

Hawesko Holding AG Hamburg

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Reuters HAWG.DE, Bloomberg HAW GR

Quarterly financial report to 31 March 2011

Hamburg, 12 May 2011

Highlights in € (millions)	1st quarter		+/-
	1/1/-31/3/ 2011	1/1/-31/3/ 2010	
Group sales	92.9	81.0	+14.8%
Result from operations (EBIT)	4.6	3.9	+16.3%
Consolidated earnings excluding non-controlling interests	2.9	2.3	+30.4%

Dear shareholders,

The recovery in Germany is continuing, and private consumption is becoming increasingly dynamic. In particular, the rising consumer confidence is good news for the Hawesko Group. Thus we can report a positive start to fiscal year 2011: in the first quarter sales rose by 15%, EBIT increased still further by 16% and earnings per share even climbed by 27%. With a – pleasing – increase of 13%, only the share price does not yet entirely reflect the good business performance of the first three months of the current fiscal year.

Moreover, these results were achieved without the classic Easter business; in contrast to the previous year, Easter was in late April. Thus it is even more remarkable that in both the stationary specialist retail (*Jacques' Wein-Depots*), and mail order segments sales were quite lively with increases of 3.2% and 6.7% respectively. Both sales channels are enjoying similar growth rates, as roughly half of the growth in mail order is due to our current pilot project in Sweden. We are already enjoying success there, though we are still in an early introductory phase in the Swedish market.

Our wholesale segment is continuing its initial success in the new fiscal year (after a lean period resulting from the financial crisis), with a robust 7% increase in domestic sales as well as with the phenomenal growth of our subsidiary *Château Classic*, which more than tripled its sales in the first quarter compared to the same period of the previous year and thus achieved the highest quarterly sales in its history. The sustained strong demand in the Far East for premium Bordeaux wines was the primary driver in this case. With percentual growth well in the double-digit range, our Swiss subsidiary *Globalwine* kept up with this pace as well.

This glimpse of the future gives us plenty of reason for optimism. During the current fiscal year, our primary objective is once again the further consistent expansion of our core business and the acquisition of another 200,000 new customers. In addition to the now traditional special promotions



throughout the year, we want to develop our collaboration with first-class partners, particularly with “Miles & More”, the frequent-flyer program of Deutsche Lufthansa AG. We will integrate our e-commerce more fully in the successful *Jacques*’ and mail order concepts and develop the Swedish operation to reach “critical mass” expeditiously. The foreign expansion of the Hawesko Group thus remains part of the agenda for 2011. However, we are not working under pressure; rather, we are pursuing a steady development strategy.

With regard to the year-end forecast for fiscal year 2011, we remain true to our conservative Hanseatic philosophy despite this year’s resounding initial success, and are not simply depending on the continuation of the first quarter’s positive development. From today’s standpoint we expect sales growth in the low- to mid-single-digit percentage range – but at the time of writing of this report, a sales increase at the upper end of this range appears more likely. Our investments for the future, particularly in Sweden, and the adaptation of the wholesale structures to the dimensions achieved in the past several years will require capital expenditure, so that we expect EBIT in 2011 to remain at approximately the level of 2010.

As the Hawesko Group has a very sound financial foundation and an equally sound equity base, we can once again share our success with you, our esteemed shareholders, in an appropriate manner in 2011. The management board and supervisory board will therefore propose to you at the annual general meeting on 20 June 2011 that a dividend per share of € 1.50 plus a bonus dividend of € 0.25 from the proceeds of the sale of the financial interest in *Majestic Wine PLC* be paid for fiscal year 2010.

