Hawesko Holding AG
Hamburg

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Three-month report to 31 March 2007

Hamburg, 9 May 2007

Highlights
in € (millions)

	1st quarter		
	1.1.–31.3. 2007	1.1.–31.3. 2006	+/–
Group sales	**73.3**	**69.0**	**+6.2%**
Result from operations (EBIT)	**2.0**	**3.0**	**–35.0%**
Consolidated earnings	**0.9**	**1.9**	**–50.8%**

Dear shareholders,

At the beginning of 2007 many people were still sceptical: the increase in the V.A.T. by a fat three percent was not good news for the German economy. We had also expected sales below the level of the previous year. Instead, the Hawesko Group had a good first quarter in 2007. Compared to the same period in the previous year, sales rose by more than 6%, while the German wine market, according to the Gesellschaft für Konsumforschung (GfK) declined by approximately 2%. We were also satisfied with the result: in view of our increased activities aimed at acquiring new customers and thus considerably higher expenses, we had expected a decline in the result. However, the decline was smaller than we anticipated.

With regard to German consumption, the demand for consumer goods appears to be increasing despite the increase in the V.A.T. With the economic growth of well over 2% expected by experts and the German federal government in 2007, consumers should contribute to a rise in private consumption of 1%; that's a substantial contribution. This is surely due to lower unemployment and the corresponding increase in overall income.

For me, however, it is most important that the Germans have started to engage in purchasing again, and to enjoy themselves! This will presumably be reflected in their wine consumption as well. The latest Vinexpo study covering the next several years anticipates a sharp rise in wine consumption in Germany: based on 2005, when roughly € 6.2 billion worth of wine was purchased, the German consumers are expected to increase their wine consumption by 8% by 2010 and to assert their position as the world's fourth largest wine-drinking nation after France, Italy and the United States.

With intensified sales promotion measures, we are preparing not only to seize as much as possible of this market growth, but also to grow faster than the market in future and to improve further the financial performance of the Hawesko Group. Our first objective remains the same: to offer our customers high-quality wines in the future as well, giving them the best possible value for money. We were very successful in this regard in the past, and I firmly believe that quality and impeccable service will be the key to success in the future as well.

We have defined three goals on which we intend to focus in the next few years in order to expand the success of the Group: optimisation of the internal structures, massive acquisition of new customers and the implementation of new projects and innovations.

More than ever, the customers will be the focus of our activities. For this reason we want to serve them still faster, better and more cost-effectively. The ongoing optimisation of our operational processes and the expansion of our cost leadership will be utilised for this purpose. New IT structures in the mail order segment and more efficient logistics that consolidate warehousing and transport centrally for the wholesale and mail order segments will substantially assist us in these efforts.

We want to acquire new customers more intensively with new ideas and concepts. Thus, in the retail segment we will continue to test the new specialist store concept *multiwein*. We will also continue to optimise and enlarge the store network for *Jacques' Wein-Depot*. In particular, we will expand the small town depots that were successfully tested last year and launch targeted, location-specific advertising campaigns for the entire network. We also want to prime the mail order business with our mailings and inserts as well as with numerous colour and full-page advertisements in major daily newspapers more intensively than we have in the past. A newly designed Hawesko online shop will contribute to this effort as well.

Last but not least, we want to remain a step ahead of the competition at all times with innovative projects in the future as well: the Hawesko Group will focus intensively on the triumphal procession of German wines, particularly in the premium segment, and transfer our sales success in the international segment as well as the development of our own brands and the acquisition of numerous exclusive products to the German wines. New sales channels in the wholesale segment will support these efforts.

As you can see, we have big plans and want to utilise our strengths in targeted fashion to spur the profitable growth of the Hawesko Group in the coming years. With regard to the outlook for the rest of fiscal year 2007, we expect slight growth in the overall market of approximately 1%. The sales of the Hawesko Group should undergo a significantly higher single-digit growth increase. Due to burdens on the result from the continuation of the *multiwein* tests as well as from the intensification of new customer acquisition, the operating result is expected to be at the level of the previous year. In 2008 we then anticipate a noticeable increase again. In summary: In 2007 we will train the vines, so to speak, so that in 2008 the harvest will be even greater.

