Hawesko Holding AG
Hamburg

ISIN DE0006042708
Reuters HAWG.DE, Bloomberg HAW GR

Quarterly financial report to 31 March 2014

Hamburg, 15 May 2014

Highlights
in € (millions)

	1st quarter		
	1.1.–31.3. 2014	1.1.–31.3. 2013	+/–
Consolidated sales	**108.0**	**103.0**	**+4.8%**
Result from operations (EBIT)	**3.8**	**3.4**	**+12.8%**
Consolidated net income excluding non-controlling interests	**2.5**	**2.2**	**+15.0%**

Dear shareholders,

"The German economy experienced very strong growth in the first quarter of 2014." And the industrial sector "considerably increased its output"! In view of the "extraordinarily favourable consumption climate", the domestic economy is driving the upswing in Germany. When was the last time we heard such messages from the Deutsche Bundesbank? The already positive business development in trade and industry continued to improve slightly in April and German companies are still hiring, as the ifo Institute for Economic Research helpfully adds.

We are happy to join in with such positive news: the Hawesko Group was pleased with the good first quarter of 2014, despite Easter being in the second quarter this year, compared to 2013 when the Easter business took place during the first three months of the year. And now for the second piece of good news: all three segments grew, thus increasing Group sales by 4.8% to € 108 million. *Jacques' Wein-Depot* – where the Easter business is particularly significant – grew by 2.7%, while the mail order and wholesale segments each grew by 5.6%.

And since all good things come in threes, we can also report that EBIT rose by a proportionately higher 12.8% to € 3.8 million. In this case the degression of fixed costs and the initial success of our anniversary activities had a noticeable impact. For example, the *Hanseatisches Wein- und Sekt-Kontor* successfully staged "Champagne's Revenge". To view this event, go to http://www.youtube.com/watch?v=uQKE1hs0os8&list=UUxYmrcSxSQiKDvMFLautXNQ . Awards such as the Berlin Wine Trophy prizes for "Best Specialist Dealer Online" and "Best Italian Importer", which our mail order segment recently won, help us as well. And of course we are continuing the anniversary campaigns at *Jacques'* and *Hanseatisches Wein- und Sekt-Kontor.* However, most of the anniversary events for *Jacques'* will take place in the later part of the year. Business performance in the wholesale segment was split in the first quarter of 2014 for the reasons already familiar to you. Robust domestic growth was offset by the costs of foreign activities. We are winding down *Château Classic* as planned and consistently developing the business operations in Switzerland to facilitate high organic growth. This will initially result in some additional costs.

Currently, we are monitoring increased activity on the part of several start-up companies that are trying to enter the e-commerce market for wine at great expense. We are counteracting this with our experience in direct marketing and our large customer base, our outstanding business relationships in the world of wine and our expertise. After all, that's how we became the world's largest online wine merchant! Even though it initially appears to be easy to sell wine profitably, which is why many try it, success over the long term is achieved only with many years of outstanding competence. And you can't just buy that at will. So we remain unruffled, pursuing the continuing integration of the sales channels in e-commerce and consistently developing and utilising new paths to our customers. We are focussing our efforts on further growth under our own power, but are also keeping an eye out for appropriate acquisitions.

In summary, I can say that the first quarter of the year has fully met our expectations, enabling us to reaffirm our forecast goals for the full fiscal year 2014. With an increase in consolidated sales of one to two percent, we want to achieve EBIT of € 27–28 million. Dear shareholders, join us in looking forward to the coming months!

Best regards,

Alexander Margaritoff
CEO

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INTERIM MANAGEMENT REPORT

GENERAL SITUATION

The economic situation in the first quarter of 2014 is considered very good: according to the April report of the Deutsche Bundesbank, the first-quarter growth of the German economy in 2014 was expected to be very strong. A major reason cited for this is that after the boost in orders in the fourth quarter of 2013, German industry considerably increased its output, and the construction industry in particular benefited from the unusually mild winter. The economic upswing in the German economy also showed in a strong increase in imports and noticeably higher employment figures. The employment market also benefited from the revitalised economy and the favourable weather conditions. The GfK consumption climate index points in the same direction: the mood of the consumers was strongly positive in both March and April. Income expectations are at their highest since market research started for reunified Germany in 1991.

With this in mind, the Hawesko management board anticipates a positive consumer mood as well as favourable economic dynamics for the current fiscal year, from which the wine market should benefit as well.

