections and pre-packaging goods, as well as increased handling costs in view of the greater volume of incoming goods.

Influence of exchange rate and capital market factors

The member companies of the Hawesko Group are importers of wines traded internationally, and as such are affected by exchange rate movements outside the euro zone. It is to be expected that the proportion of wines from overseas will continue to grow; these wines are generally traded in US dollars. The refinancing of the Hawesko Group's capital requirements largely takes the form of loans which are predominantly taken out at current interest rates, with interest rate derivatives used for hedging. Pursuant to IAS 39, these hedging instruments are to be recognised at market value, as a result of which fluctuations in the finance result may occur.

Legal and fiscal risks

The company is unaware of any legal or arbitration proceedings, whether pending or anticipated, which have a significant influence on the economic situation of the Hawesko Group.

Nor is the company aware of any fiscal risks which have a significant influence on the economic situation of the Hawesko Group. On the basis of a tax inspection conducted during 2001 by the Itzehoe tax office, Hawesko Holding AG was found liable for investment income tax. The payment order is for the investment income tax to be paid in arrears on the profit distribution for 1998, together with the solidarity surcharge on that tax. An appeal was lodged against the payment order. A provision was formed as a precautionary measure in the 2001 financial year to cover a potential liability risk for the investment income tax and solidarity surcharge on the profit distribution for 1999. No payment order for 1999 has yet been received.

Insofar as necessary, the aforementioned developments have been taken into account within the context of the Consolidated Financial Statements through the formation of provisions.

Deposit on drinks containers

A deposit on disposable drinks containers was introduced in Germany in January 2003. As there is in practice no alternative to the disposable container for wine, wine containers were expressly exempted from the regulation. The risk nevertheless remains that wine containers could in future become subject to a mandatory deposit charge. If this were to occur, the Hawesko Group would incur expenses through having to accept returned wine containers. As the Hawesko Group rates this risk as minor, it has not made any accounting provision for it.

No occurrences of particular note after the end of the financial year

No occurrences which have a significant effect on the assessment of the net worth, financial position or earnings situation of Hawesko Holding AG and of the Hawesko Group occurred after the end of the financial year.

Outlook: Growth spurred mostly by Jacques' Wein-Depot

With the economy having ground to a halt in the final quarter of 2002, experts are currently forecasting 0.6% economic growth in Germany in 2003; it is expected to be most pronounced in the latter half of the year. Private consumption is likely to remain flat. The consumption of premium-quality wines is only marginally dependent on the general economic situation; it can therefore be assumed that the market for premium-quality wines and champagnes will remain on course for further growth. The factors that will determine this growth are the quality of the range and of the goods themselves.

In the current 2003 financial year, Hawesko's Board of Management is placing the emphasis on improving profitability, extending the market share and enhancing the return on investment. Growth will be driven predominantly by the opening of between 15 and 20 new *Jacques' Wein-Depot* outlets and by increasing the sales of the existing outlets. The principal target area for improved profitability within the group will be the mail order/e-commerce segment: the objective will be to achieve even higher order quotas and to improve processing procedures. The return on total assets is to be boosted by optimising working capital. The Board of Management expects consolidated sales to show an overall rise of around 5% – to € 280 million – in 2003, coupled with a proportionally greater increase in profits.

Investments in property, plant and equipment in the 2003 financial year are likely to be in the order of € 5 million to € 6 million. The focus of investment activity will be on the opening of new *Jacques' Wein-Depot* outlets and on capital expenditure on systems for the mail order and logistics areas. It is planned to finance these investment measures from the cash flow from current operations and through the use of operating leases for new *Jacques'* outlets.

It remains the objective of the entire group to generate an above-average increase in profits and a higher capital turnover through operative improvements.

Consolidated statement of income

for the period from 1 January to 31 December 2002

	Notes	2002 € '000	2001 € '000
Sales revenues	4.	267,350	264,291
Increase in finished goods inventories		124	2
Other operating income	5.	11,059	10,773
Cost of purchased goods		- 152,553	- 152,996
Personnel expenses	6.	- 26,942	- 23,941
Depreciation and amortisation	7.	- 4,638	- 4,377
Other operating expenses	8.	- 80,208	- 76,579
Other taxes		- 78	- 159
Result from operations		14,114	17,014
Financial result	9.	- 3,115	- 3,513
Result from ordinary activities		10,999	13,501
Taxes on income and deferred tax expenses	10.	- 5,929	- 6,113
Result after taxes		5,070	7,388
Profit due to minority interests		- 546	- 453
Consolidated earnings		4,524	6,935
Earnings per share (undiluted) in €	11.	1.05	1.61
Earnings per share (diluted) in €	11.	1.05	1.60

Consolidated balance sheet

at 31 December 2002

Assets	Notes	31.12.2002 € '000	31.12.2001 € '000
Fixed Assets			
Intangible assets	12.	7,402	7,310
Tangible assets	13.	14,356	14,206
Financial assets	14.	208	281
		21,966	21,797
Current assets			
Inventories	15.	76,892	77,802
Receivables and other assets	16.	35,082	36,871
Cash in banking accounts and cash on hand	17.	8,418	6,113
		120,392	120,786
Deferred tax assets	18.	26,309	28,845
Prepaid expenses		346	276
		169,013	171,704
Shareholders' equity and liabilities			
Shareholders' equity	Notes	31.12.2002 € '000	31.12.2001 € '000
Shareholders' equity			
Subscribed capital of Hawesko Holding AG	19.	13,216	11,262
Group adjustment i.a.w. IAS	19.	– 4,366	– 4,366
		8,850	6,896
Capital reserve	20.	5,762	7,716
Revenue reserves	21.	20,629	10,648
Adjustment resulting from currency translation		– 13	– 3
Unappropriated group profit	22.	29,107	35,278
		64,335	60,535
Minority interest	23.	1,239	1,004
Provisions			
Provisions for pensions	24.	427	414
Provisions for taxation and deferred taxes	25.	3,401	3,929
Other provisions	26.	8,358	7,538
		12,186	11,881
Liabilities			
Borrowings	27.	40,888	46,861
Advances received	28.	10,439	11,064
Trade payables	28.	31,347	30,728
Other liabilities	28.	8,579	9,631
		91,253	98,284
		169,013	171,704

Consolidated statement of changes in equity

for the period from 31 December 2000 to 31 December 2002

	Subscribed capital	Capital reserves	Revenue reserves	Adjustments resulting from currency translation	Unappro- priated group profit	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
31 December 2000	6,896	7,716	8,586		35,857	59,055
Adjustment from the application of IAS 39 at 1 January 2001					- 360	- 360
Appropriation to revenue reserves			3,501		- 3,501	-
Adjustment for treasury shares			- 1,439			- 1,439
Dividends					- 3,653	- 3,653
Currency translation differences				- 3		- 3
Consolidated earnings					6,935	6,935
31 December 2001	6,896	7,716	10,648	- 3	35,278	60,535
Adjustment from revaluation of forward exchange transactions i.a.w. IAS 39			- 84			- 84
Changeover to Euro	1,954	- 1,954				-
Appropriation to revenue reserves			5,629		- 5,629	-
Sale of treasury shares			4,436			4,436
Dividends					- 5,066	- 5,066
Currency translation differences				- 10		- 10
Consolidated earnings					4,524	4,524
31 December 2002	8,850	5,762	20,629	- 13	29,107	64,335

Consolidated cash flow statement

for the period from 1 January to 31 December 2002

	Notes	2002 € '000	2001 € '000
Result before taxes on income	33.	10,999	13,501
+ Depreciation of intangible and tangible assets (net of write-ups)		4,638	4,377
+ Interest result	33.	3,115	3,513
+/- Result from the disposal of intangible and tangible assets		- 34	32
+/- Change in inventories		910	- 5,670
+/- Change in receivables, other assets and prepaid expenses		1,825	4,888
+/- Change in provisions		298	2,622
+/- Change in liabilities (excluding borrowings)		- 975	2,819
- Taxes on income paid out	33.	- 4,087	- 3,473
= Net inflow of payments from current operations		16,689	22,609
- Acquisition of subsidiaries net of funds acquired		-	- 200
- Outpayments for tangible and intangible assets		- 5,137	- 4,643
+/- Inpayments from the sale/Outpayments for the purchase of treasury shares		4,436	- 1,439
+ Inpayments from the disposal of intangible and tangible assets		292	191
+ Inpayments from the disposal of financial assets		2	48
= Net funds employed for investment activities		- 407	- 6,043
- Outpayment for dividend		- 5,066	- 3,653
- Outpayments to minority interests		- 333	- 218
+/- Change in borrowings		- 5,442	- 13,368
- Interest paid out	33.	- 2,657	- 3,251
+/- Outflow of net funds for financing activities		- 13,498	- 20,490
= Net increase/decrease of funds		2,784	- 3,924
+ Funds at start of period		5,634	9,558
= Funds at end of period	33.	8,418	5,634

Notes to the consolidated financial statements of Hawesko Holding AG for the 2002 financial year

Hawesko Holding AG has its registered office in Hamburg, Germany. It is entered on the Commercial Register at the Local Court of Hamburg under number HRB 66708. The activities of the group include in particular the trading and sale of wines, champagnes and other alcoholic drinks to consumers and wholesalers. The companies under the corporate umbrella of Hawesko Holding AG cover the sales forms mail order/e-commerce, specialist wine shop retailing, and wholesaling.

1. General principles

Applying Section 292a of German Commercial Code, the Consolidated Financial Statements have been prepared in accordance with the specifications of the guidelines valid on the balance sheet date (International Financial Reporting Standards – IFRS) as issued by the International Accounting Standards Board (IASB), London. They are in agreement with the European Union guidelines on group accounting (Directive 83/349/EEC).

In connection with the reorganisation of the International Accounting Standards Board (IASB) in April 2001, the statutory accounting requirements previously referred to as “International Accounting Standards (IAS)” have been renamed “International Financial Reporting Standards (IFRS)”, though the IASB resolved that all previously published IAS are to remain valid. The expression “IFRS” is generally used below to denote the accounting standards. Those standards which had already been approved and which remain valid are, however, still referred to as “IAS”.

The annual financial statements of the consolidated companies are based on standard recognition and measurement principles which are unchanged from the previous year. For greater clarity, certain items in the Income Statement and Balance Sheet are combined; they are explained in the Notes. Valuations which are based solely on tax law requirements are not included in the Consolidated Financial Statements. The standard reporting date for all group companies is 31 December 2002.