Best regards,

Alexander Margaritoff
Chief Executive Officer

Sales and Result

In the first three months of 2007, the Hawesko Group increased its sales by 6.2% to € 73.3 million; in the first quarter of the previous year, the figure was € 69.0 million. The individual business segments achieved the following sales in the quarter under review: the stationary specialist retail segment posted € 22.9 million, an increase of 4.4% over the same period in the previous year; sales in the wholesale segment amounted to € 28.9 million, corresponding to an increase of 16.2% over the comparable quarter of the previous year (€ 24.9 million); the mail order segment achieved sales of € 21.3 million, after € 22.1 million in the same quarter of the previous year; this corresponds to a decline of 3.3%.

After a rather slow start to the year, sales in the stationary specialist retail segment (primarily *Jacques' Wein-Depot*) rose; demand increased particularly strongly in March. At 31 March 2007 there were 260 *Jacques' Wein-Depot*, i.e. the same number as in the preceding quarter and two more than on 31 March 2006); four of these were in Austria (five at 31 December 2006; seven at 31 March 2006). Two additional new outlets were leased in Germany but not yet opened. At the end of the quarter under review, there were four *multiwein*-specialty stores in operation. Compared to the first quarter of 2006, like-for-like sales increased in this segment by 3.1%. Both the average sales receipt per purchase as well as the purchasing frequency increased. The number of active customers also rose during the quarter.

The wholesale segment achieved a clear increase in sales, even though the comparative basis of the same quarter in the previous year had risen strongly. The Bordeaux-based subsidiary *Château Classic* as well as the lively demand for Italian wines contributed to the sales increase.

The decline in sales in the mail order segment is due primarily to fewer deliveries of Bordeaux subscription wines compared to the same quarter in the previous year – a difference of approximately € 1.0 million. It was only partially compensated by the sales increase in the *Vino Select!* wine club. The segment posted strong demand in January. The number of orders increased, while the average price per bottle ordered remained at the level of the previous year. On the other hand, the average number of bottles per order declined from that of the same period in the previous year. The number of active customers rose slightly. The sales transacted via the Internet accounted for approximately 12% (prior year: likewise 12%) of the mail order sales; new customer acquisition via the Internet increased considerably.

Group gross profits rose in absolute terms by € 1.0 million to € 28.1 million, but declined relative to sales by 0.8 percentage points, because the wholesale segment, which has a lower gross profit margin than the other two segments, grew strongly. Other results from operations increased by € 0.3 million to € 3.0 million, which was due primarily to cost reimbursements from third parties in the wholesale segment. Personnel expenses rose in absolute terms by € 0.4 million, but remained stable relative to sales at 9.6%. The miscellaneous operating expenses include primarily advertising, commissions and delivery costs. The expenses for advertising amounted to 8.8% of sales, compared to 8.4% in the previous year; for commissions this figure was 7.8% compared to 7.8% in the previous year, and for delivery costs it was 3.8%, down from 3.7% in the previous year. Overall, other operating expenses in the quarter under review amounted to € 21.1 million (same quarter in the previous year: € 19.4 million.): The overproportional increase was due to higher advertising expenses and amounted to 28.9% of sales in the quarter under review, up from 28.2% in the same period of the previous year.

The consolidated operating result (EBIT) decreased by 35% to € 2.0 million (previous year: € 3.0 million). The specialist wine retail segment, consisting of *Jacques' Wein-Depot* as well as the test specialty stores of the *multiwein* format, reached an operating result of € 1.7 million, slightly up from the previous year's figure of € 1.6 million – even taking into account the start-up costs of *multiwein* (€ 0.3 million; previous year: zero). The sales increase as well as the improved margin resulted in an increase in the operating result of the wholesale segment to € 1.4 million (previous year: € 0.8 million). The mail order segment posted an operating result of € –0.2 million (previous year: € 1.3 million), which was marked by the costs for increased advertising for new customer acquisition and the non-recurrence of capitalising own-produced assets from the previous year.