BUSINESS PERFORMANCE

The comparable figures have been restated in accordance with the early application of IFRS 11; cf. Note 2 in the consolidated financial statements.

Financial performance

First quarter

In the period from January to March 2014, sales of the Hawesko Group at € 108.0 million, up by 4.8% from the previous year (€ 103.0 million).

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 € 29.5 million, an increase of 2.7% over the corresponding period of the previous year (€ 28.7 million). The wholesale segment increased its sales by 5.6% from € 38.2 million to € 40.4 million, while sales in the mail order segment likewise rose by 5.6% from € 36.1 million to € 38.1 million.

Jacques' Wein-Depot posted high growth rates in January and February, even without the special offers for its 40th anniversary, which it is celebrating this year. The milder weather, after the harsh winter of the previous year, may have contributed to this. In March, on the other hand, the previous year's stimulus from the Easter business was missing, as Easter came later in the year under review. At the end-of-the-quarter reporting date, there were 285 *Jacques' Wein-Depots*, of which 282 were in Germany (previous year: 279) and three in Austria (previous year: four). On a like-for-like basis, sales increased by 1.9% over the first quarter of 2013. Compared to this period, customer frequency rose in the quarter under review. The number of active customers rose once again.

In the wholesale segment, sales were up from the previous year thanks to the favourable business climate in Germany and the expanded operations in Switzerland. Domestic sales in Germany rose by a good 5% in the quarter under review (adjusted for deliveries of the premium Bordeaux wines sold *en primeur*). Sales in Switzerland rose as well: the initial consolidation of *Vogel Vins SA* as of 1 February 2013 provided a more favourable basis for comparison, and sales increased via organic growth as well.

In the mail order segment, sales rose primarily due to the increased sales at *Hanseatisches Wein- und Sekt-Kontor* which is celebrating its 50th anniversary this year and has sent out a special catalog for this occasion. The response has been very positive. New customer acquisition did not quite reach the high level of the previous year. The average number of bottles ordered rose slightly. Our subsidiaries *Wein & Vinos,* which focuses on Spanish wines, and *The Wine Company,* which serves the Swedish market, posted sales at the level of the previous year. *Carl Tesdorpf – Weinhandel zu Lübeck* had lower sales due to the decline in the subscription wines in the quarter under review, but adjusted for this effect, the company increased its normal business by focussing on even higher-quality wines and rarities. The proportion of sales via the Internet rose to just under 44% of segment sales, up from 43% of segment sales in the previous year.

Consolidated gross profit rose by € 1.8 million to € 44.6 million in the first quarter, corresponding to a margin of 41.3% (previous year: 41.5%). Other operating income of € 4.1 million (same quarter of the previous year: € 4.0 million) consisted for the most part of rental and leasing income at *Jacques'* as well advertising allowances. Personnel expenses increased by € 0.6 million in the first quarter and accounted for 11.6% of sales as in the previous year.

Other operating expenses compared to those of the previous year as follows (rounding differences are possible):

In € (millions)	31.3.2014	31.3.2013
Advertising	9.6	9.2
Commissions to partners	7.6	7.2
Delivery costs	4.9	4.6
Rental and leasing	2.8	2.7
Other	5.8	5.9
	30.7	29.6

Advertising expenses rose by € 0.4 million compared to the same period in the previous year, amounting to 8.9% of sales as in the previous year. Expenditures for commissions likewise remained at the previous year's level of 7.0% of sales, while delivery costs remained at 4.5%. Overall, other operating expenses and other taxes amounted to € 30.7 million (previous year: € 29.6 million), accounting for 28.4% of sales in the quarter under review, after 28.8% in the same quarter of the previous year.

The consolidated operating result (EBIT) in the first quarter of 2014 was € 3.8 million (previous year: €3.4 million). At 3.5%, the EBIT margin was up from the previous year's level of 3.3%. The individual contributions of the business segments to the result from operations were as follows: Specialist wine-shop retailing *(Jacques' Wein-Depot)* contributed € 2.3 million (same quarter in the previous year: € 2.4 million). The operating result in the wholesale segment amounted to € 0.5 million (€ 0.7 million). The mail order segment posted an operating result amounting to € 2.2 million, improved by one third from the previous year (€ 1.6 million).