The type of expenditure format was used for the preparation of the Income Statement.

The sums reported are always quoted in thousand euros (€ '000), unless otherwise indicated.

The audited Combined Management Report for the group and the parent company and the Annual Financial Statements at 31 December 2002 of Hawesko Holding AG will be filed with the Local Court of Hamburg under reference HRB 66708 and published in the Federal Gazette. Copies of the Annual Financial Statements and the Combined Management Report for the group and the parent company can in addition be requested directly from Hawesko Holding AG.

2. Consolidated companies

The **group** under Hawesko Holding AG, with its head offices in Hamburg, comprises a total of 20 German and foreign companies, as well as one domestic joint venture and its foreign subsidiary, in which Hawesko Holding AG directly or indirectly holds a majority of voting rights or is solely in control. Compared with the previous year, this number was increased by the joint venture and its subsidiary. Five (previous year 5) subsidiaries of minor overall significance for the net assets, financial

position and earnings situation of the group are not consolidated. Their sales represent less than 1% of consolidated sales.

The 50% interest in *Global Eastern Wine Holding GmbH*, Bonn, which was established in the previous year as a joint venture, and its 66.6% interest in the Czech wholesaler *Global Wines Prague Spol.s.r.o.*, Prague, was included in the group with effect from 1 January 2002. The goodwill of € 3 thousand was amortised in full in the year under review.

The joint venture *Global Eastern Wine Holding*, Bonn, and its subsidiary *Global Wines Prague*, Prague, were included in the Consolidated Financial Statements for the first time on a pro rata basis, and allocated to the Wholesale segment. Further details of the pro rata values at which the joint venture is included in the Consolidated Financial Statements are given in section 35.

In view of its minor economic significance, the 50% shareholding in *Vera Maria Bau Consulting GmbH*, Bonn, was not consolidated. The net earnings of this company in 2002 were € 1 thousand.

The complete list of investment holdings of the Hawesko Group is on file at the Hamburg Commercial Register. It can in addition be requested directly from Hawesko Holding AG.

The **consolidation of capital** is always performed in accordance with IAS 22, by offsetting the book values of subsidiaries against the equity share held in the subsidiaries at the time of their acquisition. Any remaining differences are carried as goodwill on the basis of their economic content.

The consolidation of joint ventures is performed on a pro rata basis according to the same principles. The goodwill arising was amortised in full in the year under review.

The contribution of the three subsidiaries *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *CWD Champagner-und Wein-Distributionsgesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* to Hawesko Holding AG on 1 January 1998 was treated as a “transaction between companies under common control”. No differences arose from the consolidation of capital, as the book values of the three subsidiaries in question were retained.

Write-ups on and depreciation of shares in group companies from individual financial statements are reversed in the Consolidated Financial Statements.

Intra-group sales, charges and earnings as well as accounts receivable and payable between the consolidated companies are eliminated.

Intercompany results for inventories are eliminated unless they are of more than minor economic significance.

The positive shares in the equity and earnings of the companies consolidated in full or on a pro rata basis that are due to parties outside the group are reported under minority interest. The losses which minority shareholders are obliged to make good in excess of their negative share of the equity and earnings of fully consolidated subsidiaries are netted against the group equity in accordance with IAS 27.

Fully consolidated subsidiaries	Registered office	Segment	Shareholding %
Direct participation			
Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG	Hamburg	Mail order/ e-commerce	100.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG	Düsseldorf	Specialist wine-shop retail	100.0
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG	Hamburg	Wholesale	100.0
Wein Wolf Holding GmbH & Co. KG	Bonn	Wholesale	90.0
Verwaltungsgesellschaft Jacques' Wein-Depot Wein Einzelhandel m.b.H	Düsseldorf	Other	100.0
Verwaltungsgesellschaft Hanseatisches Wein- und Sektkontor HAWESKO m.b.H	Hamburg	Other	100.0
IWL Internationale Wein Logistik GmbH	Tornesch	Other	100.0
Wine Company Warenhandelsgesellschaft mbH	Vienna	Mail order/ e-commerce	100.0
Le Monde des Grands Bordeaux Château Classic SARL	Saint-Christoly, Médoc	Mail order/ e-commerce	90.0
Indirect participation			
Alexander Baron von Essen Weinhandels GmbH	Tegernsee	Wholesale	84.85 *
Gebr. Josef und Matthäus Ziegler GmbH	Freudenberg	Wholesale	100.0 *
Carl Tesdorpf GmbH	Lübeck	Mail order/ e-commerce	90.0
Jacques' Wein-Depot Wein-Einzelhandel GmbH	Vienna	Specialist wine-shop retail	100.0
Sommelier S.A. Spółka Akcyjna	Warsaw	Wholesale	70.0 *
Wein Wolf Import GmbH & Co. Vertriebs KG	Bonn	Wholesale	100.0 *
Wein Wolf Import GmbH & Co. Vertriebs KG	Salzburg	Wholesale	100.0 *
Wein Wolf Import GmbH & Co. Verwaltungs KG	Bonn	Wholesale	100.0 *
Weinland Ariane Abayan GmbH & Co. KG	Hamburg	Wholesale	85.0 *
Winegate New Media GmbH	Hamburg	Mail order/ e-commerce	100.0
Viniversitaet Die Weinschule GmbH	Meerbusch	Other	100.0

* Group shareholding lower, as there is a 10% minority interest in the subsidiary which holds the participation indirectly (Wein Wolf Holding GmbH & Co. KG).

Non-consolidated subsidiaries	Registered office	Shareholding %	Net earnings € '000
"Chateaux et Domaines" Weinhandelsgesellschaft mbH	Hamburg	100.0	1
Wein Wolf Import GmbH	Bonn	100.0	4
Wein Wolf Holding Verwaltungs GmbH	Bonn	100.0	1
Weinland Ariane Abayan Verwaltungs GmbH	Hamburg	85.0	1
Edition Reiss SARL	Saint-Christoly, Médoc	90.0	0

3. Recognition and measurement principles

Intangible assets acquired for consideration are measured at acquisition cost and depreciated regularly throughout their useful life (usually 3 – 5 years) by the straight-line method.

Self-constructed intangible assets for which the following are confirmed are capitalised at the cost of production and depreciated regularly throughout their useful life by the straight-line method:

- (a) *The intangible asset can be technically realised and will thus be available for internal use;*
- (b) *The intangible asset is to be completed and then used;*
- (c) *It is possible to use the intangible asset;*
- (d) *It is confirmed that the intangible asset has a prospective future use;*
- (e) *Adequate technical, financial and other resources to complete the development process and use the intangible asset are available; and*
- (f) *The costs of producing the intangible asset can reliably be demonstrated and allocated during its development.*

Goodwill from the consolidation of capital and other goodwill is fundamentally amortised by the straight-line method over a useful life of 15 years. The value of goodwill is regularly examined; insofar as necessary, corresponding allowances are made.

Property, plant and equipment are valued at their acquisition cost and depreciated by the straight-line method in accordance with their useful economic life. Low-value assets are fully expensed in the year of acquisition.

The depreciation plan for property, plant and equipment is based on the following estimates of useful life:

Useful life of property, plant and equipment:

<i>Buildings</i>	<i>25 to 50 years</i>
<i>Buildings on third-party land</i>	<i>7 to 10 years</i>
<i>Other fixtures and fittings, tools and equipment</i>	<i>3 to 15 years</i>

Shares in affiliated companies and participations are measured at acquisition cost. Other loans are measured at amortised cost.

Raw materials, consumables used and merchandise are valued at acquisition cost or at the lower fair value. The costs include overhead costs which can be directly allocated, in addition to prime costs. They are fundamentally measured according to the moving average method.

Work in progress and finished goods are valued at the cost of production or at the lower fair value.

Accounts receivable and other fixed assets are recognised at amortised cost. Allowances, which are based on the probable credit risk, are taken into account.

Deferred taxes result from the divergent valuations in the IAS Consolidated Balance Sheet and the respective tax balance sheet values for these asset and liability items. Deferred tax assets on fiscally realisable loss carry-forwards are capitalised if it is sufficiently likely that taxable income is to be expected in the future. They are determined on the basis of the anticipated tax rates in the individual countries at the time of realisation. These are based fundamentally on the legal provisions that are valid or approved at the balance sheet date.

Future income tax reduction claims and income tax commitments resulting from the preparation of the accounts according to IAS are carried as deferred tax assets and liabilities.

The **prepaid expenses** consist exclusively of operating expenses paid in advance.

Provisions for pensions are measured according to IAS 19.

The **other provisions** take account of all discernible commitments from past occurrences at the balance sheet date, and represent one current commitment where the outflow of resources is probable. The provisions are measured at the amounts that are likely to apply. Provisions are only created where a legal or de facto commitment towards third parties exists.

Liabilities are always measured at the amortised cost that corresponds to the amount repayable.

Accounts receivable and payable in **foreign currency** are translated at the rate at which they were acquired or at the company's internal exchange rate. This rate is also used for determining the acquisition costs of stock in trade. The outstanding receivables in foreign currency at the balance sheet date are translated at the buying rate, and outstanding payables at the selling rate.

The consolidated annual financial statements of economically independent foreign group companies are treated in accordance with IAS 21. In the translation of these financial statements, all assets and debts are translated at the balance sheet date, and income and expense items at the average rate for the reporting period. All differences resulting from foreign currency translation are reported under equity with no effect on net income.

Sales revenues are realised in the Income Statement upon dispatch of the goods to the customer, after deduction of sales tax and discounts. Internal sales are eliminated.

Borrowing costs are always recorded as an expense.

In accordance with IAS 32, **financial instruments** include on the one hand primary financial instruments, such as other loans, accounts receivable and other fixed assets, and liabilities. The procedure for the recognition and measurement of these financial instruments is in accordance with IAS 39 and is described under the respective principles. On the other hand, these also include derivative financial instruments such as forward exchange transactions and interest-rate hedging transactions such as interest rate caps, interest-rate and currency swaps, and combined interest-rate/currency swaps.