Kind regards,

Alexander Margaritoff
CEO

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INTERIM MANAGEMENT REPORT

GENERAL SITUATION

The economic situation during the first quarter of 2011 was positive: Germany is experiencing an upswing. As the Deutsche Bundesbank wrote in its monthly report for April 2011, the economic recovery has gained new impetus. Job creation is still rising, unemployment declining, and the consumer climate has consequently continued to improve. The Munich-based ifo Institut für Wirtschaftsforschung wrote in its April 2011 climate indicator that the companies in Germany were very optimistic and the current business situation was the best in 20 years. However, according to ifo, the performance expectations have become somewhat more reserved due to the debt crisis in Europe, the catastrophes in Japan and the high oil prices. The consumer climate index published by the Gesellschaft für Konsumforschung (GfK) rose steadily between mid-2010 and March 2011; in April 2011 it fell slightly, and a further small decline is expected in May – but no slump in consumption is anticipated.

The Hawesko management board expects a lessening of the economic dynamism in 2011 and 2012, but positive development in private consumption, which will provide momentum for the wine market.

According to GfK, the German wine market grew by 0.3% in terms of volume and declined by 1.5% in terms of value in the first quarter of 2011.

BUSINESS PROGRESS

Financial performance

First quarter

During the period from January to March 2011, Group sales rose by 14.8% to € 92.9 million, up from € 81.0 in the same quarter of the previous year.

In the quarter under review, sales developed in the various business segments as follows: The stationary specialist wine retail segment (*Jacques' Wein-Depot*) achieved sales of € 26.0 million, an increase of 3.2% over the same quarter of the previous year (€ 25.2 million). The wholesale segment posted a strong increase in sales of 30.4% to € 40.8 million (previous year: € 31.3 million). The sales of the mail order segment increased from € 24.4 million in the same period of the previous year by 6.7% to € 26.0 million in the quarter under review.

After the difficulties caused by wintry roads in December of the past year, sales growth in the stationary specialist retail segment (*Jacques' Wein-Depot*) started off well in the new fiscal year in January and February. In contrast to 2010, the Easter holiday was in late April this year, so that it had no positive influence on sales in March. At the reference date at the end of the quarter, there were 275 depots, of which 271 were in Germany (reference date in the previous year: 268) and four in Austria (previous year: four). On a like-for-like basis, sales increased by 2.4% over the first quarter of 2010. Compared to this period, customer frequency in particular rose in the quarter under review, but the number of active customers also increased once again.

In the wholesale segment, sales again rose strongly compared to the previous year. This was due primarily to our French subsidiary *Château Classic*, which more than tripled sales in the first quarter (€ 9.0 million) compared to the same period in the previous year. In this case, the sustained high demand for premium Bordeaux wines in the Far East manifested itself. Domestic sales in Germany rose by a good 7%. Our Swiss subsidiary *Globalwine AG* posted strong growth in the double-digit percentage range.

Sales in the mail order segment rose by 6.7%, corresponding to € 26.0 million. Half of this rise is due to the pilot project for the Swedish market (*The Wine Company*) and half to the activities in Germany. At *Hanseatisches Wein- und Sekt-Kontor* the number of active customers increased. New customer acquisition was successful, remaining at the high level of the previous year. *Carl Tesdorpf – Weinhandel zu Lübeck* sharpened its focus on ultra-premium wines and rarities still further and increased sales by 6%. The *VinoSelect!* wine club program at *Hanseatisches Wein- und Sekt-Kontor* likewise continued its positive development with a rise of 7% in sales. The average number of bottles ordered increased. Sales achieved via the Internet increased once again throughout the entire first quarter of 2011, namely by 31% compared to the same quarter in the previous year, thus accounting for 23% of segment sales.

The consolidated gross profit rose by € 3.2 million to € 35.3 million in the first quarter, corresponding to a margin of 38.0% (previous year: 39.6%). Other operating income of € 4.2 million (same quarter in

the previous year: € 3.6 million) consisted primarily of rental and leasing income at *Jacques'* as well as advertising allowances. Personnel expenses increased in the first quarter in absolute terms by € 1.1 million; however, as a share of sales they declined by 0.1 percentage points to 9.9%. The cost increases – in addition to general wage increases – were due to the successive adaptation of the sales organisation in the wholesale segment to the dimensions achieved in recent years.

