

## **ANDREW PELLER LIMITED REPORTS STRONG GROWTH IN FIRST QUARTER OF FISCAL 2015**

*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** – August 5, 2014 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced continued growth and strong operating and financial performance for the three months ended June 30, 2014.

### **FIRST QUARTER FISCAL 2015 HIGHLIGHTS:**

- Peller Estates awarded prestigious honour as “Canadian Winery of the Year”
- Sales up 9.3% on strong growth across all trade channels and the successful launch of new products
- Profitability enhanced by ongoing production efficiencies and cost savings
- EBITA rises 5.1% compared to last year’s first quarter
- Adjusted net earnings up 11.4%
- 5% increase in common share dividends announced

Peller Estates was awarded the prestigious honour of “Canadian Winery of the Year” at the 2014 WineAlign National Wine Awards held in Penticton, B.C. in June, 2014. This year marked the 14<sup>th</sup> national competition judged by an extensive panel of the most respected wine writers, wine critics, retail buyers, Master Sommeliers and Masters of Wines in Canada. With 1,335 wines being reviewed from 189 wineries across Canada, the “Canadian Winery of the Year” is the highest distinction awarded in the Canadian wine industry.

“Everyone in our Peller family is thrilled that our winemakers at Peller Estates have been recognized for their relentless pursuit of quality and commitment to making great tasting wines,” said John Peller, President & Chief Executive Officer, Andrew Peller Limited.

Sales for the three months ended June 30, 2014 rose 9.3% to \$79.5 million from \$72.7 million in the same quarter last year. The increase was due to strong organic growth across all of the Company’s established trade channels and the launch of new products including the introduction of skinnygrape spritzers and Panama Jack cocktails. The introduction in fiscal 2014 of Wayne Gretzky wines in Western Canada and the launch of Black Cellar wines also contributed to the strong performance. Sales growth was particularly strong through provincial liquor control boards across the country and at the Company’s network of retail outlets in Ontario. Management believes that aggressive promotional initiatives will continue to drive growth in sales going forward.

“We were very pleased with the strong sales growth generated across all of our established trade channels in the first quarter of the new fiscal year, including provincial liquor stores, our network of company-owned retail stores in Ontario, our export business, our award-winning estate wineries, and our consumer-made wine business,” commented John Peller.

Gross margin was 36.8% of sales in the first quarter of fiscal 2015 compared to 34.2% in the fourth quarter of fiscal 2014 and 38.2% in the same period last year. Gross margin in the first quarter of fiscal 2015 was impacted by continued price competition in key markets, the timing of manufacturing expenses, and an increase in sales of lower-margin wines. The decrease in gross margin was partially offset by our continued success of cost control initiatives to improve productivity.

Selling and administrative expenses increased marginally in the first quarter of fiscal 2015 due to increased advertising and promotional activities related to new product launches and other sales and marketing initiatives. Despite the increase, selling and administrative expenses as a percentage of sales improved for the three months ended June 30, 2014 to 24.1% from 24.9% in the same quarter last year.

Earnings before interest, amortization, unrealized derivative losses (gains), other expenses (income), and income taxes (“EBITA”) rose 5.1% to \$10.2 million for the three months ended June 30, 2014 from \$9.7 million for the same period in the prior year.

The Company recorded a non-cash loss in the first quarter of fiscal 2015 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating approximately \$1.1 million compared to a non-cash gain of \$0.7 million in the same prior-year period. 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 in the first quarter of fiscal 2015 related to a write-down of certain grapevines harmed by the extreme cold weather experienced over the last winter season. In fiscal 2014 other income related to income from the expropriation of the Port Moody facility. The property is temporarily being 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 and are being recognized as other income over the five-year term of the expropriation which began on July 1, 2012.

Adjusted net earnings, defined as net earnings not including unrealized losses and gains on derivative financial instruments and other expenses or income were \$5.0 million for the three months ended June 30, 2014 compared to \$4.5 million in the prior year.

Net earnings for the three months ended June 30, 2014 were \$4.1 million or \$0.30 per Class A Share compared to \$5.1 million or \$0.37 per Class A Share for the comparable prior year period. The reduction in net earnings in fiscal 2015 is primarily due to the change in non-cash losses and gains on derivative financial instruments between the two fiscal year periods.

### **Strong Financial Position**

Working capital at June 30, 2014 increased to \$65.0 million compared to \$44.6 million at March 31, 2014. The Company's debt to equity ratio was 0.73:1 at June 30, 2014 unchanged from March 31, 2014. Shareholders' equity as at June 30, 2014 was \$140.3 million or \$9.81 per common share compared to \$138.0 million or \$9.65 per common share as at March 31, 2014. The increase in shareholders' equity is due to solid net earnings for the year partially offset by the payment of dividends.