The financial result includes the result for the participating interests reported using the equity method, amounting to € –0.3 million overall, as in the previous year. Earnings before taxes amounted to € 3.5 million (€ 3.1 million). Tax expenditures amounted to a rate of 31.2% (previous year: 30.2%). Consolidated net income attributable to the shareholders of Hawesko Holding AG amounted to € 2.5 million (€ 2.2 million). The profit per share thus increased to € 0.28, up from € 0.24 in the previous year. This was based on the figure of 8,983,403 shares in the reporting period (unchanged from the previous year).

Net worth

The balance sheet total at 31 March 2014 was € 211.6 million, corresponding to a reduction of € 22.6 million compared to the total at 31 December 2013. The trade receivables declined as expected by € 16.0 million to € 32.5 million. (Trade receivables typically reach their highest level at 31 December.) The working capital requirement at 31 March 2014 decreased in comparison to the reference date in the previous year, due primarily to reduced inventories.

Total shareholders' equity declined by € 12.4 million compared to the end of 2013, as the funds for the proposed dividends were rebooked into other liabilities.

Financial performance

Liquidity analysis

At € –9.4 million, cash flow from current operations in the three-month period remained at the level of the previous year (€ –9.0 million) for the Hawesko Group. 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.
In the first three months of 2014, investments in tangible and intangible assets amounted to € 0.9 million (same period of the previous year: € 1.0 million).

Free cash flow (the sum of the cash flows from ongoing business activity and investments minus interest payments), at € –10.4 million, improved compared to the previous year (€ –12.3 million) due to the acquisition of *Vogel Vins* (Switzerland) in the first quarter of 2013.

Investment analysis

Investments were divided into those in intangible assets (€ 0.3 million, as in the previous year), which were related primarily to software in the mail order segment (online shop) and wholesale, and those in tangible assets of € 0.6 million (previous year: € 0.7 million). The latter were related primarily to the expansion and modernisation of the depots in the stationary specialist retail segment as well as the investments for expansion and replacement equipment in the mail order and wholesale segments.

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 and opportunities of Hawesko Holding AG compared to the situation described in the 2013 annual report.

REPORT ON EXPECTED DEVELOPMENTS

Outlook

There were no significant changes in the forecast for fiscal year 2014 of the Hawesko management board compared to the situation described in the 2013 annual report. The general economic and business conditions in Germany are still deemed good. The Hawesko management board notes that the financial figures for the first quarter of 2014 are within expectations. For the full fiscal year 2014, the board anticipates an increase in sales in the order of magnitude of 1–2% compared to the previous year (€ 465 million), despite structurally negative effects on sales totalling € 13 million. A proportionately higher increase in EBIT to € 27–28 million is forecast for 2014 (previous year: € 22.6 million). Even though a lower financial result is anticipated, consolidated net income is expected to be in the range of € 17 million. The management board expects free cash flow to be on the order of € 17–22 million for 2014.

Hawesko Holding AG

Profit and loss statement for the first quarter of 2013 (as per IFRS)

(in € millions, unaudited, rounding differences possible)	1.1.–31.3. 2014	1.1.–31.3. 2013
Sales revenues	**108.0**	**103.0**
Decrease (increase) in finished goods inventories	0.1	–0.1
Other operating income	4.1	4.0
Cost of purchased goods	–63.3	–60.2
Personnel expenses	–12.6	–12.0
Depreciation and amortisation	–1.7	–1.7
Other operating expenses and other taxes	–30.7	–29.6
Result from operations (EBIT)	**3.8**	**3.4**
Financial result		
Interest earnings/expenditures	–0.2	–0.2
Other financial result	–0.1	–0.1
Investment income	0.0	0.1
Earnings before taxes	3.5	3.1
Taxes on income and deferred tax	–1.1	–0.9
Consolidated net income	**2.4**	**2.2**
of which attributable		
– to the shareholders of Hawesko Holding AG	2.5	2.2
– to non-controlling interests	–0.1	–0.0
Earnings per share(in €, undiluted = diluted)	0.28	0.24
Average number of shares in circulation (Numbers in thousands, undiluted = diluted)	8,983	8,983

