ANDRÉS WINES LTD .

Management Report and Interim Consolidated Financial Statements

For the three & nine months ended December 31, 2004

Third Quarter Report 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis provides a review of corporate and market developments, results of operations and financial position for the three and nine months ended December 31, 2004 and 2003. This discussion should be read in conjunction with the financial statements and notes for the period as well as management's discussion and analysis for the years ended March 31, 2004 and 2003 contained in the Company's fiscal 2004 Annual Report. Certain statements in this discussion could be considered as forward-looking information. This information is subject to risks and uncertainties that could cause actual results to differ materially from comments made in this management's discussion and analysis. These risks and uncertainties are discussed elsewhere in this document and in other securities regulatory filings. Information contained in this management's discussion and analysis is based on information available to management as of January 21, 2005.

Overview

Andrés Wines Ltd. ('Andrés') is a producer and marketer of quality wines and wine products, with winery operations in Nova Scotia, Ontario and British Columbia, and vineyards in Ontario's Niagara Peninsula and British Columbia's Okanagan Valley. Andrés produces award-winning wines under Peller Estates, Trius, Hillebrand Estates and many other brands. With a focus on serving the needs of all wine consumers, the Company markets products for home winemakers through Winexpert and Vineco International Products. The Company's products are sold predominantly in Canada.

Over the past ten years, Andrés has taken decisive steps to increase its focus on the premium and ultra-premium segments of the Canadian wine market. The Company believes this segment of the wine market is growing in Canada, and such products generate higher sales and increased profitability compared to lower-priced table wines. The Company continues to produce and market a number of popular-priced table wines including Hochtaler, Domaine D'Or, Franciscan and Similkameen. Andrés also produces a number of award-winning products under its Winexpert Inc. and Vineco International brands for the growing consumer-made wine business.

Andrés mission is to build sales volumes of its premium and ultra-premium brands by delivering to its customers and consumers the highest quality wines at the best possible value. To meet this goal, the Company is investing in continuing improvement in both its winemaking capabilities and in the quality of its grapes and wines. The Company is focused on initiatives to reduce costs and enhance its production efficiencies. The Company continues to expand and strengthen its distribution through provincial liquor boards, the Company's network of more than 100 Vineyards Estate Wines and Wine Country Vintners retail locations, estate wineries, restaurants and other licensed establishments. This distribution network is supported by sophisticated sales, marketing and promotional programs. In addition, the Company from time to time, evaluates the potential of acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Financial Statements and Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The Company's significant accounting policies are summarized in Note 1 to the consolidated financial statements. The Company also utilizes EBITA (defined as earnings before interest, income taxes, amortization and unusual items) to measure its financial performance. EBITA is not a recognized measure under GAAP; however, management believes that EBITA is a useful supplemental measure to net earnings (loss), as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes. Readers are cautioned that EBITA should not be construed as an alternative to net earnings (loss) determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITA may differ from the methods by which other companies calculate EBITA and, accordingly, EBITA may not be comparable to measures used by other companies.

Effective April 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants Guideline 13 "Hedging Relationships" which establishes certain conditions when hedge accounting may be applied. The relevant hedging relationship will be subject to an effectiveness test on a regular basis for reasonable assurance that it is and will continue to be effective. Under these rules, any derivative instrument that does not qualify for hedge accounting will be recorded on a mark-to-market basis in earnings. As of December 31, 2004, the sole derivative instruments employed by the Company related to its interest rate swaps and forward exchange contracts. Applying the test established by CICA Guideline 13 "Hedging Relationships", these instruments were deemed to be effective, qualifying them for hedge accounting.