Forward exchange transactions are only concluded in conjunction with a foreign currency transaction (underlying transaction). The forward exchange transaction is recognised in the Balance Sheet at fair value. If there is a close hedging relationship between the underlying transaction

and the forward exchange transaction, gains or losses from the change in fair value are shown under equity – in the revenue reserve – with no effect on net income unless opposite gains or losses resulting from the basic transaction have occurred. If opposite gains or losses have occurred as a result of the basic transaction, the change in the fair value of the derivative financial instrument is booked immediately to income. If there is no close hedging relationship between the underlying transaction and the forward exchange transaction, gains or losses from the change in fair value of the derivative financial instrument are shown immediately with effect on income.

Interest-rate hedging tools are used as a means of generally limiting the interest rate risk. They are measured at fair value in the Balance Sheet. A positive fair value is reported under other fixed assets. A negative fair value is reported as a provision. As no close hedging relationships exist between the underlying transactions and forward exchange transactions, gains or losses from the change in fair value of the derivative financial instrument are disclosed in the interest result.

Assets which are not inventories, deferred tax claims or financial instruments are examined regularly at the balance sheet date, in accordance with IAS 36, for evidence of any need for impairment compared with the book value.

Contingent liabilities as defined by IAS 37 are indicated in the Notes, insofar as the outflow of resources is not improbable and the magnitude of the commitment can reliably be estimated.

No includable or excludable but disclosable events occurring after the balance sheet date, as defined in IAS 10, occurred.

4. Sales revenues

€ '000	2002	2001
Mail order/e-commerce	102,509	106,667
Specialist wine shop retail	90,451	84,547
Wholesale	74,029	72,817
Other activities	361	260
	267,350	264,291

5. Other operating income

€ '000	2002	2001
Rental income	5,645	5,356
Advertising expense subsidies	1,748	1,519
Income from cost refunds	1,581	1,457
Income from the liquidation of provisions	596	577
Miscellaneous	1,489	1,864
	11,059	10,773

The miscellaneous other income includes income from insurance payments totalling € 28 thousand by way of indemnification for the impairment of property, plant and equipment.

6. Personnel expenses

€ '000	2002	2001
Wages and salaries	23,020	20,466
Social security and other pension costs	3,922	3,475
– of which in respect of old age pensions	(65)	(108)
	26,942	23,941

7. Depreciation and amortisation

€ '000	2002	2001
Goodwill from the consolidation of capital	492	532
Other intangible assets	558	370
Property, plant and equipment	3,588	3,475
	4,638	4,377

8. Other operating expenses

€ '000	2002	2001
Advertising	23,262	22,077
Commissions to partners	22,053	20,968
Delivery costs	11,533	10,728
Rental and leasing	7,241	6,297
IT and communication costs	2,478	2,600
Legal and consultancy costs	1,092	1,890
Other personnel expenses	1,452	1,755
Miscellaneous	11,097	10,264
	80,208	76,579

9. Financial result

€ '000	2002	2001
Interest income	144	55
Interest expense	– 2,747	– 3,052
Expenses from interest hedging transactions	– 512	– 516
	– 3,115	– 3,513

10. Taxes on income and deferred taxes

€ '000	2002	2001
Current tax	3,377	3,624
Deferred taxes	2,552	2,489
	5,929	6,113

Paid or due taxes on income and earnings, and also deferred taxes, are reported as taxes on income.

Expenses for current tax are made up as follows:

€ '000	2002	2001
Current year	3,205	3,841
Previous year	172	- 217
	3,377	3,624

Expenses for deferred tax are attributable to the following:

€ '000	2002	2001
From restructuring measures with an effect on taxes	2,376	2,485
From loss carryforwards	333	- 32
Other temporary differences	- 159	36
From the change in income tax rates	2	0
	2,552	2,489

The change in income tax rates in Germany with effect from 1 January 2003 was taken into account in the assessment of deferred tax assets. Deferred tax liabilities were not adjusted to reflect the change in the tax rate, as the changes within this balance-sheet item cannot be estimated reliably.

The actual tax expense for the year 2002 of € 5,929 thousand is € 1,678 thousand higher than the anticipated tax expense of € 4,251 thousand which would have resulted from the application of a tax rate to pre-tax earnings that was based on the current German legislation at the balance sheet date. The anticipated tax rate is 38.65% (previous year: 38.65%) and is obtained as follows:

<i>Trade tax (average municipal factor 400%)</i>	16.67%
<i>Corporation tax (25% of profits after trade tax)</i>	20.83%
<i>Solidarity surcharge (5.5% of corporation tax)</i>	1.15%
Total tax burden on pre-tax earnings	38.65%

The causes of the difference between the anticipated and actual tax expense for the group are as follows:

€ '000	2002	2001
Anticipated tax expense	4,251	5,218
Reassessment of deferred tax assets as a result of change in income tax rate	2	0
Nondeductibility of tax payments for third parties outstanding	0	124
Tax expenses/income unrelated to the accounting period	172	150
Nonrecognition of fiscal loss carryforwards	595	95
Nondeductibility of remuneration for co-entrepreneurs in unincorporated firms	163	79
Nondeductibility of 50% of permanent debt interest for trade tax	148	101
Trade tax income and expenses which cannot be credited	440	220
Nondeductibility of amortisation of goodwill from the consolidation of capital	190	198
Other tax effects	- 32	- 72
Actual tax expense	5,929	6,113
Effective tax rate %	53.91	45.27

11. Earnings per share

The earnings per share are calculated according to IAS 33 (Earnings per Share) by dividing the consolidated net income by the average number of shares in circulation.

	2002	2001
Consolidated earnings (€ '000)	4,524	6,935
Average number of shares ('000)	4,314	4,296
Basic earnings per share (€)	1.05	1.61

The diluted earnings per share, i.e. earnings taking account of the convertible bonds issued, are calculated as follows:

	2002	2001
Consolidated earnings (€ '000)	4,524	6,935
Plus interest from convertible bonds, less deferred taxes (€ '000)	1	2
Diluted consolidated earnings (€ '000)	4,525	6,937
Average number of shares ('000)	4,314	4,296
Plus potential number of shares ('000)	11	44
Diluted number of shares ('000)	4,325	4,340
Diluted earnings per share (€)	1.05	1.60

12. Intangible assets

The development in intangible assets in the year under review and in the previous year is shown in the Consolidated Assets Movement Schedule on pages 54 and 55.

€ '000	31.12.2002	31.12.2001
Software	1,233	651
Goodwill from the individual financial statements	116	135
Goodwill from the consolidation of capital	5,811	6,301
Advance payments	242	223
	7,402	7,310

The item "Software" includes internally produced intangible assets amounting to € 92 thousand (previous year: € 153 thousand). This software comprises a system for the optimisation of the goods management processes (stock management system) for mail order trade/e-commerce. The conditions for its recognition as an asset according to IAS 38 are satisfied cumulatively. The directly allocable personnel costs have been carried as the costs of production. The stock management system is depreciated by the straight-line method over a useful economic life of four years.

The development in goodwill from the consolidation of capital is as follows:

€ '000	Acquisition cost	Cumulative depreciation 31.12.2002	Book value 31.12.2002
Wein-Wolf-Gruppe	6,292	1,378	4,914
Le Monde des Grands Bordeaux C.C. SARL	615	95	520
Carl Tesdorpf GmbH	457	121	336
CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co KG	47	6	41
	7,411	1,600	5,811

Goodwill from the consolidation of capital is reported as an asset, in agreement with IAS 22, and amortised by the straight-line method over its anticipated useful life, currently always 15 years.

13. Property, plant and equipment

The development in property, plant and equipment for the year under review and for the previous year is shown in the Consolidated Assets Movement Schedule on pages 54 and 55.

€ '000	31.12.2002	31.12.2001
Land and buildings, including buildings on third-party land	9,007	8,984
Other fixtures and fittings, tools and equipment	5,323	4,866
Payments on account and construction in progress	26	356
	14,356	14,206

14. Financial assets

The development in financial assets for the year under review and for the previous year is shown in the Consolidated Assets Movement Schedule on pages 54 and 55.

€ '000	31.12.2002	31.12.2001
Shares in affiliated companies	129	129
Participating interests	18	91
Securities	2	0
Other loans	59	61
	208	281

Shares in affiliated companies relate to the following companies, which are not consolidated in view of their minor significance for the group (cf. also the remarks on the consolidated companies):

€ '000	31.12.2002	31.12.2001
Edition Reiss SARL	31	31
Wein Wolf Import GmbH	26	26
Wein Wolf Holding Verwaltungs GmbH	26	26
"Châteaux et Domaines" Weinhandelsgesellschaft mbH	26	26
Weinland Ariane Abayan Verwaltungs GmbH	20	20
	129	129

The participating interests (€ 18 thousand) refer to the 50% shareholding in *Vera Maria Bau Consulting GmbH*, Bonn.

The company *Global Eastern Wine Holding* reported in the previous year as a participating interest was consolidated on a pro rata basis with effect from 1 January 2002.

The securities item (€ 2 thousand) relates to securities held as units in order to cover a provision for personnel commitments.

The other loans totalling € 59 thousand (previous year: € 61 thousand) relate to two (previous year 2) loans:

€ '000	31.12.2002	31.12.2001	Term	Interest rate
Loan to employees	58	60	September 2009	6%
Loan to the Volume Purchasing Association of the wine and spirits trade	1	1	Unlimited	Interest-free
	59	61		

15. Inventories

€ '000	31.12.2002	31.12.2001
Raw material and consumables used	1,014	1,244
Work in progress	2,337	2,195
Finished goods and merchandise	60,010	59,600
Advance payments	13,531	14,763
	76,892	77,802

The advance payments relate to wines of earlier vintages which are not delivered until subsequent years ("subscriptions").

16. Receivables and other fixed assets

€ '000	31.12.2002	31.12.2001
Trade receivables (gross)	31,990	33,816
Less individual allowances	– 995	– 934
<i>Trade receivables</i>	<i>30,995</i>	<i>32,882</i>
Due from affiliated companies	24	5
Other receivables and other fixed assets	4,063	3,984
	35,082	36,871
<i>Of which with a term of:</i>		
– up to 1 year	33,898	35,719
– over 1 year	1,184	1,152

The amounts due from affiliated companies are owed by *Wein Wolf Import GmbH, Bonn*.