Other operating expenses compared to those of the previous year as follows:

In € millions	31/3/2011	31/3/2010
Advertising	7.4	6.5
Commissions	6.6	6.7
Shipping costs	3.3	2.8
Rent / Leasing	2.4	2.2
Other	4.8	4.1
	24.5	22.3

Advertising expenses amounted to 8.0% of sales, unchanged from the previous year. In contrast, expenditures for commissions decreased (7.1% compared to 8.2% in the previous year) – while shipping costs rose slightly (3.6% compared to 3.5% in the previous year). Overall, other operating expenses amounted to € 24.5 million (previous year: € 22.3 million): accounting for 26.3% of sales in the quarter under review, down from 27.6% in the same quarter of the previous year.

The consolidated operating result (EBIT) in the first quarter of 2011 was € 4.6 million (previous year: € 3.9 million). The EBIT margin, at 4.9%, remained at the level of the previous year. The individual contributions of the business segments to the result from operations were as follows: € 2.4 million (same quarter in the previous year: € 2.3 million) came from stationary specialist retailer (*Jacques' Wein-Depot*). At € 1.6 million, the operating result of the wholesale segment was double that of the previous year's period (€ 0.8 million), as the demand for premium Bordeaux wines has lost nothing of its global dynamism. In the mail order segment, on the other hand, the operating result declined slightly, from € 1.6 million to € 1.5 million, as the market launch in Sweden (*The Wine Company*) resulted in start-up losses, as expected.

The financial result was € –0.1 million, compared to € –0.6 million in the same quarter of the previous year; the interest expense included in this figure amounted to € 0.1 million, unchanged from the previous year. The application of the International Financial Reporting Standards (IFRS, primarily International Accounting Standards (IAS) 39 and 32) was reflected in the budget only in the first quarter of 2010 with € –0.4 million. The result before taxes on income was € 4.5 million (€ 3.4 million). Tax expenditures amounted to a rate of just under 32% (previous year: 33.2 %). Consolidated net income excluding non-controlling interests amounted to € 2.9 million (€ 2.3 million). The profit per share increased to € 0.33, up from € 0.26 in the previous year. This was based on the figure of 8,983,403 shares in the period under review (previous year: 8,834,834).

Net worth

The balance sheet total at 31 March 2011 was € 179.5 million, corresponding to a reduction of € 22.3 million compared to the total at 31 December 2010. The difference is due primarily to the decline in trade receivables – these decreased by € 16.8 million to € 29.9 million. (Trade receivables typically reach their highest level at 31 December.) Compared to the reference date of the previous year, 31 March 2010, when the balance sheet total amounted to € 153.3 million, the balance sheet total rose by € 26.2 million at the end of the first three months of 2011. The increase both in payments made and taken on account in conjunction with the Bordeaux subscriptions rose strongly, as the demand for the 2009 vintage was substantially stronger than that for the 2008 vintage. The working capital requirement at 31 March 2011 increased in comparison to the reference date in the previous year by € 7.8 million; the increase in sales into account compared to the previous year accounted for the change in inventory.

Total shareholders' equity declined by € 12.7 million compared to the end of 2010, due primarily to the reclassification of the funds for the proposed dividend as miscellaneous liabilities.

Financial position

Liquidity analysis

Due to the larger increase in inventory (€ 7.1 million), the cash flow from ongoing business activity for the three-month period was € –9.2 million, considerably lower than that of the previous year (€ –2.3 million). Due to the seasonal nature of the business, cash flow from ongoing business activity is usually negative in the first quarter of the fiscal year. The free cash flow of € –9.8 million at 31 March 2011 (previous year: € –3.8 million) was calculated from the net outflow of payments from current operations (€ –9.2 million), less funds employed for investment activities (€ –0.5 million) and interest paid out (€ –0.1 million).

Investment analysis

In the first three months of fiscal year 2011, investments amounted to € 0.5 million (same period of the previous year: € 1.4 million). These were related primarily to expansion and modernization in the stationary specialist retail segment as well as investments for software in the wholesale segment.