Results of Operations

FOR THE NINE MONTHS ENDED DECEMBER 31, in thousands of dollars except per share amounts	**2004**	2003	2002
Sales	130,739	120,078	114,945
Gross profit	56,264	50,674	46,784
Gross margin (% of sales)	43.0%	42.2%	40.7%
Selling general and administrative expenses	38,069	33,544	30,530
Earnings before interest, taxes and amortization	18,195	17,130	16,254
Gain on sale of Alberta property	-	2,197	-
Net earnings	8,140	9,081	6,394
Earnings per share - Class A (basic)	$1.69	$1.91	$1.39
Earnings per share - Class B (basic)	$1.47	$1.67	$1.21
Dividend per share – Class A	$0.644	$0.644	$0.644
Dividend per share – Class B	$0.56	$0.56	$0.56
Class A shares outstanding (weighted average)	3,946	3,870	3,741
Class B shares outstanding (weighted average)	1,002	1,003	1,003

Sales increased through the first nine months of fiscal 2005 due to successful initiatives to increase sales volume of the Company's premium and ultra-premium wines through all of the Company's trade channels. The Company has invested in its sales and marketing efforts with the aim to grow sales volumes of its products through new and increased advertising and promotional initiatives in all trade channels, increased sales staff focused on the licensee channel, investments in new upscale retail store concepts and layouts, training of retail staff, and investments to increase tourism at its estate wineries. The rationalization of the Company's lower-priced products in fiscal 2004, primarily at provincial liquor boards, also resulted in increased sales of higher-priced premium and ultra-premium wines through this channel. In addition, the Company's consumer-made wine business has generated growth over the last three years as efforts to build sales volumes of its existing and newly released premium-priced wine kits proved successful. In the third quarter of fiscal 2004, the Company acquired the net assets of Distrivin Ltée. and the shares of Winexpert Inc. The acquisition contributed approximately $4.1 million in sales in the first nine months of fiscal 2005 ($1.6 million for the third quarter).

Gross margin as a percentage of sales has increased in each of the last three years due primarily to increased sales of the Company's premium and ultra-premium brands. These brands generate higher gross margins than sales of lower-priced table wines. The Company has also benefited in fiscal 2004 and through the first half of fiscal 2005 from reductions in the price of wine purchased on international markets in part due to the strengthening of the value of the Canadian dollar. However, through the third quarter of fiscal 2005 international wine costs rose significantly compared to the prior two quarters of the year and fiscal 2004. Initiatives in fiscal 2004 to rationalize sales of the Company's lower-margin products and the continued emphasis on cost controls and production efficiencies also contributed to improved profitability in fiscal 2005.

Selling and administrative expenses have risen in each of the last three years as the Company increased its sales, marketing and promotional expenditures to capitalize on increased demand for Canadian-made premium and ultra-premium wines and to increase consumer awareness of its premium and ultra-premium brands. The acquisition of Distrivin and Winexpert in the third quarter of fiscal 2004 also contributed to the increase. Selling and administrative expenses were 29.1% of sales for the nine months ended December 31, 2004 compared to 27.9% of sales for the same nine month period in fiscal 2004 and 26.6% in fiscal 2003. Management expects sales and marketing expenses, which are a significant part of selling and administrative expenses, will remain relatively consistent with fiscal 2005 going forward.

Primarily as a result of the increase in sales and improved gross margins, partially offset by the higher sales and marketing expenses in each year, earnings before interest, income taxes, amortization and unusual items (EBITA) increased in the first nine months of 2005 compared to the same periods in prior years.

Amortization expenses rose for the nine months ended December 31, 2004 compared to the prior year period due to investments made in the Company's estate wineries, vineyards and winemaking equipment, as well as the acquisition of Distrivin and Winexpert completed in the third quarter of fiscal 2004. Interest expense reduced slightly in fiscal 2005 due to lower rates of interest partially offset by higher levels of bank indebtedness.

In the second quarter of fiscal 2004, the Company completed the sale of its Alberta winery for proceeds of $2.6 million. This facility had been closed since March 28, 2002. As a result of the property disposition, the Company recorded a pre-tax gain of $2.2 million on the sale in the second quarter of fiscal 2004.

Net earnings for the nine months ended December 31, 2004 were $8.1 million or $1.69 per Class A share (basic) compared to net earnings of $9.1 million or $1.91 per Class A share (basic) in fiscal 2004 and net earnings of $6.4 million or $1.39 per Class A share (basic) in fiscal 2003. Not including the gain on the property sale, net earnings for the first nine months of fiscal 2004 were $7.4 million or $1.56 per Class A share (basic). The weighted average number of shares outstanding increased by 1.5% for the nine months ended December 31, 2004 compared to the prior year.

