MANAGEMENT'S DISCUSSION & ANALYSIS
For the Nine Months Ended December 31, 2005

The following management's discussion and analysis ("MD&A") provides a review of corporate and market developments, results of operations and financial position for the nine months ended December 31, 2005 and December 31, 2004. 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, 2005 and 2004 contained in the Company's Fiscal 2005 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 February 2, 2006.

Overview

Andrés Wines Ltd. ('Andrés') is a leading producer and marketer of quality wines in Canada. With wineries in British Columbia, Ontario and Nova Scotia, the Company markets wines produced from grapes grown in Ontario's Niagara Peninsula, British Columbia's Okanagan and Similkameen Valleys and vineyards around the world. The Company's award-winning premium and ultra-premium brands include Peller Estates, Trius, Hillebrand Estates, Thirty Bench, Sandhill, Copper Moon and Calona Vineyards Artist Series VQA wines and Red Rooster wines. Complementing these premium brands are a number of popular priced products including Hochtaler, Domaine D'Or, Schloss Laderheim, Royal and Sommet. With the acquisition of Cascadia Brands Inc., ("Cascadia") on May 25, 2005 the Company also markets craft beer under the Granville Island brand. With a focus on serving the needs of all wine consumers, the Company produces and markets consumer-made wine kit products through Winexpert Inc. and Vineco International Products Inc. In addition, the Company owns and operates Vineyards Estate Wines and WineCountry Vintners, an independent wine retailer in Ontario with more than 100 well-positioned retail locations. The Company's products are sold predominantly in Canada.

Over the past ten years, Andrés has taken decisive steps to increase its focus on premium and ultra-premium wines in the Canadian market. Premium wine sales continue to grow in Canada and such products generate higher sales and increased profitability compared to lower-priced table wines.

Andrés' stated 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 improvements 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 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.

On May 2, 2005, the Company completed the acquisition of Thirty Bench Winery ("Thirty Bench"), an ultra-premium wine producer located in the heart of the Beamsville Bench in Ontario's Niagara wine producing region. The acquisition of the winery, its brands, and 70 acres of vineyards provides Andrés a solid presence in one of Canada's most sought after viticulture areas, and adds to the Company's premium estate wineries in near-by Niagara-on-the-Lake.

On May 25, 2005, the Company completed the acquisition of Cascadia, one of Canada's largest producers of premium wines, craft beer and spirits with production facilities in Kelowna and Vancouver, British Columbia. The acquisition significantly enhances the Company's presence in the strong Western Canadian market, and provides the Company with opportunities to capture production and overhead synergies as it combines its two B.C. operations into Cascadia's Kelowna facility. On November 10, 2005 the Company sold the assets and brands related to Cascadia's spirits division for approximately $5.8 million.

On November 1, 2005 the Company acquired the Red Rooster winery ("Red Rooster") located on the Naramata Bench near Penticton, British Columbia. Red Rooster is a well-recognized producer of premium VQA wines situated in the heart of Canada's Okanagan Valley, a region well known for its niche premium brands. The acquisition enhances the Company's presence in the growing British Columbia wine industry, and will add to its sales of premium and ultra-premium wines.

These acquisitions represent a significant investment by the Company. The results of operations of these acquired businesses have been included in operating performance from the respective dates of acquisitions. The allocation of the cost to the fair market value of the acquired assets and liabilities is preliminary and based on managements' best estimates. Management is in the process of obtaining independent advice on the fair values of certain of the acquired assets and liabilities. The allocation of the purchase price is subject to change based on the final resolution of these estimates and such changes could be material. Costs related to the integration and closure of the Company's Port Moody facility must be expensed as incurred and accordingly management recorded an unusual charge to earnings in the second and third quarters of fiscal 2006 to provide for certain of these costs. Additional costs are expected to be incurred in the fourth quarter.

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, incomes taxes, amortization and unusual items) and EBUI (defined as earnings before income taxes and unusual items) to measure its financial performance. EBITA and EBUI are not recognized measures under GAAP; however, management believes that they are useful supplemental measures to net earnings, as they provide readers with an indication of earnings available for investment prior to debt service, capital expenditures and income taxes.