REPORT ON POST-BALANCE SHEET DATE EVENTS

Events of particular significance for the evaluation of the assets, finances and earnings of Hawesko Holding AG and the Group did not occur after the conclusion of the period under review.

REPORT ON OPPORTUNITIES AND RISK

There were no significant changes in the risks of Hawesko Holding AG compared to the situation described in the 2010 annual report. With regard to the opportunities, the Hawesko management board currently expects that the increased demand of the large Bordeaux customers may lead to additional sales growth of 1 to 2 percentage points.

REPORT ON EXPECTED DEVELOPMENTS

Outlook

The economic mood in Germany remains friendly and the worldwide demand for premium Bordeaux wines, dynamic. Thus, an even more favourable environment can be expected than that described in the 2010 annual financial report. The forecast of the Hawesko management board for fiscal year 2011 has not changed significantly – it assumes a sales increase over the previous year in the low- to mid-single-digit percentage range – but at the time of writing of this report, a sales increase at the upper end of this range appears more likely. The key figures for the first quarter of 2011 corroborate this estimate. However, the ongoing economic cycle and the development of the wine market segments served by the Hawesko Group are still subject to uncertainties until the end of the year. Business performance in the fourth quarter – like every year – is very important for the Hawesko Group. The management board therefore stands by its published forecast. With regard to the result from operations (EBIT), the management board expects a result for the full fiscal year 2011 on the order of the previous year (i.e. € 24–26 million); this includes in particular the start-up costs to continue the market entry test in Sweden as well as the costs to adapt the structures in the wholesale segment to the dimensions achieved in recent years. The financial result is expected to show a net expenditure below € 0.5 million (2010: net income of € 1.8 million after an extraordinary financial gain) and thus consolidated net income below that of 2010 (€ 20 million excluding non-controlling interests). The management board expects another increase in the EBIT and consolidated net income for 2012. Free cash flow is expected to be on the order of roughly € 15 million for 2011 and € 20 million for 2012.

Hawesko Holding AG

Profit and loss statement for the first three months of 2011 (as per IFRS)

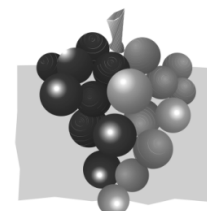
(in € millions, unaudited, rounding differences are possible)	1/1–31/3/ 2011	1/1–31/3/ 2010
Sales revenue	92.9	81.0
Decrease (increase) in finished goods inventories	0.2	–0.1
Other operating income	4.2	3.6
Cost of purchased goods	–57.6	–48.9
Personnel expenses	–9.2	–8.1
Amortisation of intangible assets and tangible assets	–1.5	–1.3
Other operating expenses and other taxes	<u>–24.5</u>	<u>–22.3</u>
Result from operations (EBIT)	4.6	3.9
Financial result		
Interest earnings/expenditures	–0.1	–0.1
Other financial result	<u>0.0</u>	<u>–0.4</u>
Result from ordinary activities	4.5	3.4
Taxes on income and deferred tax expenses	<u>–1.4</u>	<u>–1.1</u>
Consolidated net income	3.1	2.3
Profit due to non-controlling interests	<u>–0.1</u>	<u>0.0</u>
Consolidated net income excluding non-controlling interests	<u>2.9</u>	<u>2.3</u>
Earnings per share (in €, undiluted)	0.33	0.26
Earnings per share (in €, diluted)	–	0.25
Average number of shares in circulation (Numbers in thousands, undiluted)	8,983	8,835
Average number of shares in circulation (Numbers in thousands, diluted)	8,983	8,974

Hawesko Holding AG

Consolidated statement of comprehensive income *for the period from 1 January to 31 March*

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

	1/1–31/3/ 2011	1/1–31/3/ 2010
Consolidated net income	3.1	2.3
Result from financial instruments available for sale	—	1.0
Currency translation differences	–0.0	0.0
<u>Amounts recognised directly in equity</u>	–0.0	1.0
Overall result	3.0	3.3
<i>of which:</i> – allocable to shareholders of Hawesko Holding AG	2.9	3.2
– allocable to non-controlling interests	0.1	0.0