Quarterly Performance

($000) except per share amounts	Q1 05	Q2 05	Q3 05	Q1 04	Q2 04	Q3 04	Q4 04	Q1 03	Q2 03	Q3 03	Q4 03
Sales	40,256	42,758	47,725	35,764	39,247	45,067	35,832	$34,083	$36,626	$44,236	$32,911
Gross profit	17,184	18,422	20,658	14,237	16,107	20,330	14,531	13,027	14,446	19,311	12,947
Gross margin (% of sales)	42.7%	43.1%	43.3%	39.8%	41.0%	45.1%	40.6%	38.2%	39.4%	43.7%	39.3%
EBITA	4,741	4,623	8,831	4,349	4,025	8,756	2,459	3,963	3,576	8,715	2,336
Gain on sale of Alberta property	-	-	-	-	2,197	-	21	-	-	-	-
Net earnings	1,859	1,783	4,498	1,681	3,102	4,298	489	1,522	1,047	3,825	535
EPS – Class A basic	$0.39	$0.37	$0.93	$0.36	$0.65	$0.90	$0.10	$0.33	$0.23	$0.83	$0.11
EPS – Class B basic	$0.34	$0.32	$0.81	$0.31	$0.57	$0.79	$0.08	$0.29	$0.19	$0.73	$0.10
EPS – Class A diluted	$0.39	$0.37	$0.93	$0.36	$0.65	$0.90	$0.10	$0.33	$0.22	$0.82	$0.12
EPS – Class B diluted	$0.34	$0.32	$0.81	$0.31	$0.57	$0.79	$0.08	$0.29	$0.19	$0.71	$0.10

The Company has generated consistent year-over-year growth in sales in each quarter over the last two years, due primarily to the Company's successful initiatives to increase volume sales of its premium and ultra-premium wines as well as the contribution made by acquisitions. Gross margins narrowed in the third quarter of fiscal 2005 due to an increase in imported wine costs in the period. Selling and administration expenses have increased on a year-over-year comparison as the Company increased its efforts to capitalize on strong demand for its products. In the second and fourth quarters of fiscal 2004 the Company recorded a gain on the sale of its Alberta winery, which had been closed effective March 28, 2002. The higher net income in the fourth quarter of fiscal 2003 compared to fiscal 2004 was due to a change in estimate related to certain tax uncertainties. The third quarter of each fiscal year is historically the strongest in terms of sales, gross profit and net earnings due to increased consumer purchasing of the Company's products during the holiday season.

Liquidity and Capital Resources

As at ($000)	December 31, 2004	March 31, 2004	December 31, 2003
Current Assets	81,609	68,493	66,360
Property Plant & Equipment	54,325	53,871	51,979
Goodwill	23,793	23,793	23,761
Other Assets	739	817	830
Total Assets	160,466	146,974	142,930
Current Liabilities	47,381	38,612	35,198
Long Term Debt	17,875	19,563	20,306
Future Income Taxes	7,663	7,491	5,836
Shareholders' Equity	87,547	81,308	81,590
Total Liabilities & Shareholders' Equity	160,466	146,974	142,930

Through the first nine months of fiscal 2005 the Company generated $2.7 million in cash from operating activities after changes in non-cash working capital items compared to $6.5 million for the same nine-month period in fiscal 2004. The use of cash during the first nine months of fiscal 2005 was primarily the result of higher inventories of domestic grapes. In the prior year severe winter weather in Ontario had resulted in significant reductions in yields and inventories of premium vinifera grapes.

Accounts receivable rose as at December 31, 2004 compared to March 31, 2004 due to increased levels of business in fiscal 2005. Inventories rose compared to the end of fiscal 2004 as the Company increased its purchase of premium domestic grapes and imported wine. Accounts payable were higher at December 31, 2004 compared to the end of fiscal 2004 due to increased purchases and the timing of payments.

