



Hawesko Holding AG

Hamburg

ISIN DE0006042708

Reuters HAWG.DE, Bloomberg HAW GR

Six-month report to 30 June 2003

Hamburg, 30 July 2003

Highlights

in € (millions)

	2nd Quarter (1.4.–30.6.)			Six Months (1.1.–30.6.)		
	2003	2002	+/-	2003	2002	+/-
Group sales	60.8	57.5	+6%	124.6	113.7	+10%
Result from operations (EBIT)	1.6	2.2	-27%	3.3	3.7	-11%
Consolidated earnings	0.6	0.6	-3%	1.2	1.1	+4%

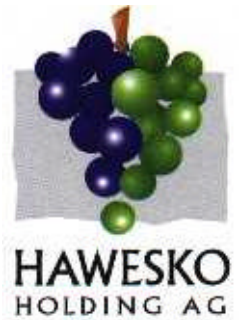
Dear shareholders,

In the period from January to June 2003, the Hawesko Group increased its sales by 10% over the same period in the previous year. Thus in mid-fiscal year 2003, business development is considerably better than it was one year ago. The second quarter of 2003 followed the same upwards trend: from April to June 2003, Group sales rose by 6%. Although the conditions in the German retail sector remained difficult, the Hawesko Group succeeded in increasing its market share.

The continuous optimization of our working capital management resulted in our free cash flow – i.e. the cash flow from current operations minus outpayments for interest and investment – increasing by more than €5 million compared to the same period in the previous year.

However, the improvement in profitability is not yet as sustainable as we could wish: after a good start in the first quarter – with a satisfactory rise in EBIT of 12% – the result of operations in the second quarter did not keep up with the other development. The renewed reduction in the net financing charge had a positive influence on the Group result.

The analysis of our sales data confirms that many customers target the selection of our most affordable wines as a natural response to the prevailing consumer climate. We have been able to offer our customers additional support in their efforts to match their desire for enjoyment with their budgets in the form of the low-priced segment of our assortment. Simultaneously, we remain focused on the higher price segments, because we know that the standards of wine consumers rise as they gain more experience – and when the economy improves as well. The sales dynamics in many of our subsidiaries indicates the potential which exists here: *Carl Tesdorpf – Weinhandel zu Lübeck*, which is serves the ultra-premium segment of the market, posted growth of nearly 50% for the first six months compared to the same period a year ago. *Château Classic – Le Monde des Grands Bordeaux*,



achieved an increase of over 70%, due in particular to a successful campaign to promote Bordeaux wines. Finally, *CWD Champagner- und Wein-Distributionsgesellschaft*, which operates in the wholesale market, recorded growth of 25%.

An economic upturn has not yet occurred, but several indicators provide hope for a recovery over the next several months. Thus we are optimistic about the second half of the year, which – as you know – is decisive for the year overall for the Group; experience has shown that more than one third of the annual sales and over half of the operating profit are earned in the fourth quarter (October to December).

In this context, we are particularly focused on cost management and the continuing optimization of all processes involved in the year-end business. Furthermore, we have benefited from the fact that even in this difficult consumer climate we are growing, thanks to the acquisition of new customers. We have already exceeded our expectations in the first half of the year: in the mail order /e-commerce division, we registered more than 30,000 new customers – over 10% of the total number of active customers. More than 40,000 new customers came to *Jacques' Wein-Depot*. This means that the majority of our growth comes from new customer business, and we are continuing to gain market share as well. In the event of an economic upswing, these factors would be an important prerequisite for increasing our profitability in the second half of the year. Based on today's figures, we expect success in achieving this increase. Thus we reaffirm our forecast for the year overall in 2003: sales increase of 5% to € 280 million, and an proportionally higher rise in the operating result (EBIT).

Best wishes,

Alexander Margaritoff
CEO

Sales and Result

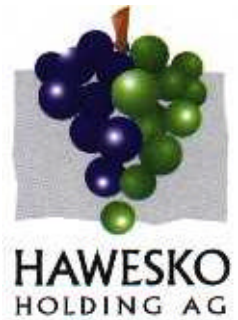
Second Quarter

In the second quarter of fiscal year 2003 (April to June), the Hawesko Group achieved sales of € 60.8 million, up from € 57.5 million in the same period of the previous year. This corresponds to a rise in Group sales of 5.7% compared to the same quarter a year ago. While sales in the wholesale division declined by 1.0% to € 16.9 million, they rose in specialist retail (*Jacques' Wein-Depot*) and in mail order/e-commerce: by 3.0% to € 21.6 million and by 14.6% to € 22.2 million, respectively.