Other receivables and other fixed assets:

€ '000	31.12.2002	31.12.2001
Tax refund claims	1,350	1,746
Receivables from trade representatives	504	744
Rent deposits	724	566
Postage prepayments	249	244
Miscellaneous	1,236	684
	4,063	3,984

17. Cash in banking accounts and cash on hand

Cash in banking accounts and cash on hand totalling € 8,418 thousand (previous year: € 6,113 thousand) relates substantially to balances at banks.

18. Deferred tax assets

€ '000	31.12.2002	31.12.2001
Previous year	28,845	30,871
Increase	132	801
Decrease	– 2,668	– 2,827
	26,309	28,845

Deferred tax assets are made up as follows:

€ '000	31.12.2002	31.12.2001
Temporary differences from restructuring measures with an effect on taxes	24,146	26,436
Fiscal loss carryforwards	1,562	1,983
From the fair value measurement of derivative financial instruments	601	426
	26,309	28,845

The conversion of the subsidiaries *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* from incorporated firms to unincorporated firms at 1 January 1998 resulted in fiscally allowable goodwill which is amortised over 15 years. Deferred tax assets with an effect on income totalling € 38,212 thousand were entered in the accounts at 1 January 1998; they are released by the straight-line method over the amortisation period, booked as an expense. The remaining temporary differences are amortised over a residual useful life of 11 years. Amortisation is performed at the rate of € 2,277 thousand per year for the above companies.

Deferred tax credits totalling € 1,562 thousand (previous year: € 1,983 thousand) were reported for fiscal loss carryforwards of unlimited use. On the basis of the medium-term profit forecasts, it can be expected that the deferred tax credit balances can be realised in the foreseeable future. There are in addition as yet unused fiscal loss carryforwards totalling € 1,882 thousand for which no deferred tax assets have been reported on the Balance Sheet

Deferred tax credit balances totalling € 601 thousand (previous year: € 426 thousand) are reported as a result of the recognition of derivative financial instruments at fair value.

19. Subscribed capital

The subscribed capital of Hawesko Holding AG in the commercial accounts totals € 13,216,488.00 (previous year: € 11,262,472) and is divided into 4,405,496 ordinary bearer shares in the form of individual share certificates. In the context of the changeover to the euro, an amount of € 1,954,016.31 from the capital reserve was reclassified as subscribed capital. In the 2002 financial year, a total of 70,000 treasury shares were acquired; the total for the previous year was 73,865.

The subscribed capital of the group totals € 8,850,055 (previous year: € 6,896,039) and, as a result of the contribution of the three subsidiaries *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* to Hawesko Holding AG – which was reported as a "transaction between companies under common control" – is € 4,366 thousand lower than in the commercial accounts.

Approved capital

The Board of Management is authorised to increase the capital stock on one or more occasions by up to a total of € 5,610,000.00 within the period ending 31 March 2007, with the approval of the Supervisory

Board, by the issue of new shares against contributions in cash or in kind. The shareholders shall be granted a fundamental subscription right; the Board of Management is, however, authorised to exclude residual amounts from the shareholders' subscription right.

The Board of Management is moreover authorised to exclude the subscription right of the shareholders, with the approval of the Supervisory Board, where neither the nominal value of the new shares exceeds 10% of the capital stock at the time of issue of the new shares, nor the issue value of the new shares is significantly below their stock market price pursuant to Section 186 the Board of Management may in addition exclude a subscription right, with the approval of the Supervisory Board, for a portion of the approved capital which does not exceed 10% of the capital stock, provided the capital increase is made by contribution in kind for the purpose of acquiring companies or participations in companies.

Finally, the subscription right may be excluded for a total amount of up to € 264,000 in order to issue shares to employees. Insofar as the subscription right is not excluded, the shares are to be taken on by banks with the obligation to offer them for sale to shareholders.

Pursuant to the resolution of 1 July 1998 a total of 5,496 new ordinary bearer shares in the form of individual share certificates, with full dividend entitlements for the 1998 financial year and with a total value of € 14,050, were issued to employees from the approved capital. In the year under review, no further shares were issued to employees from the approved capital, with the result that it remains at € 5,610,000.00 at 31 December 2002.

Authorised but unissued capital

The Board of Management is authorised to issue interest-bearing convertible bonds up to a total nominal value of € 264,000 and with a term of at least three and no more than five years on one or more occasions up to 31 March 2003, with the approval of the Supervisory Board; these give the buyer the entitlement to acquire new shares in Hawesko Holding AG according to the detailed specifications of the loan terms. The statutory subscription right of the shareholders is excluded. The total value of convertible bonds issued each year may not exceed the ceiling of € 132,000.

One new convertible bond for € 33,000.00 was issued in the previous year (see "Borrowings"). Hawesko Holding AG has issued convertible bonds with a total value of € 33,000 at an interest rate of 4.5%. The issue price is specified as 100%.

The bonds fall due on 31 December 2004. In accordance with the loan terms, the creditors are granted the right to exchange the bonds entirely or in instalments for Hawesko Holding AG shares. Each convertible bond with a nominal value of € 3.00 may be exchanged for one company share. The conversion price per share is calculated in accordance with the loan terms on the basis of the development of the Hawesko share price in relation to the development of the MDAX over the term of the convertible bond. The option price will only be lower than the corresponding stock-market price if Hawesko shares have out-performed the MDAX after the period of three years. If the conversion right is exercised, a cash supplement amounting to the difference between the nominal value of € 3.00 per convertible bond and the conversion price is payable for the acquisition of each share. The right of conversion for the convert-

ible bond issued in the 2001 financial year may only be exercised within a period of four weeks, beginning with the third working day for banks following the Ordinary Shareholders' Meeting of the company in the year 2004, but no earlier than 1 April 2004 and no later than 1 September 2004.

Authorisation to acquire treasury shares

At the Ordinary Shareholders' Meeting on 13 June 2002, Hawesko Holding AG was given authorisation until 30 November 2003 to acquire treasury shares up to a maximum of 10% of the capital stock, via the stock market or via an offer of purchase extended to all shareholders. The price paid for these shares may not exceed or undercut the average of the daily quotations for Hawesko shares (final auction price for Hawesko shares in the Xetra trading system or a comparable successor system of the Frankfurt Stock Exchange) over the last five trading days preceding the acquisition of the shares by more than 10%.

With the approval of the Supervisory Board, the Board of Management was authorised to sell treasury shares acquired, in a manner other than via the stock exchange or an offer made to all shareholders, if the shares acquired are sold at a price that is not significantly below the average of the daily quotations for Hawesko shares (final auction price for Hawesko shares in the Xetra trading system or a comparable successor system of the Frankfurt Stock Exchange) over the last five trading days preceding the sale of the shares. The Board of Management was moreover authorised to sell the acquired shares to third parties, excluding the subscription right of existing shareholders, if this is done with the purpose of acquiring companies or participating interests in companies. This authorisation, including the existing authorisation pursuant to Section 4 (5) of the articles of incorporation, applies to a total of 10% of the company's capital stock.

The Board of Management was moreover authorised to redeem treasury shares with the approval of the Supervisory Board, without the need for further ratification by shareholders' resolutions.

This authorisation to acquire treasury shares was exercised in the year under review for the repurchase of initially 70,000 shares (previous year: 73,865 shares). The total of 219,823 treasury shares acquired over the years 2000 to 2002 were sold to an international investment fund in June 2002.

20. Capital reserve		
€ '000	31.12.2002	31.12.2001
Capital reserve	5,762	7,716

The capital reserve for the group is made up substantially of the premium from the capital increase in the 1998 financial year and from the issue of shares to employees in the same year. As a result of the change-over to the euro, an amount of € 1,954 thousand from the capital reserve was reclassified as subscribed capital.

The costs for the initial public offering of € 978 thousand were booked to the capital reserve "net of taxes", with no effect on net income, in agreement with SIC-17 1998.

21. Revenue reserve

€ '000	31.12.2002	31.12.2001
Revenue reserve	20,629	10,648

The group's revenue reserve includes amounts allocated in the past from earnings generated by companies included in the consolidated accounts. In agreement with SIC-16, the proceeds from the sale of treasury shares of € 1,469 thousand after deduction of acquisition costs have been booked to the revenue reserve with no effect on net income.

22. Unappropriated group profit

The unappropriated group profit includes the consolidated earnings for the financial year, the undistributed earnings from previous years and the adjustments to earnings resulting from the changeover to IAS. The distributable profit results from the commercial accounts of Hawesko Holding AG and totals € 4,505 thousand (previous year: € 5,185 thousand).

The individual components of the equity and its development in the years 2001 and 2002 are shown in the Consolidated Statement of Movements in Equity (see p. 36).

As a result of the application of IAS 39 for the first time in the 2001 financial year, the derivative financial instruments were recognised at fair value at 1 January 2001. The effect of the switch from the former book value to fair value was netted against the accumulated profit at 1 January 2001, after tax, in accordance with IAS 39.172.

23. Minority interest

The minority interest in the Consolidated Balance Sheet relates to minority interests in the equity and net earnings of the group companies that are consolidated in full or on a pro rata basis (see details of consolidated companies).

24. Provisions for pensions

For old-age pension purposes, seven (previous year: 7) active employees within the Hawesko Group have an entitlement to supplementary retirement pay. A life-long retirement pension or disability pension and a pension for surviving dependents or orphans is granted. The total provision reported at the balance sheet date was calculated by an independent actuary according to the present value of an expectancy, in agreement with IAS 19. The allocation to the provisions for pensions amounted to € 13 thousand (previous year: € 22 thousand) in the year under review. No amounts were drawn or liquidated from the provisions for pensions for the previous year.

The basic assumptions made in calculating the provisions for pensions are given below:

%	2002	2001
Discounting rate	5.64	6.0
Expectancy trend	0.65	1.0
Pensions trend	1.3	2.0

25. Provisions for taxation and deferred taxes

€ '000	01.01.2002	Drawn (D) Liquidated (L)	Allocated	31.12.2002
Provisions for taxation	2,912	1,485 (D) 8 (L)	949	2,368
Deferred taxes	1,017	24 (D)	40	1,033
	3,929	1,509 (D) 8 (L)	989	3,401

The deferred tax liabilities are the result of temporary differences between the valuations in the fiscally relevant balance sheets and the book values in the Consolidated Balance Sheet. The following table provides an explanation of the differences in the values of the deferred tax liabilities formed in the balance sheets:

Deferred taxes in € '000	31.12.2002	31.12.2001
Fixed assets	387	402
Inventories	352	288
Trade receivables	131	138
Other fixed assets	125	154
Miscellaneous	38	35
	1,033	1,017

26. Other Provisions

€ '000	01.01.2002	Drawn (D) Liquidated (L)	Allocated	31.12.2002
Provisions for personnel	2,085	2,008 (D) 26 (L)	2,111	2,162
Other provisions	5,453	3,475 (D) 570 (L)	4,788	6,196
	7,538	5,483 (D) 596 (L)	6,899	8,358

The provisions for personnel in the main consisted of performance-related pay, vacation and extra hours worked.