Investments in capital assets of approximately $4.3 million were made through the first nine months of fiscal 2005 including the purchase of certain production equipment, enhancements to Vineyards Estate Wines retail stores and additions to technology infrastructure, compared to investments in similar capital assets of $4.6 million in fiscal 2004. In the second quarter of fiscal 2004 the Company generated net cash proceeds of approximately $2.6 million from the sale of its Alberta winery, and in the third quarter of fiscal 2004 expended approximately $4.8 million, net of cash acquired, to purchase Distrivin and Winexpert.

Bank indebtedness increased as of December 31, 2004 compared to March 31, 2004 due to increased levels of inventory. Long-term debt was reduced through the first nine months of fiscal 2005 due to scheduled debt repayments. The ratio of debt to equity was 0.57:1 as at December 31, 2004 and as at March 31, 2004. At December 31, 2004, the Company had unused debt available in the amount of $8.1 million on its demand loan facility and $10.0 million on a separate term facility to be used to finance future acquisitions. Management is confident it can generate sufficient cash flow from operations to meet its debt servicing and principal payment requirements over both the short and the long term.

Annual dividends paid over the last three years have remained at $0.644 per Class A share and $0.560 per Class B share. The higher amount of aggregate dividends paid in fiscal 2005 and fiscal 2004 relates to the increase in shares outstanding resulting from the exercise of 179,000 stock options in the third quarter of fiscal 2004. Working capital as at December 31, 2004 was $34.2 million compared to $29.9 million at March 31, 2004 and $31.2 million as at December 31, 2003. Shareholders' equity as at December 31, 2004 rose to $87.5 million or $17.67 per share compared to $81.3 million or $16.52 per share as at March 31, 2004 and $81.6 million or $16.58 per share as at December 31, 2003. The increase is due primarily to the strong earnings performance through the nine months of fiscal 2005.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B common shares. Class A shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B shares. Class B shares are voting and convertible into Class A shares on a one-for-one basis.

Shares outstanding as at	December 31, 2004	December 31, 2003	December 31, 2002
Class A shares	3,954,302	3,920,092	3,741,082
Class B shares	1,001,772	1,002,972	1,002,972
Total	4,956,074	4,923,064	4,744,054

Strategic Outlook and Direction

The Canadian wine market has grown over the past three years due primarily to positive demographic trends and the shift in consumer preference to premium table wines. However, the share of the market held by domestic producers has declined moderately. Imports of premium and ultra-premium wines have increased as consumers favoured higher-priced varietal wines over lower-priced blended table wines. Andrés has increased its product development and sales and marketing initiatives aimed at capitalizing on this growing trend.

Andrés will continue to launch new premium and ultra-premium wines in fiscal 2005. Marketing and sales support will be focused on key brands sold across the country, and management expects sales and marketing expenses for the balance of fiscal 2005 to remain the same as in fiscal 2004. In addition, the Company will continue to increase its capital expenditure programs to support its ongoing commitment to producing the highest-quality wines. The Company believes that the investments made over the past few years will continue to result in increased sales and continuing improvement in profitability. In addition, recent initiatives have led to an increase in export sales of the Company's premium and ultra-premium bottled wines, particularly icewine.

The Company expects imported wine and concentrate pricing to strengthen in fiscal 2005; however, it is partially offset by the increased value of the Canadian dollar. In fiscal 2004, the Company took advantage of lower prices on international markets to build inventories to replace the reduced domestic supply of vinifera grapes. Management expects that its inventory levels will trend lower through the remainder of fiscal 2005.

In addition, the Company will also continue to evaluate investment opportunities, including acquisitions, which support its strategic direction.

Risks and Uncertainties

The sale of wine is affected by current economic conditions and, accordingly, any changes in the economy could affect Company sales. The reduction in travel resulting from external factors outside the Company's control could have an impact on sales through the Company's estate wineries and restaurants, direct sales through licensed establishments and export sales through duty free shops. The Company believes that, should sales be impacted, the effect will likely be temporary and will not have a significant impact on financial performance.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing to a much larger extent than they are subsidized in Canada. In addition, many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, is working with the Canadian government to rectify the unfair trade balance that exists within the domestic Canadian wine market.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom. With the recent increases in the price of wine on international markets due to lower surpluses, the Company does not believe that significant price discounting is likely to occur in Canada.