Readers are cautioned that EBITA and EBUI should not be construed as alternatives to net earnings 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.

Results of Operations

FOR THE NINE MONTHS ENDED DECEMBER 31,	2005	2004	2003
in thousands of dollars, except per share amounts	$	$	$
Sales	163,340	130,739	120,078
Gross profit	67,879	56,264	50,674
Gross margin (% of sales)	41.6%	43.0%	42.2%
Selling general and administrative expenses	46,627	38,069	33,544
Earnings before interest, unusual items, amortization and taxes	21,252	18,195	17,130
Unusual items	(990)	-	2,197
Net earnings	7,280	8,140	9,081
Earnings per share – basic & diluted- Class A	1.51	1.69	1.91
Earnings per share – basic & diluted - Class B	1.31	1.47	1.67
Dividend per share – Class A (annual)	$0.644	$0.644	$0.644
Dividend per share – Class B (annual)	$0.560	$0.560	$0.560
Class A shares outstanding (weighted average)	3,954	3,946	3,870
Class B shares outstanding (weighted average)	1,002	1,002	1,003

Due to increased sales of the Company's premium and ultra-premium wines through all of the Company's trade channels, and the contribution of Cascadia, Thirty Bench and Red Rooster, sales increased 24.9% for the nine months ended December 31, 2005 (24.6% for the quarter). The acquisitions contributed approximately $25.9 million in sales for the first nine months of the year ($9.9 million for the quarter). Excluding the impact of acquisitions, sales increased approximately 5.1% for the nine months ended December 31, 2005 (3.8% for the quarter). The Company continued to invest 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 Company's consumer-made wine business has generated sales growth over the last three years as efforts to build sales volumes of its existing and newly released premium-priced wine kits proved successful.

Gross margin as a percentage of sales has decreased in both the quarter and year-to-date compared to the prior year due primarily to increases in the cost of grapes and raw materials. Gross margins have also been impacted by the fact that the Company earned less margin on inventory acquired from Cascadia as a result of the requirement to record the purchased inventory at fair market value. Once this inventory has been sold, management expects gross margin related to these product lines will return to more normal levels.

Selling and administrative expenses increased due primarily to the acquisition of Thirty Bench, Cascadia and Red Rooster. Selling and administrative expenses were reduced to 28.5% of sales for the nine months ended December 31, 2005 compared to 29.1% of sales in the prior year. For the quarter, the timing of advertising and promotional spending increased selling and administrative expenses to 26.6% of sales for the nine months ended December 31, 2005 compared to 24.8% last year. The Company continues to incur many of the costs related to the acquired businesses as stand alone companies. We expect to begin realizing synergies in fiscal 2007.

As a result of the contributions made by recent acquisitions partially offset by higher costs for grapes and raw materials, EBITA increased 16.8% for the nine months ended December 31, 2005. For the quarter, EBITA increased 1.9% as increased sales were offset by increased prices for wine and glass and increased advertising and promotion expenses incurred to support higher sales of premium wines.

Amortization expenses rose for the nine months ended December 31, 2005 compared to the prior year due to investments made in the Company's estate wineries, vineyards and winemaking equipment, as well as the acquisitions of Thirty Bench, Cascadia and Red Rooster. Interest expense increased due to higher debt levels resulting from the acquisitions made during fiscal 2006.

During the second quarter of fiscal 2006 management began the process of rationalizing and integrating the recently acquired Cascadia. The Company announced the closure of its Port Moody B.C. winery effective December 31, 2005. Costs related to the integration and closure of the Company's existing facility are being expensed as incurred, and resulted in unusual charges to earnings of $1.0 million through the first nine months of fiscal 2006. Management expects total costs related to this initiative to be approximately $2.0 million to $2.5 million, and should be completed by March 31, 2007.

Net income for year and for the quarter declined largely due to the lower margins noted above, and to higher interest and integration costs related to the acquisitions of Cascadia, Thirty Bench and Red Rooster. The majority of the synergies relating to acquisition will not be realized until fiscal 2007. Including the impact of the unusual items, net income for the nine months ended December 31, 2005 was $7.3 million or $1.51 per Class A share compared to $8.1 million or $1.69 per Class A share for the comparable period last year. Excluding the unusual items, net earnings would have increased in fiscal 2006 to $7.9 million or $1.64 per Class A share for the nine months ended December 31, 2005. The weighted average number of shares outstanding for the nine months ended December 31, 2005 was 4,956,074.