The generally positive sales development in the mail order/e-commerce segment is due primarily to strong growth at *Carl Tesdorpf – Weinhandel zu Lübeck* and *Château Classic – Le Monde des Grands Bordeaux*. *Carl Tesdorpf* was thus able to consolidate its position further within the framework of its building up its business. In the period under review, the Bordeaux sales at *Château Classic* profited from the popularity of the 2000 vintage, which was used to generate customer interest in earlier vintages.

At *Jacques' Wein-Depot* (specialist retail segment), sales development was still characterized by sustained consumer restraint. Although sales overall rose, in the second quarter they declined on a like-for-like basis – i.e. at those locations which have been operating for more than two years – by 2.3% compared to the same period in the previous year. While purchasing frequency and the number of new customers again increased, the amount of the average sales ticket was below that of the same months in the previous year – but remained stable in comparison with the consecutive months since the beginning of the year. In the second quarter in Germany, two new *Jacques'* outlets were opened while one unprofitable store was closed in Austria. Overall, the number of stores rose to 246 in both countries together. Lease contracts had been concluded for seven additional stores at 30 June 2003 (on this date last year: ten).

In the wholesale segment, sales in the second quarter were maintained at the previous year's level despite the difficult economic conditions. The Penfolds wines were especially in demand; their success in the market compensated for much of some other products which retired from the



assortment. The products acquired for the assortment in August 2002 from Domaine Faiveley (Burgundy), Pascal Jolivet (Loire), Paul Jaboulet Aîné and Pol Roger continued to establish themselves successfully in our program.

The Group's gross profit, viewed in absolute terms, rose slightly: from €24.9 million last year to €25.1 million. The gross profit margin, on the other hand, fell 2 percentage points to 41%. This is due, on the one hand, to actions taken to reduce inventories and to acquire new customers; on the other hand, to the increased price awareness of the customers, especially in the mail order/e-commerce and wholesale segments: many consciously purchased the most affordable wines on offer. The other operating income of €2.6 million (same quarter of the previous year: €2.8 million) came primarily from rental income at *Jacques'* as well as reimbursements for advertising costs. In the second quarter, personnel expenditures rose at a disproportionately low rate compared to sales. In the same period of the previous year, a release of provisions in the amount of €0.3 million was booked, which was not repeated this year.

Overall, the result of operations for the Group (EBIT) amounted to €1.6 in the second quarter, and thus – due to the aforementioned effects – was 26.5% below the previous year's figure (€2.2 million). Broken down by segment: the EBIT in mail order/e-commerce amounted to €0.3 million (same quarter in the previous year: €0.6 million), in specialist wine-shop retail (*Jacques' Wein-Depot*) to €1.8 million (€1.9 million) and in wholesale to €0.8 million (€1.1 million).

First Six Months

In the first six months of fiscal year 2003, Group sales rose by 9.6% compared to the same period in the previous year to €124.6 million, even though the business environment during this period was still one of consumer restraint. Gross profit rose by 5.0%. The item "Other operating expenses" included an increase in advertising costs by €1.0 million to €10.7 million; this is due primarily to the acceleration of new customer acquisition. The result of operations (EBIT) amounted to €3.3 million, remaining 11.1% below the EBIT of the same period a year ago (€3.7 million).

Due to the reduction in financial debt as well as the positive effect of the application of IAS 39 (€0.4 million), the net financing charge declined compared to the first six months of 2002 by €1.3 million to €0.6 million. The Group result before income tax increased by a good €0.3 million to €2.7 million. The Group result after taxes and minority interests rose by €0.1 million to €1.2 million. This resulted in undiluted earnings per share of €0.27, unchanged from the previous year's figure. This is based on the number of 4,405,496 shares, compared to 4,221,500 in the previous year. The diluted earnings per share, for which the exercise of option rights in full scope is assumed, likewise amounts to €0.27 (previous year: €0.26).

Balance Sheet

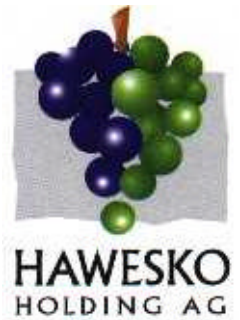
The balance sheet total at 30 June 2003, compared to that at 31 December 2002, declined by €16.2 million to €152.8 million. This is due primarily to the decline in trade receivables of €11.5 million. This item typically reaches its highest level at 31 December. Inventories declined by €2.0 million.

Compared to 31 December 2002, equity declined by €3.1 million; this was caused by the payment of the dividends. Borrowings from banks increased for reasons of seasonality by €4.9 million in the period under review. The advances received went down by €4.6 million because clarets ordered as subscription wines were delivered. Trade accounts payable decreased for reasons of seasonality to €23.9 million.