The Company purchases glass and other components used in the bottling and packaging of wine. The largest component in the packaging of wine is glass, of which there are few domestic or international suppliers. Andrés has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventories of selected bottles.

Andrés has identified that a foreign exchange risk exists on the purchases of bulk wine and concentrate which are made in United States dollars. The Company does not engage in the hedging of foreign exchange contracts for trading or speculative purposes. The Company has entered into a series of foreign exchange contracts as a hedge against any movement in U.S. dollar exchange rates. These contracts are reviewed at least quarterly. Each one cent change in the value of the U.S. dollar has a $60,000 impact on the Company's net earnings.

The Government of Ontario has recently announced that it will review its practices on the sale and distribution of alcoholic beverages in the province. The outcome of that review, which includes the potential for the privatization and retailing, could have an impact on the performance of the Company. The provincial government has stated that, should it consider privatization, it would engage in a consultation process and would acknowledge the special role of Ontario's wine industry.

The Company relies on both the domestic production of grapes and imports of wine from countries around the world to produce and sell its wines. Although the supply of grapes and wine may be impacted by weather and other conditions, as well as by general economic conditions, the Company has developed plans to ensure that an adequate supply of grapes and wine is available to meet demand. The pricing of wine and grapes is impacted by their supply and demand.

As an owner and lessor of property, the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. These risks are believed to be extremely limited.

Certain statements in this discussion could be considered to be forward looking information. This information is subject to certain risks and uncertainties, some of which could result in actual performance to differ materially from the comments made in this management's discussion and analysis.

CONSOLIDATED STATEMENTS OF EARNINGS & RETAINED EARNINGS

For the Period Ended December 31, 2004 & 2003
These financial statements have not been reviewed by our auditors

		Three Months Ended December 31		Nine Months Ended December 31	
(in thousands of dollars except per share amounts)		**2004**	2003	**2004**	2003
		$	$	**$**	$
SALES		47,725	45,067	130,739	120,078
Cost of goods sold		27,067	24,737	74,475	69,404
GROSS PROFIT		20,658	20,330	56,264	50,674
Selling and administration		11,827	11,574	38,069	33,544
EARNINGS before interest and amortization		8,831	8,756	18,195	17,130
Interest		564	571	1,531	1,662
Amortization		1,281	1,211	3,853	3,532
EARNINGS BEFORE GAIN ON SALE OF ALBERTA PROPERTY		6,986	6,974	12,811	11,936
GAIN ON SALE OF ALBERTA PROPERTY		0	0	0	2,197
EARNINGS BEFORE INCOME TAXES		6,986	6,974	12,811	14,133
Provision for income taxes	Current	2,429	2,625	4,499	4,891
	Future	59	51	172	161
		2,488	2,676	4,671	5,052
NET EARNINGS FOR THE PERIOD		4,498	4,298	8,140	9,081
RETAINED EARNINGS - BEGINNING OF PERIOD		76,582	71,250	74,494	68,010
Dividends: Class A & Class B		777	772	2,331	2,315
RETAINED EARNINGS - END OF PERIOD		80,303	74,776	80,303	74,776
NET EARNINGS PER SHARE					
Basic & Diluted	Class A	$0.93	$0.90	$1.69	$1.91
	Class B	$0.81	$0.79	$1.47	$1.67