Quarterly Performance

($000) except per share amounts	Q1 06 $	Q2 06 $	Q3 06 $	Q1 05 $	Q2 05 $	Q3 05 $	Q4 05 $	Q1 04 $	Q2 04 $	Q3 04 $
Sales	46,831	57,056	59,453	40,256	42,758	47,725	36,895	35,764	39,247	45,067
Gross profit	19,535	23,545	24,799	17,184	18,422	20,658	14,710	14,237	16,107	20,330
Gross margin (% of sales)	41.7%	41.3%	41.7%	42.7%	43.1%	43.3%	39.9%	39.8%	41.0%	45.1%
EBITA	5,679	6,572	9,001	4,741	4,623	8,831	2,534	4,349	4,025	8,756
Unusual items	-	(635)	(355)	-	-	-	-	-	2,197	-
Net earnings	2,012	1,815	3,453	1,859	1,783	4,498	398	1,681	3,102	4,298
EPS – Class A basic & diluted	0.42	0.37	0.72	0.39	0.37	0.93	0.08	0.36	0.65	0.90
EPS – Class B basic & diluted	0.36	0.33	0.62	0.34	0.32	0.81	0.07	0.31	0.57	0.79

The Company has generated consistent year-over-year growth in sales and gross profit due primarily to the Company's successful initiatives to increase volume sales of its premium and ultra-premium wines. The 2006 fiscal year has included contributions from the acquisition of Thirty Bench on May 2, 2005, Cascadia on May 25, 2005, and Red Rooster on November 1, 2005. On November 10, 2005 the Company sold the assets and brands related to Cascadia's spirits division for approximately$5.8 million. There was no gain or loss on the transaction. Gross margin as a percentage of sales declined in fiscal 2006 compared to the prior year due to higher grape and raw material costs and to the required adjustment to record purchased inventory from Cascadia Brands at fair market value. Sales and marketing expenses have increased on a year-over-year comparison due primarily to the impact of the acquisitions. The unusual charges to income in the second and third quarters of fiscal 2006 relate to costs incurred in the rationalization of the Company's British Columbia operations.

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, 2005 $	March 31, 2005 $	December 31, 2004 $
Current Assets	102,657	79,401	81,609
Property Plant & Equipment	83,458	55,897	54,325
Goodwill	30,265	23,759	23,793
Other Assets	11,454	3,762	739
Total Assets	227,834	162,819	160,466
Current Liabilities	62,618	49,578	47,381
Long Term Debt	61,566	17,313	17,875
Future Income Taxes	11,533	8,760	7,663
Shareholders' Equity	92,117	87,168	87,547
Total Liabilities & Shareholders' Equity	227,834	162,819	160,466

The changes to the Company's balance sheet at December 31, 2005 compared to the prior year-end and the first quarter of fiscal 2005 are primarily due to the acquisitions of Thirty Bench on May 2, 2005, Cascadia on May 2, 2005 and Red Rooster on November 1, 2005. On November 10, 2005 the Company sold the assets and brands related to Cascadia's spirits division for approximately $5.8 million.

During the first nine months of fiscal 2006, the Company generated $11.9 million in cash flow from operating activities after changes in non-cash working capital items compared to $2.7 million in fiscal 2005. The change was primarily due to a significant increase in inventory in fiscal 2005 compared to fiscal 2006 and to the increase in accounts receivable at Cascadia over the holiday season. Inventories remained flat over the past year as an increased build in inventory in Western Canada relating to the transition of production to the Kelowna facility was offset by a lower crush in Ontario.

Investments of approximately $47.2 million were made in fiscal 2006 compared to $4.3 million in fiscal 2005. The increase is due primarily to the acquisitions of Thirty Bench, Cascadia and Red Rooster in the period, offset by a small reduction in the purchases of capital assets compared to the prior year. Approximately $1.7 million of the estimated purchase cost related to the acquisition of Cascadia has yet to be paid and is included in accounts payable and accrued liabilities.