Investments in the first half of 2003 amounted to €1.7 million (previous year: €2.6 million). They were related mainly to depot openings at *Jacques' Wein-Depot*.

Cash Flow Statement and Capital Spending

Cash flow from current operations amounted to €1.3 million for the first half year, and were significantly higher than in the comparable period of the previous year (€-2.7 million). This was



caused mainly by the decline in inventories in this period after the strong increase in the first six months of 2002. The free cash flow in the first six months of €-1.4 million (previous year: €-6.6 million) is calculated from the net inflow in funds and cash equivalents from current operations (€1.3 million), minus outpayments for tangible assets and intangible assets (€1.7 million) and interest paid (€1.0 million). Because of the typical seasonal influences on the course of business through the year, the free cash flow at half-year is usually negative.

Statement of changes in group equity

In the previous year the subscribed capital was increased by way of a capital increase out of retained earnings (conversion of capital reserves) in the amount of €2.0 million, in order to raise the accounting par value of each share from €2.556 (DM 5.00) to €3.00.

Segment Report

Deviating from the previous year, as of 2003 the specialist retail segment includes the wine seminars of the Group under the auspices of *Viniversität Die Weinschule GmbH*. The comparable figures for the previous year have been adjusted accordingly.

Outlook

For the current fiscal year overall, the management board expects an increase in sales by approximately 5% to €280 million, as well as a proportionally higher increase in the operating result (EBIT). The targeted increase in Group profitability will depend especially on the effectiveness of the measures taken in the mail order/e-commerce segment for the year-end business. Further optimization of the tied-up working capital should improve the return on capital.

Hawesko Holding AG

Profit and loss statement (as per IAS)

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

	1 Apr–30 Jun 2003	1 Apr –30 Jun 2002
Sales revenues	60.8	57.5
Increase in finished goods inventories	0.0	0.1
Other operating income	2.6	2.8
Cost of purchased goods	–35.7	–32.7
Personnel expenses	–6.5	–6.3
Depreciation and amortisation	–1.2	–1.2
Other operating expenses and other taxes	–18.4	–18.0
Result from operations (EBIT)	<u>1.6</u>	<u>2.2</u>
Financial result	–0.3	–0.8
Result from ordinary activities	1.3	1.4
Taxes on income and deferred tax expenses	<u>–0.7</u>	<u>–0.7</u>
Result after taxes	0.7	0.7
Profit due to minority interests	–0.1	–0.1
Consolidated earnings	<u>0.6</u>	<u>0.6</u>
Earnings per share (in €, undiluted)	0.13	0.13
Earnings per share (in €, diluted)	0.13	0.13
Average number of shares in circulation (Numbers in thousands, undiluted)	4,405	4,222
Average number of shares in circulation (Numbers in thousands, diluted)	4,416	4,266

(in € million, unaudited; rounding differences are possible)	1 Jan – 30 Jun 2003	1 Jan – 30 Jun 2002
Sales revenues	124.6	113.7
Increase in finished goods inventories	0.0	0.1
Other operating income	5.2	5.1
Cost of purchased goods	-73.7	-65.4
Personnel expenses	-13.0	-12.5
Depreciation and amortisation	-2.2	-2.1
Other operating expenses and other taxes	<u>-37.6</u>	<u>-35.1</u>
Result from operations (EBIT)	3.3	3.7
Financial result	-0.6	-1.3
Result from ordinary operations	2.7	2.4
Taxes on income and deferred tax expenses	<u>-1.4</u>	<u>-1.1</u>
Result after taxes	1.4	1.3
Profit due to minority interests	-0.2	-0.2
Consolidated earnings	<u>1.2</u>	<u>1.1</u>
Earnings per share (in €, undiluted)	0.27	0.27
Earnings per share (in €, diluted)	0.27	0.26
Average number of shares in circulation (In thousands, undiluted)	4,405	4,222
Average number of shares in circulation (In thousands, diluted)	4,416	4,266



HAWESKO
HOLDING AG

Hawesko Holding AG

Consolidated balance sheet (as per IAS)

(in € million, rounding differences are possible)