HAWESKO
HOLDING AG

Hawesko Holding AG

Consolidated balance sheet (as per IFRS)

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

Assets

Long-term assets

Intangible assets	11.3	11.4	11.7
Tangible assets	19.3	20.1	20.4
Other financial assets	0.3	0.3	6.4
Advance payments on stocks	18.9	15.9	3.2
Receivables and other assets	1.0	1.1	0.9
Deferred tax liabilities	<u>3.4</u>	<u>3.9</u>	<u>5.1</u>
	54.2	52.6	47.8

Short-term assets

Inventories	78.5	74.3	68.8
Trade receivables	29.9	46.7	25.1
Other assets	2.5	2.7	1.9
Receivables from taxes on income	1.0	0.8	0.9
Cash in banking accounts and cash on hand	<u>13.5</u>	<u>24.7</u>	<u>8.9</u>
	125.3	149.2	105.6

179.5 **201.8** **153.3**

Liabilities

Shareholders' equity

Subscribed capital of Hawesko Holding AG	13.7	13.7	13.5
Capital reserve	10.1	10.1	6.5
Retained earnings	52.3	47.3	47.1
Accumulated other equity	0.1	0.1	1.9
Unappropriated group profit	3.9	21.6	4.0
Shareholders' equity in Hawesko Holding AG	80.0	92.8	73.0
Non-controlling interests	<u>0.8</u>	<u>0.8</u>	<u>0.5</u>
	80.9	93.5	73.4

Long-term provisions and liabilities

Provisions for pensions	0.6	0.6	0.6
Other long-term provisions	0.3	0.3	0.2
Borrowings	2.8	2.9	5.5
Advances received	16.4	16.4	2.3
Other liabilities	0.1	0.1	0.0
Deferred tax liabilities	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
	20.6	20.6	8.9

Short-term provisions and liabilities

Minority interest in the capital of unincorporated subsidiaries	0.0	0.0	2.6
Borrowings	3.5	5.0	2.7
Advances received	4.0	5.1	2.8
Trade accounts payable	41.2	53.0	37.6
Income taxes payable	2.8	2.8	2.9
Other liabilities	<u>26.5</u>	<u>21.8</u>	<u>22.3</u>
	78.1	87.6	70.9

179.5 **201.8** **153.3**

Hawesko Holding AG

Consolidated Cash Flow Statement (as per IFRS)

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

	1/1–31/3/ 2011	1/1–31/3/ 2010
Result from ordinary activities	4.5	3.4
Depreciation of tangible and intangible assets	1.5	1.3
Financial result	0.1	0.6
Result from the disposal of intangible and tangible assets	–	–0.0
Change in inventories	–7.1	–0.8
Change in other short-term assets	16.6	17.5
Change in provisions	0.0	0.0
Change in liabilities (excluding borrowings)	–24.0	–23.5
Taxes on income paid out	<u>–0.7</u>	<u>–0.7</u>
Net outflow/inflow of payments from current operations	–9.2	–2.3
Outpayments for tangible and intangible assets	–0.5	–1.4
Inpayments from the disposal of intangible and tangible assets	–	0.0
Dividends received	–	<u>0.1</u>
Inflow/outflow of net funds from investing activities	–0.5	–1.3
Outpayments for dividends	–	–
Outpayments to minority interests	–0.0	–0.3
Payment of finance lease liabilities	–1.4	–0.3
Change in borrowings	0.0	0.3
Interest paid out and received	<u>–0.1</u>	<u>–0.2</u>
Net outflow of funds for financing activities	<u>–1.5</u>	<u>–0.5</u>
Net decrease/increase of funds	–11.2	–4.1
Funds at start of period	24.7	13.0
Funds at end of period	13.5	8.9