As in the previous year, the largest individual item in other provisions is the provision for customer bonuses (31 December 2002: € 3,305 thousand; 31 December 2001: € 2,971 thousand). This includes the market value of the derivative interest-rate hedging instruments at the balance sheet date of € 1,398 thousand (previous year: € 887 thousand).

All these provisions have a term of up to one year.

27. Borrowings

€ '000	31.12.2002	31.12.2001
Bonds	33	123
Banks	40,855	46,738
	40,888	46,861
<i>Of which with a term of:</i>		
– up to 1 year	34,657	39,613
– 1 to 5 years	4,206	4,185
– over 5 years	2,025	3,063

The item "Bonds" is composed as follows:

	Due	Nominal amount	Interest
		in € '000	rate
Convertible bond	31.12.2004	33	4.5%

The Hawesko Group has secured credit facilities as indicated in the following table, to enable it to raise short-term loans (with a term of less than one year):

Term	Credit facility in € '000
Open-ended	62,100

The interest rates of short-term loans raised in 2002 were between 3.85% and 4.48%.

Borrowings from banks with terms of more than one year relate to two fixed-rate loans:

Original amount	31.12.2002	Term	Interest rate
€ '000	€ '000		
9,868	6,908	30.09.2009	5.92%
511	307	31.12.2008	5.50%

The loan with the original amount of € 511 thousand is secured by a land charge of € 2,071 thousand.

28. Liabilities

€ '000	31.12.2002	31.12.2001
Advances received	10,439	11,064
Trade payables	31,347	30,728
Other liabilities	8,579	9,631
	50,365	51,423
<i>Of which with a term of:</i>		
– up to 1 year	45,909	46,649
– 1 to 5 years	4,456	4,774
– over 5 years	0	0

The advances received are in respect of subscription payments collected from customers for wines which are to be delivered in 2003 and 2004.

The advances received include liabilities with a term of between 1 and 5 years totalling € 4,079 thousand (previous year: € 4,491 thousand).

The other liabilities include liabilities with a term of between 1 and 5 years totalling € 377 thousand (previous year: € 283 thousand).

The other liabilities are composed of the following:

€ '000	31.12.2002	31.12.2001
Sales tax and other taxes	5,907	6,383
Liabilities in respect of social insurance	781	690
Liabilities from the issue of own bills of exchange	77	384
Liabilities to employees	284	239
Liabilities to other company members	611	779
Balance of purchase price for Wein Wolf Group	26	26
Due to affiliated companies	172	219
Miscellaneous	721	911
	8,579	9,631

The amounts due to affiliated companies are in respect of the following companies:

€ '000	31.12.2002	31.12.2001
Edition Reiss SARL	31	88
"Chateaux et Domaines" Weinhandelsgesellschaft mbH	26	25
Wein Wolf Import GmbH	48	44
Wein Wolf Holding Verwaltungs GmbH	37	34
Weinland Ariane Abayan Verwaltungs GmbH	30	28
	172	219

29. Leases

Leasing of movable objects and property within the Hawesko Group exclusively takes the form of operating leases, in fulfilment of the criteria of IAS 17. These leasing payments are reported with a direct effect on net income in the Income Statement.

In respect of future commitments from the above leases, please refer to the following section 30 "Contingencies and other financial commitments".

Within the Hawesko Group, two properties are used on the basis of an operating lease.

The first is the mail order logistics centre in Tornesch, near Hamburg, which has been leased for a total period of 22.5 years. The second is an office building, which is being leased over a term of 18 years.

30. Contingencies and other financial commitments

The following contingencies in respect of third parties existed on 31 December 2002:

€ '000	31.12.2002	31.12.2001
Credit by way of guarantee	450	763
Advance payments outstanding	1,191	458
Guarantees	61	26

Commitments relating to advance payments outstanding as at 31 December 2002 were repaid at the start of 2003.

In addition to the provisions, liabilities and contingencies, there are other financial commitments. These result in particular from lease and long-term tenancy agreements.

The minimum total for non-discounted leasing and rental payments amounts to € 23,626 thousand (previous year: € 21,541 thousand). The global commitments for lease and tenancy agreements are due as follows:

	€ '000
2003	7,746
2004 to 2008	8,962
After 2008	6,918
	23,626

The other financial commitments from tenancy and lease agreements relate substantially to rented shop premises for the specialist wine-shop segment, and the logistics centre for mail order/e-commerce.

31. Financial instruments

Primary financial instruments, which in accordance with IAS 32 include other loans, receivables and other fixed assets, as well as liabilities, result from the Consolidated Balance Sheet. Financial instruments on the assets side are – taking into account any necessary allowances – reported at amortised cost; financial payables are measured at amortised cost, which corresponds to the amount repayable.

The *market value* of financial assets and financial payables does not differ significantly from the book value in view of the short term of these items.

The *credit and non-payment risk* of financial assets corresponds to no more than the amounts shown on the assets side.

Currency exposure from operating activities is recorded and analysed. Decisions on the extent of forward exchange transactions are reached on the basis of the exchange rate movement.

An *interest rate risk* as a result of movements in the market interest rate exists in particular for receivables and payables with a term of more than one year. Such long terms are significant particularly in the case of financial payables. The interest rate risk that arises where no fixed-interest terms exist is hedged against by means of derivative interest-rate hedging tools at group level.

The **derivative financial instruments** used are forward exchange transactions, interest rate derivatives and combined interest-rate/currency swaps. Such transactions are concluded only with banks of excellent financial standing. Their use is restricted to the hedging of operative business.

As the underlying transactions occur within the individual companies and the hedging transactions at group level, there is no close hedging relationship in the case of the interest rate derivatives and the combined interest-rate/currency swaps. They are consequently measured at fair value, with gains or losses from the change in fair value booked to income via the interest result. Commitments from the valuation of interest rate derivatives at market value are shown under other provisions.

The hedging of foreign currency transactions (underlying transaction) by means of forward exchange transactions (hedging transaction) is always performed within the individual companies themselves. Close hedging relationships with the underlying transactions in question exist for all outstanding forward exchange transactions at the balance sheet date. Gains or losses from the change in fair value are therefore shown under equity – in the revenue reserves – with no effect on net income unless opposite gains or losses resulting from the basic transaction have occurred. If opposite gains or losses have occurred as a result of the valuation of the basic transaction, the change in the fair value of the derivative financial instrument is booked immediately to income. Commitments from the valuation of forward exchange transactions at market value are shown under other provisions.

The *market risk* for derivative financial instrument results from price movements on the financial markets. The market values relate to the liquidation (redemption) value of the financial derivatives at the balance sheet date. The nominal and market values (fair value) of existing financial instruments are as follows:

€ '000	Nominal volume		Fair value	
	31.12.2002	31.12.2001	31.12.2002	31.12.2001
Interest-rate hedging transactions	41,315	35,790	- 1,398	- 887
Forward exchange transactions	1,623	0	- 121	0

The interest hedging transactions include one commitment in Swiss francs that is due on 13 October 2004. This results in a foreign exchange risk that is accounted for in the negative market value.

As a result of the application of IAS 39 for the first time in the 2001 financial year, the derivative financial instruments were recognised at fair value at 1 January 2001. The effect of the switch from the former book value to fair value was netted against the accumulated profit at 1 January 2001, after tax, in accordance with IAS 39.172.

As in the previous year, there exists no credit or non-payment risk, as no premiums for the interest-rate hedging tools were capitalised.

The interest rate risk principally takes the form of movements in the short-term Eurocurrency market interest rates, which result in a change in the fair values of the financial instruments used. There is in addition a risk from the change in short-term Swiss money market interest rates for one hedging instrument.

32. Employees

The average number of employees is as follows:

Group	2002	2001
	558	527

33. Notes to the Cash Flow Statement

The Cash Flow Statement acc. to IAS 7 was calculated using the indirect method, and comprises the stages "current operations", "investing activities" and "financing activities". The Cash Flow Statement begins with the accounting profit. The cash outflows from interest payments and dividends have been allocated to financing activities. The cash inflows from financing activities include interest payments made totalling € 2,801 thousand and interest payments received totalling € 144 thousand. The cash inflows from current operations of € 16,689 thousand (previous year: € 22,609 thousand) include the changes in cash and cash equivalents from operating activities. Cash and cash equivalents comprises cheques, cash on hand as well as cash in banks and amounts due to banks at any time.

The composition of cash and cash equivalents is as follows:

€ '000	2002	2001	Change
Cash in banking accounts and cash on hand	8,418	6,113	2,305
Due to banks (current accounts)	0	- 479	479
Cash and cash equivalents at end of period	8,418	5,634	2,784

34. Segment reporting

In keeping with the requirements of IAS 14, individual data from the annual financial statements have been segmented according to business area (primary reporting format). In agreement with the internal reporting arrangements of the Hawesko Group, the segments are organised according to sales form and customer group. Segment data broken down by geographical region (secondary reporting format) have not been prepared, as over 90% of sales within the Hawesko Group are domestic sales.

The segments comprise the following areas:

- The segment for mail order trade/e-commerce comprises the wine and champagne mail order division, with activities focused on the consumer. This segment also includes gifts business for corporate and private customers, based on a special catalogue. The mail order/e-commerce division includes the companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *Carl Tesdorpf GmbH*, *Wine Company GmbH* and *Le Monde des Grands Bordeaux Château Classic SARL*.
- The segment for specialist wine-shop retailing (*Jacques' Wein-Depot*) sells wine via a network of retail outlets which are run by independent agency partners.
- The wholesale segment groups together business activities with retailers; wines and champagnes are sold both by mail order (*CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG*) and by an organisation of trade representatives (*Wein Wolf Group*).
- The miscellaneous segment includes Hawesko Holding AG, *IWL Internationale Wein Logistik GmbH* and *Viniversitaet Die Weinschule GmbH* as well as the general-partner limited-liability companies of the firms *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG* and *Jacques' Wein-Depot GmbH & Co. KG*.

