INTERIM PROFIT ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010
## INTERIM PROFIT ANNOUNCEMENT
for the six months ended 31 December 2010

### Unaudited Six months ended 31 December

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>% Change</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>R'000</td>
<td>R'000</td>
<td></td>
<td>R'000</td>
</tr>
<tr>
<td></td>
<td>360 048</td>
<td>395 271</td>
<td>(8,9)</td>
<td>728 994</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(230 249)</td>
<td>(245 886)</td>
<td>(451 998)</td>
<td></td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>129 799</td>
<td>149 385</td>
<td>(13,1)</td>
<td>276 996</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>5 838</td>
<td>10 687</td>
<td></td>
<td>16 591</td>
</tr>
<tr>
<td><strong>Other gains and losses – net</strong></td>
<td>6 692</td>
<td>3 397</td>
<td></td>
<td>28 650</td>
</tr>
<tr>
<td><strong>Promotion, marketing and distribution expenses</strong></td>
<td>(96 848)</td>
<td>(89 859)</td>
<td>(169 317)</td>
<td></td>
</tr>
<tr>
<td><strong>Operational and administrative expenses</strong></td>
<td>(40 154)</td>
<td>(38 826)</td>
<td>(91 765)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>5 327</td>
<td>34 784</td>
<td>(84,7)</td>
<td>61 155</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>6 482</td>
<td>5 681</td>
<td></td>
<td>16 548</td>
</tr>
<tr>
<td><strong>Finance cost</strong></td>
<td>(337)</td>
<td>(1 607)</td>
<td>(2 018)</td>
<td></td>
</tr>
<tr>
<td><strong>Share of post tax profits/(losses) of associates</strong></td>
<td>2 886</td>
<td>1 756</td>
<td>(1 892)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td>14 358</td>
<td>40 614</td>
<td></td>
<td>73 793</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(3 993)</td>
<td>(11 340)</td>
<td>(9 919)</td>
<td></td>
</tr>
<tr>
<td><strong>Profit from continuing operations</strong></td>
<td>10 365</td>
<td>29 274</td>
<td>(64,6)</td>
<td>63 874</td>
</tr>
</tbody>
</table>

### Adjusted for:

- Profit on sale of property, plant and equipment | (4 588) | (739) | (10 054) |
- Loss on available-for-sale of investment | – | – | 2 472 |
- Loss on sale of joint-venture company | – | – | 958 |
- Reversal of tax provision in prior years on sale of subsidiary | – | – | (2 310) |
- Capital distribution received from the KWV Share Incentive Trust | – | – | (3 668) |

**Headline earnings from continuing operations** | 5 777 | 28 535 | (79,8) | 51 272 |

### Number of shares

- issued | `000 | `000 | `000 |
- used in the calculation of earnings per share | 68 538 | 68 473 | 68 526 |
- 68 537 | 55 380 | 61 885 |

### Earnings per share: continuing operations

- Attributable earnings | Cents | Cents | Cents |
- Headline earnings | 15,1 | 52,9 | (71,5) | 103,2 |
- (83,7) | 82,9 |

### Dividend per share (declared after year-end)

- – | – | 34,0 |
OPERATING RESULTS

The sales volumes for the six months under review decreased by 0.3%, but revenues decreased by 8.9%.

From a product point of view the decline in sales of wine (22.1%) stemmed from two main sources. In the first place the group took a strategic decision to increase selling prices on non-profitable product lines in the United Kingdom (UK). This market is extremely price sensitive and volumes and revenues dropped significantly by almost 80%. Secondly the bulk of the group's wine sales are exported and although volumes were largely maintained the strengthening of the rand impacted negatively on revenue.

Sales of spirits were also disappointing with growth of only 1.1%, mainly because of a significant decrease in the sale of matured bulk brandy.

Other sales relate mainly to contract bottling and the production and bottling of other spirits brands that KWV performs. These sales grew strongly from a relatively low base and improved capacity utilisation.

The above factors are also visible in the regional sales. Lower volumes in the UK and stable volumes in the rest of Europe, coupled with a weak euro, resulted in a decline of 25.6% in revenue from Europe and the UK. Furthermore, decreased sales of matured bulk brandy were the main cause of the 2.7% decline in revenues from South Africa.

With revenue declining while volumes remained flat, and combined with continued cost pressure, the gross profit margin has declined from 37.8% to 36.1% for the six-month period under review. As a result gross profit from continuing operations declined by 13.1% to R129.8 million.

Administrative and operational expenses were well contained and grew by only 3.4%; and continued investment in the group's brands are reflected in the 7.8% increase in selling and promotional expenses.

The above resulted in a loss of R7.2 million from the group's core wine and spirits business (2009: a profit of R20.7 million). However, other income and gains, mainly consisting of the profit on sale of assets, rental and dividend income and foreign exchange profits, lifted operating profit to R3.3 million. This represents a decline of 84.7% against the operating profit of the comparative period.

Increased finance income, an improved performance from associates and a lower tax burden lifted profit for the period to R10.4 million.

The headline earnings from continuing operations for the period under review amounted to R5.8 million (8.4 cents per share), a 79.8% decline from the R28.5 million profit of the comparative six months.

PROSPECTS

KWV's export market focus over the past six months has still been weighted heavily towards conventional, developed economies in Europe and North America, where volumes are starting to stabilise again, although consumers continue to trade down. With its focus shifting towards emerging markets in the Far East, Africa and especially South Africa, KWV is aiming for more lucrative volume growth and better hedging against the exchange rate, which has a major impact on the business, and on the entire wine industry.

Global economic growth expectations have been adjusted downward for 2011, and the rand is expected to remain stronger for longer. With modest demand-side recovery under way, KWV's portfolio of premium wines remains under pressure. In the local market, the brandy category has been in decline for several years, and despite the fact that KWV's footprint continues to grow, this is a concern for the entire category. South African consumers in the high priced wine category are showing more confident buying patterns, especially in red wines, which are expected to improve modestly.

KWV's strong balance sheet provides adequate support for its future plans and the group is well positioned to improve on its disappointing performance and grow its business in developing markets over the next few years.

INTERIM FINANCIAL REPORT

The interim financial report was approved by the directors on 22 February 2011 and will be posted to shareholders and updated to the website during March 2011.

Signed on behalf of the board of directors

Thys du Toit
Chairman
Paarl
22 February 2011

Thys Loubser
Chief Executive Officer
Directors
MM du Toit (Chairman), MJ Loubser (Chief executive officer), AE vZ Botha,
JA Copelyn, Ms FA du Plessis, NL Ellis, MJA Golding, MN Joubert,
KI Mampeule, Ms KR Moloko, A van der Veen, Prof LA van Dyk

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