

## **ANDREW PELLER LIMITED REPORTS STRONG GROWTH IN SECOND QUARTER FISCAL 2014**

*This news release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained elsewhere in this news release.*

**GRIMSBY, Ontario** – November 5, 2013 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced today its results for the three and six months ended September 30, 2013.

### **FISCAL 2014 HIGHLIGHTS:**

- Strong sales growth of 5.7% in second quarter on solid performance across majority of trade channels
- Selling and administrative expenses decrease due to restructuring initiative completed in Q4 of fiscal 2013
- EBITA up 1.5% in second quarter
- Cash flow from operating activities rises significantly to \$18.3 million through first six months of year
- 11% increase in common share dividends announced in June 2013

“We saw very strong organic sales growth in the second quarter driven by solid performance in the majority of our key trade channels including provincial liquor boards, export sales, wine agencies, and our personal winemaking business. Looking ahead, we are confident we will generate another year of record sales and earnings for fiscal 2014,” commented John Peller, President and CEO. “We were also pleased to announce an 11% increase in common share dividends in June, a reflection of our highly positive outlook and our commitment to enhancing long-term shareholder value.”

Sales for the three months ended September 30, 2013 rose 5.7% to \$77.2 million. For the first six months of fiscal 2014 sales increased 2.9% to \$149.9 million.

Gross margin was 36.4% of sales in the second quarter of fiscal 2014 compared to 38.4% in the same period last year. For the six months ended September 30, 2013 gross margin was 37.3% of sales compared to 38.6% in the same prior year period. Gross margin percentage was negatively affected by increased price competition in Western Canada and by the higher cost for wine and juice purchased on international markets. These decreases were partially offset by successful cost control initiatives to reduce distribution, operating, and packaging expenses. A special levy implemented by the Ontario government on July 1, 2010 served to reduce sales and gross margin by approximately \$1.0 million in the first six months of fiscal 2014 and fiscal 2013.

Selling and administrative expenses declined in the first six months of fiscal 2014 due to the restructuring that occurred in the fourth quarter of fiscal 2013 in our personal winemaking division. As a percentage of sales, selling and administrative expenses for the three and six months ended September 30, 2013 improved to 24.7% and 24.8%, respectively, from 26.3% and 25.9% in the comparable periods last year.

Earnings before interest, amortization, unrealized derivative gains (losses), other expenses, and income taxes (“EBITA”) were \$9.0 million and \$18.7 million for the three and six months ended September 30, 2013 up from \$8.9 million and \$18.6 million for the same periods in fiscal 2013.

Interest expense has declined in fiscal 2014 compared to the prior year due to lower debt caused primarily by a decrease in inventory.

In the second quarter of fiscal 2014 the Company incurred a one-time restructuring charge of \$0.1 million in its personal winemaking division related to ongoing cost savings initiatives to outsource distribution and reductions in marketing and administrative expenses.

The Company recorded a non-cash loss in the second quarter of fiscal 2014 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately \$0.5 million compared to a gain of \$0.2 million in the prior year’s second quarter. For the six months ended September 30, 2013 the Company recorded a gain of \$0.3 million compared to a gain of \$0.4 million last year. The Company has elected not to apply hedge accounting and accordingly these financial instruments are reflected in the Company’s financial statements at fair value each reporting period. These instruments are considered to be effective economic hedges and have enabled management to mitigate the volatility of changing costs and interest rates during the year.

Other expenses related primarily to pension liabilities incurred for prior service in the collective agreement with the BC union. In fiscal 2013, other income related primarily to \$0.5 million recorded upon the expropriation of a small part of the property that surrounds the Company's Port Moody facility which was closed effective December 31, 2005. The property has been temporarily used as a staging area for the construction of a rapid transit project. Payments amounting to \$2.0 million for the use of the property were received in advance and were recorded as deferred income. The amount received is being reported as other income over the five-year term of the expropriation, which began on July 1, 2012.

Adjusted earnings for the three and six months ended September 30, 2013 were \$4.2 million and \$8.7 million compared to \$3.8 million and \$8.3 million for the comparable prior year periods.

Net earnings for the three and six months ended September 30, 2013 were \$3.5 million or \$0.25 per Class A Share and \$8.6 million or \$0.62 per Class A Share compared to \$4.3 million or \$0.31 per Class A Share and \$8.9 million or \$0.64 per Class A Share for the comparable prior year periods. The reduction in net earnings in fiscal 2014 is primarily due to the significant change in non-cash gains and losses on derivative financial instruments and other income and expenses between the two fiscal years.