The segment data have been calculated in the following way:

- Internal sales indicate the sales between segments. Intra-group sales are calculated on the basis of market prices.
- The segment result is defined as earnings before interest, taxes and any deduction for minority interest (EBIT).
- The segment assets are the sum of non-current and current assets required for current operations, excluding consolidating items within the segment and any income tax claims.
- The segment debts are the operating debts (provisions and interest-free liabilities), excluding consolidating items within the segment and income tax liabilities.

Segments 2002

€ '000	Mail order	Specialist retail	Wholesale	Other	Reconciliation	Group
Sales revenues	107,110	90,528	77,766	14,268	- 22,322	267,350
– External sales	102,509	90,451	74,029	361	–	267,350
– Internal sales	4,601	77	3,737	13,907	- 22,322	–
Other income	2,221	7,327	2,772	1,530	- 2,791	11,059
– External income	860	7,293	2,753	153	–	11,059
– Internal income	1,361	34	19	1,377	- 2,791	–
EBIT	5,013	9,283	4,543	- 4,194	–	14,645
Non-allocated expenses						- 531
						14,114
Interest income						144
Interest expense						- 3,259
Interest result						- 3,115
Segment result before taxes						10,999
Taxes on income						- 5,929
Result after taxes						5,070
Segment assets	61,652	23,369	45,307	143,571	- 132,891	141,008
Non-allocated assets						28,005
Consolidated assets						169,013
Segment debts	24,593	15,620	17,289	5,452	- 3,353	59,601
Non-allocated debts						45,078
Consolidated debts						104,679
Depreciation and amortisation	1,296	2,038	502	310		
Investment	900	2,487	513	1,237		

Segments 2001

€ '000	Mail order	Specialist retail	Wholesale	Other	Reconciliation	Group
Sales revenues	111,320	84,717	75,186	14,134	- 21,066	264,291
– External sales	106,667	84,547	72,817	260	–	264,291
– Internal sales	4,653	170	2,369	13,874	- 21,066	–
Other income	1,811	6,791	2,869	1,644	- 2,342	10,773
– External income	876	6,753	2,868	145	131	10,773
– Internal income	935	38	1	1,499	- 2,473	–
EBIT	6,272	9,310	4,163	- 2,372	–	17,373
Non-allocated expenses						- 359
						17,014
Interest income						55
Interest expense						- 3,568
Interest result						3,513
Segment result before taxes						13,501
Taxes on income						- 6,113
Result after taxes						7,388
Segment assets	63,492	24,507	43,647	143,465	- 134,274	140,837
Non-allocated assets						30,867
Consolidated assets						171,704
Segment debts	28,165	15,816	16,193	73,611	- 76,627	57,158
Non-allocated debts						54,011
Consolidated debts						111,169
Depreciation and amortisation	1,338	1,951	571	26		
Investment	523	2,877	843	652		

35. Joint venture shares

The 50% interest in *Global Eastern Wine Holding GmbH*, Bonn, which was established as a joint venture, and its 66% interest in the Czech wholesaler *Global Wines Prague*, Prague, was included in the group with effect from 1 January 2002. The average number of employees in the 2002 financial year was one. The following particulars indicate the pro rata values at which the venture was included in the Consolidated Financial Statements, including the impact of goodwill on first-time consolidation.

Share of assets and debts:

€ '000	31.12.2002
Fixed assets	3
Current assets	245
Prepaid expenses	5
Assets	253
Shareholders' equity	118
Provisions and liabilities	135
Equity and liabilities	253

Share of income and expenses:

€ '000	31.12.2002
Sales revenues	573
Other operating income	2
Cost of materials	- 333
Personnel expenses	- 83
Depreciation and amortisation	- 3
Other operating expenses	- 132
Result from operations	24
Interest income	1
Interest expense	- 1
Result from ordinary activities	24
Taxes on income	- 10
Net profit for the year	14

36. Other particulars pursuant to Section 292a of German Commercial Code

The differences compared with the recognition, measurement and consolidation methods under German law relate to the following:

- The operation whereby the three group companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *CWD Champagner- und Wein-Distributionsgesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* were transferred to Hawesko Holding AG on 1 January 1998: according to IAS, the operation is treated as a "transaction between companies under common control", with the result that the book values of the individual companies are retained and no goodwill arises. According to the German Commercial Code, goodwill of € 4,090 thousand would have arisen.
- Capitalisation of self-constructed intangible assets; according to the German Commercial Code, these may not be capitalised.
- Differences in the reporting and measurement of inventories, receivables, provisions and liabilities: according to IAS, allocable overhead costs for inventories are in addition capitalised. According to IAS, foreign-currency receivables and payables are valued at the exchange rate on the closing date, irrespective of the historical rate. According to the German Commercial Code, on the other hand, the principle of the higher/lower of cost or market value applies for payables and receivables.
- Deferred taxes for temporary differences, in particular on tax loss carry-forwards and on goodwill in fiscal supplementary balance sheets, are reported according to the liabilities method.
- According to IAS, the directly allocable expenses in connection with the initial public offering, netted with the corresponding tax burden, were offset against the capital reserve. According to the German Commercial Code, they are shown in the Income Statement.
- The use of declining-balance depreciation on property, plant and equipment solely for tax purposes is not permissible according to IAS.
- The sale of treasury shares is accounted for under IAS with no effect on net income. The capital gain realised above the historical cost of the shares is netted with the revenue reserve with no effect on net income. Under the German Commercial Code, the sale of treasury shares is shown in the Income Statement with an effect on net income.
- According to IAS, treasury shares are netted with the revenue reserve at acquisition cost, with no effect on net income. According to the German Commercial Code, treasury shares would have been reported under investments and a reserve for treasury shares of the same amount formed. They would have had to be valued at acquisition cost or at the market price on the reporting date, if lower.
- No special items with an equity portion may be formed according to IAS.
- The calculation of provisions for pensions, according to IAS, is to take account of anticipated pay and pension increases. The discounting rate is to be determined on the basis of the returns of first-rank, fixed-interest corporate bonds with the same term. According to the German Commercial Code, provisions for pensions are calculated in accordance with Section 6a of German Income Tax Law.

- The reporting of negative minority interest is not permitted according to IAS if the minority shareholder is not obliged to make up the difference for such losses or make additional contributions. According to the German Commercial Code, negative minority interest results in an assets-side interest of other company members, which can be netted against the interest of other company members on the equity and liabilities side.
- The derivative financial instruments are reported at fair value in the Balance Sheet. According to the German Commercial Code, derivative financial instruments are measured at no more than acquisition cost or at the fair value on the balance sheet date, if lower, and amortised by the straight-line method over their term.
- Pursuant to IAS 39, gains or losses from the measurement of derivative financial instruments at fair value are to be recognised under equity with no effect on net income, or reported in the Income Statement with an effect on income. According to the German Commercial Code, impending losses from financial instruments are stated as a provision on the basis of the imparity principle.

37. Application of the exemption rules of Section 264b of German Commercial Code for unincorporated firms

The three group companies *Hanseatisches Wein- und Sekt-Kontor HAWESKO GmbH & Co. KG*, *CWD Champagner- und Wein-Distributions-gesellschaft mbH & Co. KG* and *Jacques' Wein-Depot Wein-Einzelhandel GmbH & Co. KG* make use of the exemption rules of Section 264b of German Commercial Code for the year under review. The Consolidated Financial Statements are also submitted to the Commercial Register for the registered office of each unincorporated firm.

38. Application of the exemption rules of Section 264 (3) of German Commercial Code for incorporated firms

The group company *IWL Internationale Wein Logistik GmbH* makes use of the exemption rules of Section 264 (3) of German Commercial Code for the year under review. The Consolidated Financial Statements are also submitted to the Commercial Register for the registered office of the incorporated firm.

39. Declaration of Conformity

The Declaration of Conformity with the German Corporate Governance Code, as specified under Section 161 of German Stock Corporation Law, has been submitted and is published on the Internet on hawesko.com.

40. Related party disclosures

In accordance with IAS 24, the following details of relationships with related parties are disclosed:

The Board of Management and Supervisory Board are to be regarded as related parties pursuant to IAS 24.5. During the period under review, there were no business relationships between the Board of Management and the companies included in the Consolidated Financial Statements. Business relationships with a total value of € 64 thousand existed with the Chairman of the Supervisory Board in the year under review.

Annual remuneration is paid on the basis of a fixed and a variable component. In the year under review, remuneration totalling € 1,614 thousand (previous year: € 1,965) was paid to the Board of Management, comprising € 1,331 thousand in fixed pay and € 283 thousand in variable components. The sum of € 3 thousand was allocated to the provisions for pensions on behalf of one member of the Board of Management in the year under review. The total remuneration of the Supervisory Board, which comprises a fixed (€ 32 thousand) and a variable (€ 26 thousand) component as well as meeting attendance fees, was € 100 thousand in the year under review (previous year: € 102 thousand).

No payments were either due from or owed to members of the Supervisory Board and Board of Management at the balance sheet date. The Balance Sheet includes provisions for commitments totalling € 383 thousand (previous year: € 476 thousand) to the Board of Management and Supervisory Board.

At 31 December 2002 the Supervisory Board held 56,800 (previous year: 56,800) shares and the Board of Management 1,771,130 (previous year: 1,965,425) shares – directly and indirectly – in Hawesko Holding AG.

41. Proposal on the appropriation of earnings of Hawesko Holding AG

It is proposed to distribute the unappropriated profit of € 4,505 thousand resulting from the Annual Financial Statements of Hawesko Holding AG prepared at 31 December 2002 in accordance with the requirements of German Commercial Code and German Stock Corporation Law as follows: payment of a dividend of € 1.00 per individual share certificate.