Interest expense, at just under € 0.4 million, remained at the level of the previous year (€ 0.3 million). A positive effect of the fair-value valuation in the previous year (just under € 0.5 million) did not recur in the period under review. The result from ordinary activities – before taxes on income – thus declined by € 3.3 million to € 1.6 million. The tax rate in the Group is estimated at 40.0% (previous year: 40.8%) in the quarter under review. Consolidated earnings after taxes and deductions for minority interests decreased from € 1.9 million in the previous year to € 0.9 million. There is no dilution of the profit per share; it amounts to € 0.11, compared with € 0.22 in the previous year, based on 8,805,996 shares in the reporting period, as in the same period of the previous year.

Balance sheet

Compared to the figure at 31 December 2006, the balance sheet total for 31 March 2007 declined by € 21.4 million to € 150.5 million. This is due primarily to the decline in trade receivables of € 20.3 million. This item typically reaches its highest level at 31 December each year. Compared to the figure at 31 March in the previous year, when the balance sheet total was € 142.2 million, this figure rose at the end of the first quarter of 2007 due to higher inventories – particularly higher advance payments for wines of the coveted 2005 Bordeaux vintage.

Shareholders’ equity declined by € 6.6 million compared to the end of 2006, due primarily to the reallocation of funds for the proposed dividend to other liabilities. Long-term borrowings were reduced by € 0.7 million in the period under review. Compared to the figure at March 31 in the previous year, the (long- and short-term) borrowings increased by € 1.9 million for reasons of growth.

Investments in the first quarter of 2007 amounted to € 0.9 million (previous year: € 1.9 million). These were related primarily to setting up Depots and stores in the specialist retail segment as well as equipment replacement; in the previous year the investments related primarily to the introduction of an SAP-based merchandise information system.

Cash flow statement

Cash flow from current operations amounted to € 0.5 million for the period under review and was thus € 0.3 million above the figure for the same period of the previous year (€ 0.2 million). This was due to the higher collection of receivables compared to the same period in the previous year.

Outlook

The management board of Hawesko Holding AG expects a base scenario of slight market growth amounting to approximately 1%. In this market environment, the Hawesko Group can gain further market shares and simultaneously achieve higher growth.

Based on this scenario, the management board expects an increase in sales for the current fiscal year in the single-digit range. The main pillars of growth are expected to be an increase in sales at *Jacques’ Wein-Depot* and the sales contribution of the new *multiwein* specialist retail concept that is currently in the test phase. In addition, the wines with exclusive distribution rights sold in the wholesale segment as well as the expanding distribution of German wines will contribute to sales growth. The mail order segment is likewise expected to contribute to sales growth due to intensified new customer acquisition.

From today's standpoint, the management board expects that the Group's operating result (EBIT) will remain approximately at the previous year's level. This forecast takes into account the continuation of the *multiwein* tests and the intensified acquisition of new customers in the mail order segment, which will place a burden on EBIT. In 2008, the management board expects EBIT to rise once again.

Given the assumptions for the EBIT, the pre-tax result for 2007 will not quite reach the level of 2006 due to a lower financial result. The tax rate on income, The tax rate on income – not taking into consideration one-off negative effects from corporate-tax reform in the area of deferred tax assets, which has not yet been passed – is expected to be 40 percent. Thus, a Group result of € 9.5 - 10.5 million can be assumed for 2007. The free cash flow for 2007 is expected to exceed € 10 million again.

In the first four months of 2007, early indicators such as the ifo business climate index and the GfK consumption climate index show that private consumption in Germany is reviving on a sustained basis. With regard to the wine market, an as-yet unpublished study by Vinexpo and the International Wine and Spirits Record posits a worldwide unbroken trend towards increased wine consumption until 2010, becoming even stronger in the higher price categories (from US$ 5.00 per bottle). The German wine market should also benefit from this, so that further positive stimuli for the demand for premium wines appear to be possible. Should the aforementioned trends actually manifest themselves and the improved consumer mood hold over the long term, there is a chance that the Hawesko Group may achieve sales growth that will already exceed the level expected in 2007. The company would thus be able to achieve an operating result in the current 2007 fiscal year higher than that for 2006.