### **Strong Financial Position**

Working capital at September 30, 2013 increased to \$42.9 million compared to \$41.7 million at March 31, 2013. The increase related to higher accounts receivable due to the seasonality of sales and a decrease in bank indebtedness which was partially offset by a reduction in inventory and an increase in accounts payable and accrued liabilities. The Company's debt to equity ratio was 0.72:1 at September 30, 2013 compared to 0.83:1 at March 31, 2013. Shareholders' equity as at September 30, 2013 was \$136.5 million or \$9.55 per common share compared to \$129.7 million or \$9.07 per common share as at March 31, 2013. The increase in shareholders' equity is due to higher net earnings for the year partially offset by the payment of dividends.

In the first six months of fiscal 2014 the Company generated cash from operating activities, after changes in non-cash working capital items, of \$18.3 million compared to \$11.7 million in the prior year. Cash flow from operating activities increased due to strong earnings performance, lower income tax installments, and an increase in non-cash working capital compared to the prior year.

### **Investor Conference Call**

An investor conference call will be hosted by John Peller, President and Chief Executive Officer and Peter Patchet, Chief Financial Officer on **Wednesday, November 6, 2013 at 9:30 am ET**. The telephone numbers for the conference call are Local Toronto / International: (416) 340-2216 or North American Toll Free: (866) 226-1792. The telephone numbers to listen to the call after it is completed (Instant Replay) are (905) 694-9451 or toll free (800) 408-3053. The Passcode for the Instant Replay is 4431099#. The Instant Replay will be available until midnight, November 13, 2013. A recording of the conference call will also be available on the Company's web site at [www.andrewpeller.com](http://www.andrewpeller.com).

## Financial Highlights (Unaudited)

(Condensed consolidated financial statements to follow)

For the three and six months ended September 30, (in \$000 )	Three Months		Six Months	
	2013	2012 <sup>(1)</sup>	2013	2012 <sup>(1)</sup>
Sales	77,226	73,082	149,944	145,744
Gross margin	28,091	28,091	55,901	56,307
Gross margin (% of sales)	36.4%	38.4%	37.3%	38.6%
Selling and administrative expenses	19,070	19,205	37,205	37,755
EBITA	9,021	8,886	18,696	18,552
Restructuring charge	99	-	99	-
Unrealized losses (gains) on financial instruments	464	(198)	(267)	(396)
Other expenses (income)	296	(513)	264	(427)
Net earnings	3,540	4,280	8,632	8,882
Earnings per share – Class A	\$0.25	\$0.31	\$0.62	\$0.64
Earnings per share – Class B	\$0.22	\$0.27	\$0.54	\$0.56
Dividend per share – Class A (annual)			\$0.400	\$0.360
Dividend per share – Class B (annual)			\$0.348	\$0.314
Cash provided by operations (after changes in non-cash working capital items)			18,339	11,722
Working capital			42,942	40,953
Shareholders' equity per share			\$9.55	\$8.82

(1) Amounts for the period ended September 30, 2012 were restated to reflect the adoption of the amendments to IAS 19. Please refer to Note 2 in the Notes to the Financial Statements for the period.

The Company calculates adjusted earnings as follows:

For the three and six months ended September 30, 2013 and 2012 (in \$000)	Three Months		Six Months	
	2013	2012 <sup>(1)</sup>	2013	2012 <sup>(1)</sup>
Net earnings	3,540	4,280	8,632	8,882
Restructuring costs	99	-	99	-
Net unrealized losses (gains) on derivatives	464	(198)	(267)	(396)
Other expenses (income)	296	(513)	264	(427)
Income tax effect of the above	(223)	185	(25)	214
Adjusted earnings	4,176	3,754	8,703	8,273

(1) Amounts for the period ended September 30, 2012 were restated to reflect the adoption of the amendments to IAS 19. Please refer to Note 2 in the Notes to the Financial Statements for the period.

### About Andrew Peller Ltd.

Andrew Peller Limited 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 from vineyards around the world. The Company's award-winning premium and ultra-premium VQA brands include *Peller Estates*, *Trius*, *Hillebrand*, *Thirty Bench*, *Crush*, *Wayne Gretzky*, *Sandhill*, *Calona Vineyards Artist Series*, and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon*, *XOXO*, *skinnygrape*, *Black Cellar* and *Verano*. *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal*, and *Sommet* are our key value priced brands. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced brands. With a focus on serving the needs of all wine consumers, the Company produces and markets premium personal winemaking products through its wholly-owned subsidiary, Global Vintners Inc., the recognized leader in personal winemaking products. Global Vintners distributes products through over 250 Winexpert and Wine Kitz authorized retailers and franchisees and more than 600 independent retailers across Canada, the United States, the United Kingdom,