Hamburg, 24 February 2003

The Board of Management

Margaritoff Ohlzen Hoolmans

Development of consolidated assets

at 31 December 2002

	Acquisition or manufacturing cost				Position at 31.12.2002 € '000
	Position at 01.01.2002 € '000	Additions € '000	Disposals € '000	Transfers € '000	
Assets					
I. Intangible assets					
1. Software	2,281	896	0	223	3,400
2. Goodwill	7,845	3	0	0	7,847
3. Advance payments	223	242	0	- 223	243
	10,349	1,141	0	0	11,490
II. Property, plant and equipment					
1. Land and buildings	13,772	518	- 99	42	14,233
2. Other fixtures and fittings, office and plant equipment	13,881	3,446	- 1,606	300	16,021
3. Construction in progress	356	32	- 20	- 342	26
	28,009	3,996	- 1,725	0	30,280
III. Financial assets					
1. Shares in affiliated companies	129	0	0	0	129
2. Participating interests	91	0	- 73*	0	18
3. Securities	0	2	0	0	2
4. Other loans	61	0	- 2	0	59
	281	2	- 75	0	208
	38,639	5,139	- 1,800	0	41,978

* The disposal relates to Global Wine Holding GmbH, Bonn, which has been consolidated on a pro rata basis for the first time in the year under review.

Position at 01.01.2002 € '000	Accumulated depreciation					Residual book value	
	Additions € '000	Disposals € '000	Write-ups € '000	Transfers € '000	Position at 31.12.2002 € '000	Position at 31.12.2002 € '000	Position at 31.12.2001 € '000
1,630	537	0	0	0	2,167	1,233	651
1,409	512	0	0	0	1,921	5,927	6,436
0	0	0	0	0	0	242	223
3,039	1,049	0	0	0	4,088	7,402	7,310
4,788	534	- 96	0	0	5,226	9,007	8,984
9,015	3,055	- 1,372	0	0	10,698	5,323	4,866
0	0	0	0	0	0	26	356
13,803	3,589	- 1,468	0	0	15,924	14,356	14,206
0	0	0	0	0	0	129	129
0	0	0	0	0	0	18	91
0	0	0	0	0	0	2	0
0	0	0	0	0	0	59	61
0	0	0	0	0	0	208	281
16,842	4,638	- 1,468	0	0	20,012	21,966	21,797

Independent auditor's report

We have examined the Consolidated Financial Statements of Hawesko Holding Aktiengesellschaft, Hamburg, comprising the Balance Sheet, Income Statement, Statement of Movements in Equity, Cash Flow Statement and Notes, for the financial year from 1 January to 31 December 2002. The preparation and content of the Consolidated Financial Statements are the responsibility of the company's Board of Management. Our responsibility is to express an opinion on whether the Consolidated Financial Statements conform to the International Accounting Standards (IAS), based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Auditors (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the Consolidated Financial Statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The evidence supporting the amounts and disclosures in the Consolidated Financial Statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the company's legal representatives, as well as evaluating the overall presentation of the Consolidated Financial Statements. We are of the opinion that our audit constitutes an adequately sound basis on which to make this assessment.

In our opinion, the Consolidated Financial Statements give a true and fair view of the net assets, financial position, earnings situation of the group and of cash flows for the financial year in accordance with IAS.

Our audit, which also extends to the Combined Management Report for the group and the parent company prepared by the Board of Management for the financial year from 1 January to 31 December 2002, has not led to any reservations. In our opinion on the whole the Combined Management Report for the group and the parent company provides a suitable understanding of the group's situation and suitably presents the risks of future development. We moreover confirm that the Consolidated Financial Statements and the Combined Management Report for the group and the parent company for the financial year from 1 January to 31 December 2002 satisfy the conditions for the exemption of the company from the obligation to prepare Consolidated Financial Statements and a group management report in accordance with German law.

Hamburg, 4 March 2003

Susat & Partner oHG
Wirtschaftsprüfungsgesellschaft

Dr. Bartels
Wirtschaftsprüfer

Stürmer
Wirtschaftsprüfer

Report of the Supervisory Board

The Supervisory Board performed the tasks for which it is responsible, in accordance with the legal requirements and the articles of incorporation, in the 2002 financial year; it was in addition kept informed by the Board of Management of the situation of the company at meetings and in individual discussions and passed the necessary resolutions. The Board of Management moreover reported to the Supervisory Board on other important matters. The responsibilities of the Supervisory Board in particular included ensuring that the requirements resulting from corporate governance legislation (German KonTraG) were implemented and complied with. The regular oral and written reports submitted to it related to the overall situation of the company and current business developments, as well as to the medium-term strategy of the company, including its investment, personnel, financial and earnings plans. Its deliberations focused on the commercial progress of the company, the group, the individual divisions and the related companies, and on the evolution of Hawesko Holding AG into an integrated wine-selling group.

The resolutions required were passed at a total of four ordinary Supervisory Board meetings in the 2002 financial year. The Supervisory Board is convinced that the company was managed in an adequate manner. The topics reported on and discussed by the Supervisory Board included the current trading of the group (especially the market development and positioning in the wholesale segment), the Declaration of Compliance with the German Corporate Governance Code, the possibilities of external growth and the medium-term plans of the group. In addition the Supervisory Board gave its attention to the regular reports by the Board of Management on risk management within the Hawesko Group. A committee on personnel affairs exists; this committee met on four occasions other than at the ordinary Supervisory Board meetings.

The Annual and Consolidated Financial Statements prepared by the Board of Management, together with the Combined Management Report of the group and the parent company for the 2002 financial year, have been examined by the elected auditors, Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, who have issued their unqualified certification thereof.

Pursuant to Sections 170 and 337 of German Stock Corporation Law, the Annual and Consolidated Financial Statements, the Combined Management Report, the audit reports on the examination of the Annual and Consolidated Financial Statements and the Board of Management's proposal on the appropriation of earnings for the 2002 financial year were submitted to the Supervisory Board by the Board of Management for examination. The Supervisory Board discussed the Annual Financial Statements and the Consolidated Financial Statements of Hawesko Holding AG at its meeting on 31 March 2003 together with the Board of Management, in the presence of the auditors. On the basis of the concluding findings of its examination, the Supervisory Board raises no objections. It has ratified the Annual Financial Statements and the Consolidated Financial Statements for 2002 pursuant to Section 171 of German Stock Corporation Law, which are thus established pursuant to Section 172 of that same law.

The Supervisory Board endorses the proposal by the Board of Management on the appropriation of net income for the 2002 financial year.

The Supervisory Board extends its thanks to the Board of Management, the employee councils, the directors and all employees of Hawesko Holding AG's affiliated companies, as well as the *Jacques' Wein-Depot* agency partners and the distribution partners in the wholesale segment, for their commitment and hard work.

Hamburg, March 2003

The Supervisory Board

Dr. Hubertus Schwarz
Chairman

Hawesko Holding Aktiengesellschaft, Hamburg

Parent company statement of income

for the period 1 January to 31 December 2002

	2002 € '000	2001 € '000
Other operating income	2,283	428
Personnel expenses		
a) Salaries	– 2,069	– 1,322
b) Social security and social maintenance costs	– 70	– 26
Depreciation and amortisation	– 12	– 14
Other operating expenses	– 1,911	– 1,605
Investment income	12,265	15,039
Other interest and similar income	3,107	3,299
Expense from loss transfer agreements	– 1,213	–
Interest and similar expenses	– 2,705	– 3,464
Result from ordinary activities	9,675	12,334
Taxes on income	– 902	– 1,995
Other taxes	– 1	– 98
Net income for the year	8,772	10,242
Profit carryforward from previous year	119	64
Withdrawal from other revenue reserves	2,487	1,537
Allocation to other revenue reserves		
a) into the reserve for treasury shares	– 2,487	– 1,537
b) into other revenue reserves	– 4,386	– 5,121
Unappropriated profit for the year	4,505	5,185

* The complete financial statements of the Hawesko Holding AG parent company, which have been drawn up according to the regulations of the German Commercial Code and German stock Corporation Law and have received the unqualified certification of Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, will be published in the Federal Gazette and have been filed with the Local Court of Hamburg under the reference HRB 66708. Copies of this publication can be requested from Hawesko Holding AG.

Hawesko Holding Aktiengesellschaft, Hamburg

Parent company balance sheet

at 31 December 2002

Assets	31.12.2002 € '000	31.12.2001 € '000
Fixed Assets		
Intangible assets		
Software	6	16
Property, plant and equipment		
Operating equipment and fixtures	4	6
Financial assets		
Shares in affiliated companies	73,026	73,026
	73,037	73,048
Current assets		
Inventories		
Raw materials and supplies	44	32
Receivables and other assets		
Receivables from affiliated companies	61,312	63,717
Other assets	675	168
	61,987	63,885
Securities		
Treasury shares	–	2,487
Cash in banking accounts	5,416	3,814
	67,447	70,219
Prepaid expenses	161	219
	140,645	143,485
Shareholders' equity and liabilities	31.12.2002 € '000	31.12.2001 € '000
Shareholders' equity		
Subscribed capital	13,216	11,262
Capital reserve	57,592	59,546
Revenue reserve		
Reserve for treasury shares	–	2,487
Other revenue reserves	22,331	15,458
Unappropriated profit for the year	4,505	5,185
	97,644	93,938
Provisions		
Provisions for taxation	921	1,198
Other provisions	604	687
	1,526	1,885
Liabilities		
Bonds	33	123
Due to banks	40,936	46,757
Trade accounts payable	82	126
Due to affiliated companies	240	205
Other liabilities	184	451
	41,475	47,662
	140,645	143,485

Eight-year key data for the Hawesko Group

(For explanatory notes on the individual terms, see glossary page 64)

in € million	IAS financial accounts			
	2002	2001	2000	1999
Net Sales	267.4	264.3	232.4	200.2
Gross profit	114.8	111.3	98.3	88.4
– as % of net sales	42.9%	42.1%	42.3%	44.1%
Operating result before depreciation (EBITDA)	18.8	21.4	12.8	21.0
– as % of net sales	7.0%	8.1%	5.5%	10.5%
Depreciation and amortisation	4.6	4.4	4.1	2.8
Operating result (EBIT)	14.1	17.0	8.7	18.2
– as % of net sales	5.3%	6.4%	3.7%	9.1%
Consolidated net income for the year (HGB accounts)	–	–	–	–
Consolidated earnings (DVFA/SG earnings)	4.5	6.9	1.1	8.4
Cash flow for the year (gross)	–	–	–	–
Cash flow from current operations	16.7	22.6	8.8	7.2
Investments	5.1	4.8	4.8	10.5
Free cash flow	8.9	14.7	1.9	1.5
Proposed dividend distribution for the current year (parent company)	– 4.5	– 5.2	– 3.7	– 6.0
Fixed assets	22.0	21.8	21.7	22.1
Current assets	120.4	120.8	123.3	105.9
Equity less proposed dividend and minority interests	59.9	55.5	55.3	59.5
– as % of balance sheet total	35.5%	32.3%	31.3%	36.4%
Total assets	169.0	171.7	176.5	163.5
Capital employed	106.9	108.8	120.0	114.0
Return on total assets	8.3%	9.8%	5.1%	13.8%
Return on capital employed	13.1%	14.9%	7.4%	19.8%
Earnings per share €	1.05	1.61	0.24	1.91
Dividend per share (€)	1.00	1.15	0.84	1.35
Total shares (average number outstanding in the year, in '000)	4,314	4,296	4,368	4,405
Year-end share price (€)	15.38	17.28	14.00	31.30
Market capitalisation at end of year	67.8	73.5	60.6	137.9
Total employees (average for year)	558	527	515	409