CONSOLIDATED STATEMENTS OF CASH FLOW

For the Period Ended December 31, 2004 & 2003 (in thousands of dollars)	Three Months Ended December 31		Nine Months Ended December 31	
	2004	2003	**2004**	2003
	$	$	**$**	$
CASH PROVIDED BY (used in) OPERATING ACTIVITIES				
Net earnings for the period	4,498	4,298	8,140	9,081
Items not affecting cash:				
Gain on sale of Alberta property	0	0	0	(2,197)
Amortization	1,281	1,211	3,853	3,532
Future income taxes	59	51	172	161
Amortization of deferred financing costs	17	20	51	51
	5,855	5,580	12,216	10,628
Changes in non-cash working capital items related to operations	(11,544)	(3,892)	(9,546)	(4,155)
Cash provided from (used in) operating activities	(5,689)	1,688	2,670	6,473
INVESTING ACTIVITIES				
Cash proceeds from sale of Alberta property	0	0	0	2,606
Acquisition, net of capital assets	0	(4,836)	0	(4,836)
Purchase of capital assets	(1,330)	(1,884)	(4,280)	(4,588)
Cash used in investing activities	(1,330)	(6,720)	(4,280)	(6,818)
FINANCING ACTIVITIES				
Increase in deferred financing costs	0	(42)	0	(42)
Repayment of long-term debt	(610)	(606)	(1,825)	(1,814)
Increase in bank indebtedness	8,406	6,452	5,331	2,184
Proceeds from issue of Class A shares	0	0	430	2,303
Dividends paid	(777)	(772)	(2,326)	(2,286)
Cash provided from financing activities	7,019	5,032	1,610	345
CASH AT BEGINNING AND END OF PERIOD	0	0	0	0

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)

	Unaudited December 31 2004	Audited March 31 2004
	$	$
ASSETS		
Current assets		
Accounts receivable	17,598	12,801
Inventories	61,730	52,743
Prepaid expenses	2,281	2,949
	81,609	68,493
Property, plant and equipment	54,325	53,871
Goodwill	23,793	23,793
Other assets	739	817
	160,466	146,974
LIABILITIES		
Current liabilities		
Bank indebtedness	29,877	24,546
Accounts payable & accrued liabilities	12,048	9,525
Dividends payable	777	772
Income and other taxes payable	2,248	1,201
Current portion of long- term debt	2,431	2,568
	47,381	38,612
Long-term debt	17,875	19,563
Future income taxes	7,663	7,491
	72,919	65,666
SHAREHOLDERS' EQUITY		
Capital stock	7,244	6,814
Retained earnings	80,303	74,494
	87,547	81,308
	160,466	146,974

ANDRES

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Notes to the Interim Consolidated Financial Statements

(in thousands of dollars, except per share amounts)

1. Summary of Significant Accounting Policies

The interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The note disclosure for these interim statements only presents material changes to the disclosure found in the Company's annual consolidated financial statements for the year ended March 31, 2004. These interim statements should be read in conjunction with those statements. The interim statements follow the same accounting policies as the annual audited financial statements.

2. Capital Stock and Stock Option Plan

The Company has a stock option plan for executives and directors. All options under this plan are for Class A shares only and are for a term of five years from the date of the grant. They are exercisable at 25% of the total number of shares subject to option annually commencing on the date of the grant. For the nine months ending December 31, 2004, 33,010 options were exercised for proceeds of $430. During the second quarter, 200 Class B shares were converted into Class A shares. As at December 31, 2004 there were 3,954,302 Class A shares issued and 1,001,772 Class B shares issued. There were 3,946,069 weighted average Class A shares outstanding and 1,001,839 weighted average Class B shares outstanding for the nine months ending December 31, 2004. The impact of compensation costs for options granted subsequent to April 1, 2002 and before April 1, 2003 is insignificant. Effective April 1, 2003 the Company commenced accounting for all stock options granted on or after April 1, 2003 using a fair value based method that recognizes the compensation cost as an expense in the period. No options were granted for the nine months ending December 31, 2004 and as such no expense was recognized.

3. Change in Accounting Policy

Effective April 1, 2004, the Company adopted the Canadian Institute of Chartered Accountants guideline 13 "Hedging Relationships" which establishes certain conditions when hedge accounting may be applied. The relevant hedging relationship will be subject to an effectiveness test on a regular basis for reasonable assurance that it is and will continue to be effective. Under these rules, any derivative instrument that does not qualify for hedge accounting will be recorded on a mark-to-market basis in earnings.

As at December 31, 2004, the sole derivative instruments employed by the Company related to its interest rate swaps and forward exchange contracts. Applying the test established by CICA guideline 13 "Hedging Relationships"; these instruments were deemed to be effective, qualifying them for hedge accounting.

Joseph A. Peller
Chairman

February 10, 2005