New Zealand, Australia, and China. Global Vintners award-winning premium and ultra-premium winemaking brands include *Selection*, *Vintners Reserve*, *Island Mist*, *KenRidge*, *Cheeky Monkey*, *Ultimate Estate Reserve*, *Traditional Vintage*, and *Cellar Craft*. The Company owns and operates more 102 well-positioned independent retail locations in Ontario under The Wine Shop and Wine Country Vintners store names. The Company also owns Grady Wine Marketing Inc. based in Vancouver and The Small Winemaker's Collection Inc. based in Ontario; both of these wine agencies are importers of premium wines from around the world and are marketing agents for these fine wines. The Company has entered into an agreement to produce and market the *Wayne Gretzky* brands across Canada. The Company's products are sold predominantly in Canada with a focus on export sales for its icewine and personal winemaking products.

The Company utilizes EBITA (defined as earnings before interest, amortization, unrealized derivative (gain) loss, other expenses, and income taxes). EBITA is not a recognized measure under IFRS. Management believes that EBITA is a useful supplemental measure to net earnings, as it provides readers with an indication of cash 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 determined in accordance with IFRS 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 also utilizes gross margin (defined as sales less cost of goods sold, excluding amortization) and adjusted earnings as defined above. The Company's method of calculating EBITA, gross margin, and adjusted earnings may differ from the methods used by other companies and, accordingly, may not be comparable to measures used by other companies.

Andrew Peller Limited common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).

## **FORWARD-LOOKING INFORMATION**

*Certain statements in this news release may contain "forward-looking statements" within the meaning of applicable securities laws, including the "safe harbour provision" of the Securities Act (Ontario) with respect to Andrew Peller Limited and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business in light of the Company's recent acquisitions; its launch of new premium wines; sales trends in foreign markets; its supply of domestically grown grapes; and current economic conditions. These statements are subject to certain risks, assumptions, and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate" and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward-looking statements contained in this news release, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle, and wine prices; its ability to obtain grapes, imported wine, glass, and its ability to obtain other raw materials; fluctuations in the U.S./Canadian dollar exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian wine market; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labeling its products; the regulation of liquor distribution and retailing in Ontario; and the impact of increasing competition.*

*These forward-looking statements are also subject to the risks and uncertainties discussed in this news release, in the "Risk Factors" section and elsewhere in the Company's MD&A and other risks detailed from time to time in the publicly filed disclosure documents of Andrew Peller Limited which are available at [www.sedar.com](http://www.sedar.com). Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from those conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. The Company's forward-looking statements are made only as of the date of this news release, and except as required by applicable law, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances or otherwise.*

For more information, please contact:

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# ANDREW PELLER LIMITED

## Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

	June 30 2013	March 31 2013 Restated <sup>(1)</sup>	April 1 2012 Restated <sup>(1)</sup>
(in thousands of Canadian dollars)	\$	\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Accounts receivable	26,172	25,484	24,937
Inventory	108,802	115,931	110,256
Current portion of biological assets	2,191	938	881
Prepaid expenses and other assets	2,182	1,573	1,338
Income taxes recoverable	-	268	-
	<b>139,347</b>	144,194	137,412
<b>Property, plant, and equipment</b>	<b>88,004</b>	88,841	84,490
<b>Biological assets</b>	<b>13,645</b>	13,405	12,556
<b>Intangibles</b>	<b>12,936</b>	12,606	13,621
<b>Goodwill</b>	<b>37,473</b>	37,473	37,473
	<b>291,405</b>	296,519	285,552
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank indebtedness	54,951	60,099	57,495
Accounts payable and accrued liabilities	28,800	33,616	37,118
Dividends payable	1,391	1,252	1,252
Income taxes payable	2,408	-	40
Current portion of derivative financial instruments	1,007	1,107	1,272
Current portion of long-term debt	6,490	6,450	5,366
	<b>95,047</b>	102,524	102,543
<b>Long-term debt</b>	<b>40,416</b>	41,473	41,456
<b>Long-term derivative financial instruments</b>	<b>840</b>	1,215	1,943
<b>Post-employment benefit obligations</b>	<b>5,268</b>	6,411	6,665
<b>Deferred income</b>	<b>1,213</b>	1,314	-
<b>Deferred income taxes</b>	<b>14,537</b>	13,881	12,038
	<b>157,321</b>	166,818	164,645
<b>Shareholders' Equity</b>			
<b>Capital stock</b>	<b>7,026</b>	7,026	7,026
<b>Retained earnings</b>	<b>127,058</b>	122,675	113,881
	<b>134,084</b>	129,701	120,907
	<b>291,405</b>	296,519	285,552
<b>Commitments</b>			

(1) Restated to reflect the adoption of the amendments to IAS 19.