Hawesko Holding AG

Profit and loss statement (i.a.w. IFRS)

(in € millions, rounding differences are possible)	1.1.–31.3 2007	1.1.–31.3. 2006
Sales revenue	**73.3**	**69.0**
Decrease (increase) in finished goods inventories	0.2	0.1
Other production for own assets capitalised	—	0.3
Other operating income	3.0	2.7
Cost of purchased goods	–45.2	–41.9
Personnel expenses	–7.0	–6.6
Depreciation and amortisation	–1.2	–1.1
Other operating expenses and other taxes	–21.2	–19.4
Result from operations (EBIT)	**2.0**	**3.0**
Financial result		
Interest earnings/expenditures	–0.4	–0.3
Earnings/expenses from the fair value evaluation	0.0	0.5
Investment income	—	0.0
Result from ordinary activities	1.6	3.3
Taxes on income and deferred tax expenses	–0.7	–1.3
Result after taxes	**1.0**	**1.9**
Profit due to minority interests	–0.1	–0.0
Consolidated earnings	**0.9**	**1.9**
Earnings per share (in €, basic)	0.11	0.22
Average number of shares in circulation (Numbers in thousands, basic)	8,806	8,806

Hawesko Holding AG **Consolidated balance sheet (as per IFRS)** (in € millions, unaudited, Rounding differences are possible)	31.3.2007	31.12.2006	31.3.2006
Assets			
Long-term assets			
Intangible fixed assets	10.3	10.6	9.3
Tangible assets	23.5	23.5	24.2
Financial assets	0.3	0.3	0.2
Advance payments for inventories	7.0	6.4	4.2
Receivables and other fixed assets	1.1	1.1	1.0
Deferred tax assets	14.6	15.3	18.3
	56.8	57.3	57.3
Current assets			
Inventories	62.0	61.2	55.1
Trade receivables	24.5	44.8	22.4
Other fixed assets	2.2	1.8	2.3
Accounts receivable from taxes on income	0.9	1.2	0.6
Cash in banking accounts and cash on hand	4.0	5.5	4.6
	93.7	114.5	84.9
	150.5	**171.9**	**142.2**
Liabilities			
Shareholders' equity			
Subscribed capital of Hawesko Holding AG	*13.2*	*13.2*	*13.2*
Group adjustment according to IFRS	*–4.4*	*–4.4*	*–4.4*
	8.9	8.9	8.9
Capital reserve	5.9	5.9	5.9
Revenue reserves	35.6	35.3	35.3
Balancing item from currency translation	–0.0	0.0	0.0
Unappropriated group profit	15.2	22.1	13.1
Minority interests	0.4	0.4	0.3
	66.0	72.5	63.5
Minority interests in the capital of unincorporated subsidiaries	2.9	2.9	3.0
Long-term provisions and liabilities			
Provisions for pensions	0.7	0.7	0.7
Other provisions	0.3	0.3	0.2
Borrowings	10.4	11.2	12.4
Advances received	7.6	7.4	2.3
Other liabilities	0.8	0.9	2.1
Deferred tax liabilities	0.3	0.4	0.7
	20.3	20.8	18.4
Short-term provisions and liabilities			
Other provisions	0.1	0.1	—
Borrowings	10.3	10.3	6.3
Advances received	3.1	3.7	1.6
Trade payables	30.4	43.5	28.7
Accounts payable from taxes on income	0.1	0.5	2.1
Other liabilities	17.4	17.6	18.4
	61.4	75.6	57.3
	150.5	**171.9**	**142.2**

Hawesko Holding AG

Consolidated Cash Flow Statement (as per IFRS)

(in € millions, unaudited, Rounding differences are possible)	1.1.–31.3. 2007	1.1.–31.3. 2006
Result before taxes on income	1.6	3.3
Depreciation of fixed assets	1.2	1.1
Interest result	0.3	–0.2
Result from the disposal of fixed assets	–0.0	–0.0
Change in inventories	–1.4	1.5
Change in other short-term assets	20.2	16.2
Change in provisions	–0.0	–0.1
Change in liabilities (excluding borrowings)	–21.6	–21.2
Taxes on income paid out	0.1	–0.4
Net inflow of payments from current operations	**0.5**	**0.2**
Outpayments for tangible and intangible assets	–0.9	–1.9
Outpayments for the purchase of securities and other financial assets	–0.0	—
Inpayments from the disposal of intangible and tangible assets	0.1	0.1
Inpayments from the disposal of financial assets	0.0	0.0
Net funds employed for investing activities	**–0.9**	**–1.8**
Outpayments for dividends	?	?
Outpayments to minority interests	?	?
Payment of finance lease liabilities	–0.2	–0.2
Change in other borrowings	–0.5	–0.3
Interest paid out	– 0.4	– 0.3
Outflow of net funds for financing activities	**–1.1**	**–0.9**
Net decrease of funds	**–1.5**	**–2.6**
Funds at start of period	5.5	7.2
Funds at end of period	**4.0**	**4.6**