30 June 2003 31 Dec 2002

Assets

Fixed assets

Intangible fixed assets

7.2 7.4

Tangible fixed assets

14.0 14.4

Financial assets

0.2 0.2

21.3 22.0

Current assets

Inventories

74.9 76.9

Trade receivables

19.5 31.0

Other receivables and other assets

4.9 4.1

Cash in banking accounts and cash on hand

7.3 8.4

106.6 120.4

Deferred tax assets

24.6 26.3

Prepaid expenses

0.2 0.3

152.8 **169.0**

Shareholders' equity and liabilities

Shareholders' equity

Subscribed capital of Hawesko Holding AG

13.2 13.2

Group adjustment i.a.w. IAS

-4.4 -4.4

8.9 8.9

Capital reserve

5.8 5.8

Revenue reserves

25.7 20.6

Adjustment resulting from currency translation

-0.0 -0.0

Unappropriated group profit

20.9 29.1

61.2 64.3

Minority interest

1.0 1.2

Provisions

Provisions for pensions

0.4 0.4

Provisions for taxation and deferred taxes

3.2 3.4

Other provisions

7.2 8.4

10.8 12.2

Liabilities

Borrowings

45.8 40.9

Advances received

5.8 10.4

Trade payables

23.9 31.3

Other liabilities

4.3 8.6

79.7 91.3

152.8 **169.0**

Hawesko Holding AG

Consolidated Cash Flow Statement (as per IAS)

(in € million, unaudited,
rounding differences possible)

	1.1.–30.6. 2003	1.1.–30.6. 2002
Result before taxes on income	2.7	2.4
Depreciation of fixed assets	2.2	2.1
Interest result	0.6	1.3
Change in inventories	2.0	–6.3
Change in other short-term assets	12.8	12.1
Change in provisions	–0.9	–0.4
Change in liabilities (excluding borrowings)	–16.4	–12.7
Taxes on income paid out	<u>–1.7</u>	<u>–1.1</u>
Net inflow of payments from current operations	1.3	–2.7
Acquisition of subsidiaries net of funds acquired	-	-
Outpayments for tangible and intangible assets	–1.7	–2.6
Inpayments from the sale of own shares	-	4.4
Inpayments from the disposal of tangible and intangible assets	0.2	0.2
Inpayments from the disposal of financial assets	<u>0.0</u>	<u>0.0</u>
Net outflow of funds for investment activities	–1.5	2.0
Outpayment for dividends	–4.4	–5.1
Outpayments to minority interests	–0.4	–0.3
Change in borrowings	4.9	4.6
Interest paid out	<u>–1.0</u>	<u>–1.3</u>
Net outflow of funds for financing activities	<u>–0.9</u>	<u>–2.1</u>
Net increase in cash and cash equivalents	1.1	–2.8
Cash and cash equivalents at the beginning of the period	8.4	5.6
Cash and cash equivalents at the end of the period	7.3	2.9

Hawesko Holding AG

Statement of changes in group equity

In million €, rounding
differences possible

	Subscribed capital	Capital reserve	Revenue reserves	Adjustments resulting from currency translation	Unappro- priated group profit	Total
Status as per 1 January 2002	6.9	7.7	10.6	0.0	35.3	60.5
Adjustment from revaluation of forward exchange transactions i.a.w. IAS 39			-0.1			-0.1
Changeover to euro	2.0	-2.0				0.0
Appropriation to revenue reserves			5.6		-5.6	0.0
Sale of treasury shares			4.4			4.4
Dividends					-5.1	-5.1
Currency translation differences				0,0		0.0
Consolidated earnings					1.1	1.1
Status as per 30 June 2002	8.9	5.8	20.6	0.0	25.7	61.0
Status as per 1 January 2003	8.9	5.8	20.6	0.0	29.1	64.3
Adjustment from revaluation of forward exchange transactions i.a.w. IAS 39			0.1			0.1
Appropriation to revenue reserves			5.0		-5.0	0.0
Treasury shares			—			—
Dividends					-4.4	-4.4
Currency translation differences				0.0		0.0
Consolidated earnings					1.2	1.2
Status as per 30 June 2003	8.9	5.8	25.7	0.0	20.9	61.2

Segments (in € million, rounding differences possible)					
1st six months 2003	Mail order/ E-commerce	Specialist retail	Wholesale	Miscellaneous/ Consolidation	Group
External sales	49.6	41.9	33.0	0.1	124.6
Operating result (EBIT)	1.1	3.3	1.2	- 2.3	3.3
1st six months 2002	Mail order/ E-commerce	*) Specialist retail	Wholesale	*) Miscellaneous/ Consolidation	Group
External sales	40.8	40.9	31.9	0.1	113.7
Operating result (EBIT)	1.5	3.5	1.1	- 2.5	3.7

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

Other data	1 Jan–30 Jun <u>2003</u>	1 Jan–30 Jun <u>2002</u>
Employees (average during the period)	516	488

Calendar:

Third quarter/Nine-month report
Preliminary report for fiscal year 2003

End October 2003
End January 2004

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