In the first quarter of fiscal 2015 the Company generated cash from operating activities, after changes in non-cash working capital items, of \$0.6 million compared to \$9.1 million in the same prior-year period. The change resulted from an increase in income tax instalments compared to a refund received in the prior-year period, a larger decrease in accounts payable due to the timing of payments, and an increase in accounts receivable due to the quarter's strong sales performance.

On April 28, 2014 the Company renegotiated its credit facilities to support its strategic direction and to capitalize on lower debt service costs. These facilities now mature on April 28, 2019. The operating loan facility was increased to \$90.0 million and the term loan was increased to \$60.0 million. The interest rate on the term loan was effectively fixed at 4.93% through August 31, 2015 and at 3.91% for the period from September 1, 2015 to April 28, 2019. The Company also added a \$15.0 million facility to fund future capital expenditures that will also mature on April 28, 2019. Monthly amortization payments on the term loan were reduced to \$0.333 million.

### **Increase in Common Share Dividends**

On June 4, 2014 the Company's Board of Directors announced a 5% increase in common share dividends for shareholders of record on June 30, 2014 payable on July 4, 2014. The annual dividends on Class A Shares were increased to \$0.420 from \$0.400 per share and the dividends on Class B Shares were increased to \$0.365 per share from \$0.348 per share.

## Financial Highlights (Unaudited)

(Condensed consolidated financial statements to follow)

<b>For the three months ended June 30,</b> <b>(in \$000 )</b>	<b>2014</b>	2013
Sales	<b>79,517</b>	72,718
Gross margin	<b>29,298</b>	27,810
Gross margin (% of sales)	<b>36.8%</b>	38.2%
Selling and administrative expenses	<b>19,133</b>	18,135
EBITA	<b>10,165</b>	9,675
Net unrealized losses (gains) on derivatives	<b>1,125</b>	(731)
Other expenses (income)	<b>142</b>	(32)
Adjusted net earnings	<b>5,042</b>	4,527
Net earnings	<b>4,104</b>	5,092
Earnings per share – Class A	<b>\$0.30</b>	\$0.37
Earnings per share – Class B	<b>\$0.26</b>	\$0.32
Dividend per share – Class A (annual)	<b>\$0.420</b>	\$0.400
Dividend per share – Class B (annual)	<b>\$0.365</b>	\$0.348
Cash provided by operations (after changes in non-cash working capital items)	<b>607</b>	9,136
Working capital	<b>64,967</b>	44,300
Shareholders' equity per share	<b>\$9.81</b>	\$9.38

The Company calculates adjusted earnings as follows:

<b>For the three months ended June 30,</b> <b>(in \$000)</b> <b>Unaudited</b>	<b>2014</b>	2013
Net earnings	<b>4,104</b>	5,092
Net unrealized losses (gains) on derivatives	<b>1,125</b>	(731)
Other expenses (income)	<b>142</b>	(32)
Income tax effect of the above	<b>(329)</b>	198
Adjusted earnings	<b>5,042</b>	4,527

### About Andrew Peller Limited

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 produces wine based liqueurs and cocktails under the brand Panama Jack. 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, Wine Country Vintners, and Wine Country Merchants 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. More information about the Company can be found at [www.andrewpeller.com](http://www.andrewpeller.com).

The Company utilizes EBITA (defined as earnings before interest, amortization, unrealized derivative losses (gains), 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:  
Mr. Peter Patchet, CFO and EVP Human Resources  
(905) 643-4131 Ext. 2210 - E-mail: [peter.patchet@andrewpeller.com](mailto:peter.patchet@andrewpeller.com)