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Hawesko Holding AG

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

(in € millions, unaudited, rounding differences are possible)	1.1.–31.3. 2014	1.1.–31.3. 2013
Consolidated net income	**2.4**	**2.2**
Amounts that will not be recognised as profit or loss in the future		
Actuarial gains and losses from defined benefit plans, including deferred tax	—	—
Amounts that may be recognised as profit or loss in the future		
Effective portion of losses from cash flow hedges including deferred tax	0.0	0.0
Currency translation differences	0.0	—
Other comprehensive income	**0.0**	**0.0**
Total comprehensive income	**2.5**	**2.2**
of which attributable		
– to the shareholders of Hawesko Holding AG	2.5	2.2
– to non-controlling interests	–0.1	0.0

Hawesko Holding AG
Consolidated balance sheet (as per IFRS)

(in € millions, unaudited, rounding differences are possible)	31.3.2014	31.12.2013	31.3.2013
Assets			
Long-term assets			
Intangible assets	33.7	34.2	35.6
Tangible assets	21.4	21.8	20.9
Investments accounted for using the equity method	0.5	0.5	0.9
Other financial assets	0.2	0.2	0.2
Advance payments on stocks	6.7	4.9	7.9
Receivables and other assets	1.2	1.2	1.1
Deferred tax liabilities	2.0	1.9	2.3
	65.7	64.7	68.9
Short-term assets			
Inventories	97.3	95.8	107.8
Trade receivables	32.5	48.5	32.6
Receivables and other assets	6.2	5.2	5.3
Receivables from taxes on income	1.3	1.3	2.2
Cash in banking accounts and cash on hand	8.6	18.8	7.1
	145.9	169.5	154.9
	211.6	**234.3**	**223.8**
Liabilities			
Shareholders' equity			
Subscribed capital of Hawesko Holding AG	13.7	13.7	13.7
Capital reserve	10.1	10.1	10.1
Retained earnings	53.0	53.5	53.5
Other reserves	–0.1	–0.1	–0.2
Unappropriated group profit	–4.3	7.5	–6.5
Shareholders' equity in Hawesko Holding AG	**72.4**	**84.7**	**70.6**
Non-controlling interests	7.3	7.4	7.8
	79.7	**92.1**	**78.4**
Long-term provisions and liabilities			
Provisions for pensions	0.9	0.9	0.9
Other long-term provisions	1.1	1.7	0.5
Borrowings	6.9	7.6	12.0
Advances received	3.4	2.6	4.4
Other liabilities	0.0	0.0	0.0
Other financial liabilities	12.8	12.7	16.4
Deferred tax liabilities	1.0	0.9	1.1
	26.1	26.3	35.4
Short-term provisions and liabilities			
Non-controlling interests in the capital of unincorporated subsidiaries	0.0	0.0	0.0
Borrowings	15.5	14.6	18.1
Advances received	5.8	6.6	12.8
Trade accounts payable	53.4	67.7	50.7
Income taxes payable	1.4	1.5	1.0
Other liabilities	29.7	25.4	27.4
	105.8	115.8	110.0
	211.6	**234.3**	**223.8**

The previous year's figures were adjusted to conform with the 2013 consolidated balance sheet.

Hawesko Holding AG

Consolidated Cash Flow Statement (as per IFRS)

(in € millions, unaudited, rounding differences are possible)	1.1.–31.3. 2014	1.1.–31.3. 2013
Earnings before taxes	3.5	3.1
Depreciation and amortisation of intangible and tangible assets	1.7	1.7
Interest result	0.3	0.3
Result from the disposal of intangible and tangible assets	0.0	0.0
Result from companies reported using the equity method	–0.0	–0.1
Dividend payments received	0.0	—
Change in inventories	–3.3	–7.0
Change in receivables and other assets	15.0	22.2
Change in provisions	-0.5	0.2
Change in liabilities (excluding borrowings)	–25.0	–28.4
Taxes on income paid out	–1.2	–1.1
Net outflow of payments from current operations	**–9.4**	**–9.0**
Acquisition of subsidiaries net of cash acquired	—	–2.2
Outpayments for intangible and tangible assets	–0.9	–1.0
Inpayments from the disposal of intangible and tangible assets	0.1	0.0
Inpayments from the disposal of financial assets	0.0	0.0
Net funds employed for investing activities	**–0.8**	**–3.1**
Outpayments for dividends	—	—
Outpayments to minority interests	—	—
Payment of finance lease liabilities	–0.1	–0.1
Change in short-term borrowings	0.9	8.6
Repayment of medium- and long-term borrowings	–0.6	–0.6
Interest received	0.0	0.0
Interest paid out	–0.2	–0.2
Inflow of net funds from financing activities	**0.1**	**7.8**
Net decrease/increase of funds	**–10.1**	**–4.4**
Funds at start of period	18.8	11.5
Funds at end of period	**8.6**	**7.1**