1999	1998	HGB accounts			
		Proforma 1997	"As-if"-group accounts		
			1997*	1996*	1995*
211.6	154.9	141.7	141.7	122.4	107.7
91.7	73.4	66.3	66.4	57.9	52.4
43.4%	47.4%	46.8%	46.8%	47.3%	48.7%
22.5	20.7	17.7	17.7	16.9	16.5
10.6%	13.4%	12.5%	12.5%	13.8%	15.3%
3.4	2.7	1.9	2.2	1.8	1.7
19.1	18.0	15.8	15.5	15.0	14.8
9.0%	11.6%	11.2%	11.0%	12.3%	13.8%
11.8	10.4	8.6	10.3	10.1	9.9
10.7	11.2	–	10.8	10.3	10.1
18.4	12.7	–	13.2	6.7	–
–	–	–	–	–	–
14.1	2.8	–	4.1	1.7	1.9
1.5	– 2.8	– 0.2	– 0.2	– 1.2	–
– 6.0	– 6.0	–	–	–	–
26.8	14.8	14.8	14.1	12.2	12.4
98.6	53.7	45.1	45.1	35.8	31.5
29.2	24.3	10.5	9.7	18.1	18.2
23.2%	35.3%	17.4%	16.3%	37.7%	41.4%
126.0	68.9	60.1	59.4	48.0	43.9
83.7	46.4	36.8	35.1	29.6	23.6
19.6%	27.9%	29.2%	29.0%	32.7%	–
29.4%	43.3%	47.6%	48.1%	56.5%	–
2.42	2.54	–	2.70	2.58	2.53
1.35	1.35	–	–	–	–
4,405	4,405	–	4,000	4,000	4,000
31.30	47.55	–	–	–	–
137.9	209.5	–	–	–	–
455	353	328	325	228	213

* "As if" accounts according to 1998 issuing prospectus

Board of Management and Supervisory Board

Members of the Board of Management

Alexander Margaritoff, *Chairman and Chief Executive Officer*

Mr. Alexander Margaritoff (born 1952), of Hamburg, graduated from the University of Sussex, England, with degrees in Economics (B.A.) and Contemporary European Studies (M.A.). In 1981 he joined the company *Hanseatisches Wein- und Sekt-Kontor HAWESKO*. He is responsible for all companies in which Hawesko Holding AG has a shareholding, and in particular for the mail order segment.

Mr. Margaritoff is also member of the board of Safire Aircraft Company, West Palm Beach, Florida USA as well as member of the advisory board of the Deutsche Bank, Hamburg.

Sven Ohlzen, *Chief Financial Officer*

Mr. Sven Ohlzen (born 1957), of Hamburg, graduated in 1986 with a degree in Economics in Hamburg. In 1992 he joined the company *Hanseatisches Wein- und Sekt-Kontor HAWESKO*, and was appointed an authorised signatory in 1993. He has been a director of this company and of *CWD Champagner- und Wein-Distributionsgesellschaft* since 1998. Within Hawesko Holding AG, he is responsible in particular for finance and for controllership of affiliated companies.

Bernd Hoolmans

Mr. Bernd Hoolmans (born 1950), of Düsseldorf, graduated in Economics from the Justus Liebig University of Giessen in 1975. Mr. Hoolmans joined *Jacques' Wein-Depot*, Düsseldorf, as Managing Director in 1994. At Hawesko Holding AG, he is primarily responsible for specialist wine-shop retailing.

The members of the Board of Management between them hold a total of 1,770,946 shares (equivalent to 40.2% of the total number of shares) in Hawesko Holding AG; they in addition have options on a total of 10,500 shares in Hawesko Holding AG on the basis of convertible bonds issued in 2001.

Members of the Supervisory Board

Members of the Supervisory Board occupy the following posts on supervisory boards and similar regulatory bodies which must be formed as a legal requirement within business enterprises:

Dr. Hubertus Schwarz, *Chairman**

Lawyer, Hamburg

NoxiTest AG, Hamburg; Phytrix AG, Munich; Primeorder AG, Hamburg

Manfred Middendorff, *Deputy Chairman**

General Executive, Brauerei Herrenhausen KG, Hannover

Dr. Thomas R. Fischer (*from 13 June 2002*)

Former member of the Board of Management, Deutsche Bank AG, Frankfurt am Main

Audi AG, Ingolstadt; KanAM International GmbH, Munich; KanAM Kapitalanlagegesellschaft mbH, Frankfurt; LTG Technologies PLC, London; Berlin & Co KGaA, Hamburg; InSyn Co AG, Hamburg; X-Com AG, Langen

Dr. Carl H. Hahn

Former Chairman of the Board of Management of Volkswagen AG, Wolfsburg

Gerling Group, Speziale Kreditversicherungs-AG, Cologne; Merloni Elettrodomestici S.p.A., Fabriano, Italy; Perot Systems Corporation, Dallas, Texas, USA

Dr. Norbert Käsbeck (*to 13 June 2002*)

Former member of the Board of Management of Commerzbank AG, Frankfurt am Main

Hugo Boss AG, Metzingen; Friatec AG, Mannheim; MAN Aktiengesellschaft, Munich; Salamander AG, Kornwestheim; SÜBA Bau AG, Mannheim; T-Online International AG, Darmstadt

Hans Meyer

Freelance direct marketing consultant, Rheinheim

Günter Nawrath

Former Chairman of the Supervisory Board of Otto-Versand (GmbH & Co), Aumühle

The members of the Supervisory Board hold a total of 56,800 shares in Hawesko Holding AG (representing 1.3% of the total shares).

* Member of personnel committee

History of Hawesko Holding AG

- 1964** Establishment of the wine mail order company *Hanseatisches Wein- und Sekt-Kontor HAWESKO* in Hamburg
- 1974** Founding of the specialist wine-shop retail company *Jacques' Wein-Depot* in Düsseldorf
- 1983** Takeover of *Jacques' Wein-Depot* by Horten AG (which subsequently became part of Kaufhof Holding AG, then of the Metro Group); 50 wine outlets
- 1986** Establishment of the wine wholesaler *CWD Champagner- und Wein-Distributionsgesellschaft*
- 1989** Acquisition of a 70% interest in *Hanseatisches Wein- und Sekt-Kontor HAWESKO* and *CWD Champagner- und Wein-Distributionsgesellschaft* by Kaufhof Holding AG (part of the Metro Group)
- 1997** Opening of the new logistics centre for *Hanseatisches Wein- und Sekt-Kontor HAWESKO* and *CWD Champagner- und Wein-Distributionsgesellschaft*; 130 outlets of *Jacques' Wein-Depot*



- 1998** Contribution of the three wine trading companies to the new company Hawesko Holding AG; IPO in May; the Metro Group disposes of its interest in Hawesko Holding AG
- 1999** Hawesko acquires a 90% shareholding in the 300 year-old traditional wine trader *Carl Tesdorpf – Weinhandel zu Lübeck*, and in the *Wein Wolf* Group
- 2000** First venture into Austria with *The Wine Company* and *Jacques' Wein-Depot*; acquisition of 90% stake in the Bordeaux wine dealer *Le Monde des Grands Bordeaux*
- 2001** Wines of the renowned Italian wine company Marchesi Antinori are added to the range; over 210 outlets of *Jacques' Wein-Depot*
- 2002** Premium extension of the product range with wines of the famous Australian producer Penfolds; over 240 *Jacques' Wein-Depots*

Glossary

“As-if” figures are business figures for the Hawesko Group for the years 1995, 1996 and 1997. As the group only came into being in 1998 as a result of the merger of the business activities of the wine mail-order company (*Hanseatisches Wein-und Sekt-Kontor HAWESKO*), the specialist wine-shop retailer (*Jacques’ Wein-Depot*) and the wholesaler (*CWD Champagner- und Wein-Distributionsgesellschaft*), no consolidated financial statements exist for the previous years.

Capital employed is defined as the balance sheet total (for the group) less short-term provisions and interest-free liabilities. This figure is used to analyse the level of tied-up capital.

Equity in the summary of key data is stated after deduction of the proposed dividend distribution of € 4.4 million by Hawesko Holding AG.

Free cash flow is net inflow of payments from current operations less interest paid out and less outpayments for tangible and intangible assets (see Consolidated cash flow statement, page 37). Free Cash Flow indicates the funds which the company generates and can use to finance further growth, to pay down borrowings or to pay out as dividends to shareholders.

HGB accounts are consolidated financial statements prepared on the basis of the regulations of the German Commercial Code. The Hawesko Group applied these accounting principles up to and including the 1999 financial year.

IAS accounts are consolidated financial statements prepared on the basis of the accounting rules of the International Accounting Standards Committee. The Hawesko Group has adopted these rules for the first time in the preparation of the Consolidated Financial Statements for the 2000 financial year.

Operating result (EBIT) represents earnings before deduction of financing (interest) costs and all taxes on income. It is commonly used as a means of calculating profitability.

Operating result before depreciation and amortisation (EBITDA) represents earnings before deduction of financing expense (interest), depreciation and amortisation, and all taxes on income. It is often used in preference to the operating result (EBIT) as a means of comparing the profitability of companies in different countries, since it is less open to distortion by the application of differing accounting methods.

Turnover of total assets expresses the relationship of sales to total assets and gives an indication of how efficiently the company is using its assets.

Return on capital employed is the operating result (EBIT) divided by the average capital employed for the previous year and the year under review.

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