# ANDREW PELLER LIMITED

## Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

	June 30 2014	March 31 2014
(in thousands of Canadian dollars)	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Accounts receivable	27,456	22,693
Inventory	112,724	120,751
Current portion of biological assets	2,614	1,062
Prepaid expenses and other assets	1,447	1,381
Income taxes recoverable	-	240
	<u>144,241</u>	<u>146,127</u>
<b>Property, plant, and equipment</b>	<b>89,371</b>	<b>90,152</b>
<b>Biological assets</b>	<b>13,944</b>	<b>14,054</b>
<b>Intangible assets</b>	<b>12,968</b>	<b>13,209</b>
<b>Goodwill</b>	<b>37,473</b>	<b>37,473</b>
	<u>297,997</u>	<u>301,015</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank indebtedness	42,155	54,407
Accounts payable and accrued liabilities	29,305	37,371
Dividends payable	1,460	1,391
Income taxes payable	251	-
Current portion of derivative financial instruments	1,885	1,002
Current portion of long-term debt	4,218	7,392
	<u>79,274</u>	<u>101,563</u>
<b>Long-term debt</b>	<b>55,328</b>	<b>38,328</b>
<b>Long-term derivative financial instruments</b>	<b>410</b>	<b>268</b>
<b>Post-employment benefit obligations</b>	<b>6,332</b>	<b>6,132</b>
<b>Deferred income</b>	<b>809</b>	<b>910</b>
<b>Deferred income taxes</b>	<b>15,515</b>	<b>15,811</b>
	<u>157,668</u>	<u>163,012</u>
<b>Shareholders' Equity</b>		
<b>Capital stock</b>	<b>7,026</b>	<b>7,026</b>
<b>Retained earnings</b>	<b>133,303</b>	<b>130,977</b>
	<u>140,329</u>	<u>138,003</u>
	<u>297,997</u>	<u>301,015</u>
<b>Commitments</b>		

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) on August 13, 2014.

# ANDREW PELLER LIMITED

## 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

June 30, 2014

June 30, 2013

(in thousands of Canadian dollars)

	\$	\$
<b>Sales</b>	<b>79,517</b>	72,718
Cost of goods sold	<b>50,219</b>	44,908
Amortization of plant and equipment used in production	<b>1,340</b>	1,350
<b>Gross profit</b>	<b>27,958</b>	26,460
Selling and administration	<b>19,133</b>	18,135
Amortization of plant, equipment, and intangibles used in selling and administration	<b>696</b>	726
Interest	<b>1,323</b>	1,301
<b>Operating earnings</b>	<b>6,806</b>	6,298
Net unrealized losses (gains) on derivative financial instruments	<b>1,125</b>	(731)
Other expenses (income)	<b>142</b>	(32)
<b>Earnings before income taxes</b>	<b>5,539</b>	7,061
<b>Provision for income taxes</b>		
Current	<b>1,619</b>	1,552
Deferred	<b>(184)</b>	417
	<b>1,435</b>	1,969
<b>Net earnings for the period</b>	<b>4,104</b>	5,092
<b>Net earnings per share</b>		
Basic and diluted		
Class A shares	<b>0.30</b>	0.37
Class B shares	<b>0.26</b>	0.32

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) on August 13, 2014.

# 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

June 30, 2014

June 30, 2013

(in thousands of Canadian dollars)

\$

\$

<b>Net earnings for the period</b>	<b>4,104</b>	5,092
<b>Items that are never reclassified to net earnings</b>		
Net actuarial (losses) gains on post-employment benefit plans	(430)	921
Deferred income tax recovery (provision)	112	(239)
<b>Other comprehensive (loss) income for the period</b>	<b>(318)</b>	682
<b>Net comprehensive income for the period</b>	<b>3,786</b>	5,774

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) on August 13, 2014.

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

These financial statements have not been reviewed by our auditors

	For the three months ended June 30, 2014	For the three months ended June 30, 2013
(in thousands of Canadian dollars)	\$	\$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the period	4,104	5,092
Adjustments for:		
Amortization of plant, equipment, and intangible assets	2,036	2,076
Interest expense	1,323	1,301
Provision for income taxes	1,435	1,969
Revaluation of biological assets	186	33
Post-employment benefits	(230)	(222)
Deferred income	(101)	(101)
Net unrealized losses (gains) on derivative financial instruments	1,125	(731)
Interest paid	(1,221)	(1,247)
Income taxes (paid) refunded	(1,128)	1,124
	<u>7,529</u>	<u>9,294</u>
Changes in non-cash working capital items related to operations	<u>(6,922)</u>	<u>(158)</u>
	<u>607</u>	<u>9,136</u>
<b>Investing activities</b>		
Purchase of property, equipment, and biological assets	(656)	(1,030)
Purchase of intangibles	(65)	(615)
	<u>(721)</u>	<u>(1,645)</u>
<b>Financing activities</b>		
Decrease in bank indebtedness	(12,252)	(5,148)
Issuance of long-term debt	15,020	586
Repayment of long-term debt	(667)	(1,677)
Dividends paid	(1,391)	(1,252)
Deferred financing costs	(596)	-
	<u>114</u>	<u>(7,491)</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>

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) on August 13, 2014.