Total bank indebtedness has increased in fiscal 2006 compared to the end of fiscal 2005 due primarily to the acquisition of Cascadia, Thirty Bench and Red Rooster in the period offset by scheduled debt repayments of $3.2 million during the first nine months of the year.

On May 25, 2005, the Company obtained additional financing from Bank of Montreal in the amount of $50.0 million. The additional financing consisted of two separate credit facitities:

i) A seven-year term bank loan of $35.0 million, which requires regular monthly payments of $250,000 plus interest and matures on May 31, 2012. The Company entered into an interest rate swap which effectively fixed the interest rate on this term bank loan at 5.3%.

ii) A bank loan in the amount of $15.0 million, which is fully due and payable on May 31, 2007. This facility will incur interest, payable each month, at a Banker's Acceptance rate plus 1.5% for the first year ending May 31, 2006.

Proceeds in the amount of $5.0 million from the sale of assets and brands related to Cascadia's spirits business were used to repay part of the $15.0 million bank loan with the Bank of Montreal.

On November 1, 2005, the Company obtained additional financing from the Bank of Montreal in the form of a seven year term bank loan in the amount of $6.0 million. The term loan requires monthly payments of $43,000 plus interest and matures on September 28, 2012. The Company has entered into an interest rate swap which effectively fixed the interest rate on this term bank loan at 5.61%.

The ratio of debt to equity increased to 1.04:1 as at December 31, 2005 compared to 0.59:1 as at March 31, 2005. At December 31, 2005, the Company had unused debt available in the amount of $14.5 million on its demand loan facility. 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.

Working capital as at December 31, 2005 was $40.0 million compared to $29.8 million at March 31, 2005 and $34.2 million as at December 31, 2004. Shareholders' equity as at December 31, 2005 rose to $92.1 million or $18.59 per share compared to $87.2 million or $17.59 per share as at March 31, 2005 and $87.5 million or $17.67 per share as at December 31, 2004. The increase is due primarily to the strong earnings performance in the first nine months of fiscal 2006.

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, 2005	December 31, 2004
Class A shares	3,955,527	3,954,302
Class B shares	1,000,547	1,001,772
Total	4,956,074	4,956,074

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 brands in 2006. The acquisitions of Thirty Bench, Cascadia and Red Rooster will also contribute to increased sales in 2006 as well as an enhanced presence in the sale of ultra-premium wines in Canada. Marketing and sales support will be focused on key brands sold across the country, and management expects sales and marketing expenses for 2006 will rise moderately. The Company will invest in capital expenditures 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 going forward. In addition, recent initiatives have led to an increase in export sales of the Company's premium and ultra-premium wines, particularly icewine.

Following the acquisition of Cascadia, management began the process of rationalizing and integrating its two British Columbia facilities to capture production and overhead synergies. Management expects to record a total unusual charge to income of between $2.0 million and $2.5 million to complete the initiative. The integration should be completed by March 31, 2007.

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 these effects would likely be temporary and would 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 as well as providing sizeable export subsidies. 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, are working with the Canadian government to rectify the unfair trade balance that exists within the domestic Canadian wine market.

An international grape surplus, principally in Australia, Chile and Argentina and high inventories of French wine, could serve to continue the discounting of wine in international markets. The Company does not believe that significant price discounting will occur in Canada beyond current levels.

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 movements in U.S. dollar exchange rates. These contracts are reviewed periodically. Each one cent change in the value of the U.S. dollar has an $85,000 impact on the Company's net earnings.

Privatization of liquor distribution and retailing has been implemented in varying degrees across the country. The possibility of privatization in Ontario remains a risk to the Company through its impact on the Company's retail operations. 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 a result of extremely cold temperatures in February 2005, grape supply has been significantly reduced. The Government of Ontario, in conjunction with the Wine Council of Ontario and the Ontario Grape Growers Marketing Board have agreed to temporarily increase the blending of imported wines; which would enable the Company to continue to provide wine to its customers, but could temporarily reduce sales of VQA wines.

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.