Hawesko Holding AG, Consolidated statement of changes in equity

	Subscribed capital	Capital reserve	Retained earnings	Balancing items from currency translation	Reserve for changes in value	Unappropri- ated group profit	Ownership interest of Hawesko Holding AG share- holders	Non- controlling interests	Total
Status at 1 January 2010	13.5	6.5	41.0	-0.0	1.0	19.7	81.7	0.5	82.2
Appropriation to retained earnings	—	—	6.1	—	—	-6.1	—	—	—
Dividends	—	—	—	—	—	-11.9	-11.9	-0.1	-12.0
Overall result	—	—	—	0.0	1.0	2.3	3.2	0.0	3.3
Status at 31 March 2010	13.5	6.5	47.1	0.0	1.9	4.0	73.0	0.5	73.4
Status at 1 January 2011	13.7	10.1	47.3	0.1	—	21.6	92.8	0.8	93.5
Appropriation to retained earnings	—	—	5.0	—	—	-5.0	—	—	—
Dividends	—	—	—	—	—	-15.7	-15.7	-0.0	-15.8
Overall result	—	—	—	-0.0	—	2.9	2.9	0.1	3.0
Status at 31 March 2011	13.7	10.1	52.3	0.1	—	3.9	80.0	0.8	80.9

Segment results for the first quarter

(in € millions, unaudited, rounding differences possible)

1/1–31/3/2011	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	26.0	40.8	26.0	0.0	92.9
Operating result (EBIT)	2.4	1.6	1.5	–0.8	4.6
1/1–31/3/2010	Specialist retail	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	25.2	31.3	24.4	0.0	81.0
Operating result (EBIT)	2.3	0.8	1.6	–0.8	3.9

Appendix to the quarterly financial report to 31 March 2011

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 and the German Accounting Standard (DRS) 16. The standards and interpretations valid from 1 January 2011 have been applied.

This quarterly financial report does not contain all of the information and data required for consolidated financial statements and is therefore to be read in conjunction with the consolidated financial statements for 2010.

The interim financial statement and interim management report have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

Consolidation: The consolidated group of Hawesko Holding AG remains unchanged from that listed in the 2010 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 2010. (2) With respect to the content regarding new standards and interpretations as well as changes in existing standards, please refer to the comments on pages 70 to 72 in the 2010 annual report. The application of the revised standards and interpretations has no significant influence on the net worth, financial situation, earnings or cash flow of the Hawesko Group. (3) Cyclical events which occur during the year, insofar as they are important, are delimited based on corporate planning.

Other information: (1) *Events after the conclusion of the reporting period:* 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) *Resolution for the appropriation of earnings for 2010:* It will be proposed to the annual general meeting of shareholders on 20 June 2011 to appropriate the unappropriated earnings reported in the annual accounts of Hawesko Holding AG of € 16,768,115.07 as follows: a) Payout of a regular dividend of € 1.50 as well as a bonus dividend of € 0.25, i.e. a total dividend of € 1.75 per entitled share. With a total number of 8,983,403 shares entitled to dividends, this amounts to a total of € 15,720,955.25. b) The remaining amount of € 1,047,159.82 will be carried forward to new account. (3) *No unforeseen development costs* were incurred during the period under review. (4)



The order situation remains satisfactory. (5) No changes have occurred in the *composition* of the management board or the supervisory board to the date of the writing of this report. (6) *Business with closely associated persons*: As disclosed in the Notes to the financial statements for 2010 under point 44, the management board and the supervisory board are considered to be closely associated persons in the sense of IAS 24.5. Material changes since the closing date of the annual accounts have not taken place. Important business transactions were not conducted with closely associated persons in the reporting period. The number of shares and/or the number of votes held by members of the supervisory board and the management board have not changed since 31 December 2010. (7) *Treasury shares*: Hawesko Holding AG holds no treasury shares as of the date of writing of this report.

Other information	1/1–31/3/ <u>2011</u>	1/1–31/3/ <u>2010</u>
Employees (average during the period)	712	661

Calendar:

Annual shareholders' meeting 2011	20 June 2011
Quarterly financial report to 30 June 2011	4 August 2011
Quarterly financial report to 30 September 2011	4 November 2011
Preliminary key figures for fiscal year 2011	Early February 2012

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