Hawesko Holding AG

Consolidated statement of changes in equity

in € millions, unaudited, Rounding differences are possible	Subscribed capital	Capital reserve	Revenue reserves	Adjustments resulting from currency translation	Unappropriated group profit	Minority interests	Total
Status at 1 January 2006	8.9	5.9	33.0	0.0	22.4	0.3	70.4
Appropriation to revenue reserves	—	—	2.4	—	–2.4	—	—
Dividends	—	—	—	—	–8.8	—	–8.8
Currency translation differences	—	—	—	0.0	—	0.0	0.0
Period profit	—	—	—	—	1.9	0.0	1.9
Status at 31 March 2006	8.9	5.9	35.3	0.0	13.1	0.3	63.5
Status at 1 January 2007	8.9	5.9	35.3	0.0	22.1	0.4	72.5
Appropriation to revenue reserves	—	—	0.3	—	–0.3	—	—
Treasury shares	—	—	—	—	—	—	—
Dividends	—	—	—	—	–7.5	—	–7.5
Currency translation differences	—	—	—	–0.0	—	–0.0	–0.0
Period profit	—	—	—	—	0.9	0.0	1.0
Status at 31 March 2007	8.9	5.9	35.6	–0.0	15.2	0.4	66.0

Segments
(in € millions, rounding differences are possible)

1.1.–31.3.2007	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	**22.9**	**28.9**	**21.3**	**0.1**	**73.3**
Operating result (EBIT)	**1.7**	**1.4**	**–0.2**	**–0.9**	**2.0**

1.1.–31.3.2006	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	**22.0**	**24.9**	**22.1**	**0.1**	**69.0**
Operating result (EBIT)	**1.6**	**0.8**	**1.3**	**–0.7**	**3.0**

Appendix to the three-month report to 31 March 2007

General principles: This report was written in accordance with International Accounting Standard (IAS) 34 according to the requirements of the current guidelines of the International Accounting Standards Board (IASB), London. This report is unaudited.

Consolidation: The consolidated group of Hawesko Holding AG remains unchanged from that listed in the 2006 balance sheet.

Balance sheet and valuation principles: (1) The balance sheet and valuation methods used correspond as a rule to those applied in the last consolidated balance sheet at the end of the fiscal year. A detailed discussion of these methods was published in the annual report for 2006. In the present consolidated interim report the newly adopted supplements to the accounting standards as well as interpretations approved by the Council of the European Commission were applied. The application of these balance sheet and valuation regulations had no effect on the asset, finance, or earnings situation or cash flows of the Hawesko Group. (2) Cyclical events which occur during the year, insofar as they are important, are accrued based on corporate planning.

Other information: (1) Events of particular significance for the evaluation of the assets, finances and earnings of Hawesko Holding AG and the Group – as defined in IAS 10 – did not occur after the conclusion of the period under review. (2) No unforeseen development costs were incurred during the period under review. (3) The order situation remains satisfactory. (4) No changes have occurred in the composition of the management board to the date of the writing of this report. (5) The number of shares held by members of the supervisory board and the management board remains unchanged from 31 December 2006. (6) Hawesko Holding AG currently holds 26,996 treasury shares.

Other information	1.1.–31.3. 2007	1.1.–31.3. 2006
Employees (average during the period)	568	531

Calendar:

Annual general meeting	18 June 2007
Ex-Dividends	19 June 2007
Second quarter/Six-month report	27 July 2007
Third quarter/Nine-month-report	31 October 2007
Preliminary report on fiscal year 2007	End January 2008

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