The above statements should be read in conjunction with the entire interim consolidated financial statements and notes. They will be available on the Investor Relations section of [www.andrewpeller.com](http://www.andrewpeller.com) or at [www.sedar.com](http://www.sedar.com).

## Condensed Consolidated Statements of Earnings

### Unaudited

These financial statements have not been reviewed by our auditors

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	September 30, 2013	September 30, 2012 Restated <sup>(1)</sup>	September 30, 2013	September 30, 2012 Restated <sup>(1)</sup>
(in thousands of Canadian dollars)	\$	\$	\$	\$
<b>Sales</b>	77,226	73,082	149,944	145,744
Cost of goods sold	49,135	44,991	94,043	89,437
Amortization of plant and equipment used in production	1,045	1,138	2,395	2,347
<b>Gross profit</b>	27,046	26,953	53,506	53,960
Selling and administration	19,070	19,205	37,205	37,755
Amortization of plant, equipment, and intangibles used in selling and administration	909	1,012	1,635	1,780
Interest	1,292	1,403	2,593	2,720
Restructuring costs	99	-	99	-
<b>Operating earnings</b>	5,676	5,333	11,974	11,705
Net unrealized losses (gains) on derivative financial instruments	464	(198)	(267)	(396)
Other expenses (income)	296	(513)	264	(427)
<b>Earnings before income taxes</b>	4,916	6,044	11,977	12,528
<b>Provision for income taxes</b>				
Current	1,212	1,296	2,764	2,949
Deferred	164	468	581	697
	1,376	1,764	3,345	3,646
<b>Net earnings for the period</b>	3,540	4,280	8,632	8,882
<b>Net earnings per share</b>				
Basic and diluted				
Class A shares	0.25	0.31	0.62	0.64
Class B shares	0.22	0.27	0.54	0.56

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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## ANDREW PELLER LIMITED

### Condensed Consolidated Statements of Comprehensive Income

#### Unaudited

These financial statements have not been reviewed by our auditors

	For the three months ended	For the three months ended	For the six months ended	For the six months ended
	September 30, 2013	September 30, 2012 Restated <sup>(1)</sup>	September 30, 2013	September 30, 2012 Restated <sup>(1)</sup>
(in thousands of Canadian dollars)	\$	\$	\$	\$
<b>Net earnings for the period</b>	3,540	4,280	8,632	8,882
<b>Items that are never reclassified to net income</b>				
Net actuarial gains (losses) on post-employment benefit plans	402	(1,425)	1,323	(1,684)
Deferred income tax (provision) recovery	(105)	371	(344)	437
<b>Other comprehensive income (loss) for the period</b>	297	(1,054)	979	(1,247)
<b>Net comprehensive income for the period</b>	3,837	3,226	9,611	7,635

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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**ANDREW PELLER LIMITED**  
**Condensed Consolidated Statements of Cash Flows**  
**Unaudited**

These financial statements have not been reviewed by our auditors

	For the six months ended September 30, 2013	For the six months ended September 30, 2012 Restated <sup>(1)</sup>
(in thousands of Canadian dollars)	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the period	8,632	8,882
Adjustments for:		
Loss (gain) on disposal of property and equipment	63	(547)
Amortization of plant, equipment, and intangibles	4,030	4,127
Interest expense	2,593	2,720
Provision for income taxes	3,345	3,646
Revaluation of biological assets	66	55
Post-employment benefits	(112)	(164)
Deferred income	(203)	1,919
Net unrealized gain on derivative financial instruments	(267)	(396)
Interest paid	(2,522)	(2,598)
Income taxes paid	(216)	(1,902)
	<u>15,409</u>	<u>15,742</u>
Changes in non-cash working capital items related to operations	<u>2,930</u>	<u>(4,020)</u>
	<u>18,339</u>	<u>11,722</u>
<b>Investing activities</b>		
Proceeds from disposal of property and equipment	18	514
Purchase of property, equipment, and biological assets	(4,349)	(8,265)
Purchase of intangibles	(927)	-
Proceeds from disposal of a business	-	1,000
	<u>(5,258)</u>	<u>(6,751)</u>
<b>Financing activities</b>		
Decrease in bank indebtedness	(7,726)	(4,541)
Issuance of long-term debt	586	5,000
Repayment of long-term debt	(3,298)	(2,770)
Deferred financing costs	-	(155)
Dividends paid	(2,643)	(2,505)
	<u>(13,081)</u>	<u>(4,971)</u>
<b>Increase (decrease) in cash during the period</b>	-	-
<b>Cash, beginning of period</b>	-	-
<b>Cash, end of period</b>	<u>-</u>	<u>-</u>

(1) Restated to reflect the adoption of the amendments to IAS 19. Refer to note 2 for details.

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