Hawesko Holding AG, Consolidated statement of changes in equity

	Subscribed capital	Capital reserve	Retained earnings	Other reserves			Unappropriated group profit	Ownership of interest of Hawesko Holding AG shareholders	Non-controlling interests	Total
				Balancing items from currency translation	Revaluation components of pension obligations	Reserve for cash flow hedge				
Status at 1 January 2013	13.7	10.1	47.8	0.1	0.0	–0.3	11.8	83.2	6.5	89.7
Appropriation to retained earnings	—	—	5.7	—	—	—	–5.7	—	—	—
Consolidation changes	—	—	—	—	—	—	—	—	1.3	1.3
Dividends	—	—	—	—	—	—	–14.8	–14.8	—	–14.8
Consolidated net income	—	—	—	—	—	—	2.2	2.2	–0.0	2.2
Other result	—	—	—	–0.0	—	0.1	—	0.0	0.0	0.1
Deferred tax on other result	—	—	—	—	—	–0.0	—	–0.0	—	–0.0
Status at 31.03.2013	13.7	10.1	53.5	0.0	0.0	–0.2	–6.5	70.6	7.8	78.4
Status at 1 January 2014	13.7	10.1	53.5	0.0	0.0	–0.1	7.5	84.7	7.4	92.1
Withdrawal from retained earnings	—	—	-0.5	—	—	—	0.5	—	—	—
Dividends	—	—	—	—	—	—	–14.8	–14.8	—	–14.8
Consolidated net income							2.5	2.5	–0.1	2.4
Other result	—	—	—	0.0	—	0.0	—	0.0	0.0	0.0
Deferred tax on other result	—	—	—	—	—	–0.0	—	–0.0	—	–0.0
Status at 31 March 2014	13.7	10.1	53.0	0.0	0.0	–0.1	–4.3	72.4	7.3	79.7

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Segment results for the first quarter (in € millions, unaudited, rounding differences possible)					
1.1.–31.3.2014	Specialist retailing	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	**29.5**	**40.4**	**38.1**	**0.0**	**108.0**
Operating result (EBIT)	**2.3**	**0.5**	**2.2**	**–1.2**	**3.8**
1.1.–31.3.2013	Specialist retailing	Wholesale	Mail order	Miscellaneous/ Consolidation	Group
External sales	**28.7**	**38.2**	**36.1**	**0.0**	**103.0**
Operating result (EBIT)	**2.4**	**0.7**	**1.6**	**–1.3**	**3.4**

The comparable figures have been restated in accordance with the early application of IFRS 11; cf. Note 2 to the consolidated financial statements.

Notes to the quarterly financial report to 31 March 2014

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 2014 have been applied to the interim financial statement.

The present quarterly financial report does not contain all of the information and data required for a consolidated financial statement and is therefore to be read in conjunction with the consolidated financial statements for 2013.

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 2013 consolidated financial statements.

Accounting and valuation principles: (1) The accounting and valuation methods used correspond as a rule to those applied in the last consolidated financial accounts at the end of the fiscal year. A detailed discussion of these methods was published in the annual report for 2013. (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 64 to 65 in the 2013 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 end of the reporting period. (2) *Resolution for the appropriation of earnings for 2013:* The proposal will be made to the annual general meeting of shareholders on 16 June 2014 that the unappropriated earnings reported in the annual accounts of Hawesko Holding AG of € 15,093,751.42 should be appropriated as follows: (a) Payout of a dividend of €1.65 per entitled share. With a total number of 8,983,403 shares entitled to dividends, this amounts to a total of € 14,822,614.95. b) The remaining amount of € 271,136.47 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 2013 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 2013. (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. 2014	1.1.–31.3. 2013
Employees (average during the period)	905	890

Financial calendar:

Annual shareholders' meeting 2014	16 June 2014
Half-year financial report to 30 June 2014	6 August 2014
Quarterly financial report to 30 September 2014	6 November 2014
Press release with preliminary figures for 2014	Early February 2015

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