

ANDREW PELLER LIMITED REPORTS SOLID RESULTS IN THIRD 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 – February 12, 2014 – Andrew Peller Limited ADW.A/ADW.B (“APL” or the “Company”) announced today its results for the three and nine months ended December 31, 2013.

FISCAL 2014 HIGHLIGHTS:

- Continued sales growth across majority of trade channels primarily in our premium wine portfolio
- Gross margins impacted by intense price competition and increased raw material costs
- Selling and administrative expenses decrease due to restructuring initiative that began in Q4 of fiscal 2013
- High quality vintage 2013 grape crop largest in Company’s history
- Cash flow from operating activities rises to \$19.1 million through first nine months of year
- 11% increase in common share dividends announced in June 2013

“We were pleased with our performance through the busy holiday season as we generated solid sales growth in the majority of our established trade channels. We look for this growth to continue through the balance of the year,” commented John Peller, President and CEO. “We are also seeing the benefits of a number of programs implemented to reduce costs and enhance efficiencies which we expect to result in increased profitability in the coming years.”

Sales for the three months ended December 31, 2013 rose 2.6% to \$81.9 million. The third quarter is historically the strongest of the year due to increased consumer purchases of the Company’s products during the holiday season. For the first nine months of fiscal 2014 sales increased 2.8% to \$231.8 million.

Gross margin was 36.0% of sales in the third quarter of fiscal 2014 compared to 38.6% in the same period last year. For the nine months ended December 31, 2013 gross margin was 36.8% of sales compared to 38.6% in the same prior year period. Gross margins in fiscal 2014 have been affected by continued price competition in certain Western Canadian markets, higher costs for wine and juice purchased on international markets, and increased costs to expedite production to meet higher than anticipated demand for certain products during the third quarter. The decrease in gross margin was 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 \$1.5 million in the first nine months of fiscal 2014 and fiscal 2013.

Selling and administrative expenses declined in the first nine months of fiscal 2014 due to the ongoing restructuring that began in the fourth quarter of fiscal 2013 in the Company’s personal winemaking division. As a percentage of sales, selling and administrative expenses for the nine months ended December 31, 2013 improved to 23.9% from 25.1% last year.

Earnings before interest, amortization, unrealized derivative gains (losses), other expenses, and income taxes (“EBITA”) were \$11.4 million and \$30.1 million for the three and nine months ended December 31, 2013 compared to \$11.9 million and \$30.4 million for the same periods in fiscal 2013.

Interest expense declined in fiscal 2014 due to lower debt levels resulting from improved management of working capital.

Through the first nine months of fiscal 2014 the Company incurred restructuring charges of \$0.4 million in the personal winemaking division related to ongoing cost savings initiatives to outsource distribution and reduce marketing and administrative expenses.

The Company recorded a non-cash gain in the first nine months 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 non-cash gain of \$1.1 million in the prior 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 in fiscal 2014 relate primarily to pension liabilities incurred for prior service that were negotiated as part of the new collective agreement with the BC labour union signed in June 2013, partially offset by income from the expropriation of the Company's Port Moody facility which was closed effective December 31, 2005. 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 restructuring charges, unrealized losses and gains on derivative financial instruments and other expenses or income, were \$14.7 million for the nine months ended December 31, 2013 compared to \$14.5 million in the prior year.

Net earnings for the three and nine months ended December 31, 2013 were \$6.0 million or \$0.43 per Class A Share and \$14.6 million or \$1.05 per Class A Share compared to \$6.6 million or \$0.47 per Class A Share and \$15.5 million or \$1.11 per Class A Share, respectively, for the comparable prior year periods. The reduction in net earnings in fiscal 2014 is primarily due to the decrease in gross margins, one-time restructuring charges, and the change in non-cash gains on derivative financial instruments and other income and expenses between the two fiscal years.

Strong Financial Position

Working capital at December 31, 2013 increased to \$48.5 million compared to \$41.7 million at March 31, 2013. Higher inventories and a decrease in bank indebtedness were partially offset by an increase in income taxes payable. The Company's debt to equity ratio was 0.71:1 at December 31, 2013 compared to 0.83:1 at March 31, 2013. Shareholders' equity as at December 31, 2013 was \$141.5 million or \$9.89 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 solid net earnings for the year partially offset by the payment of dividends.

In the first nine months of fiscal 2014 the Company generated cash from operating activities, after changes in non-cash working capital items, of \$19.1 million compared to \$6.7 million in the prior year. Cash flow from operating activities increased due to strong earnings performance, lower income tax installments, and a smaller increase in non-cash working capital compared to the prior year.

Financial Highlights (Unaudited)

(Condensed consolidated financial statements to follow)

For the three and nine months ended December 31, (in \$000)	Three Months		Nine months	
	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾
Sales	81,854	79,813	231,798	225,557
Gross margin	29,475	30,801	85,376	87,108
Gross margin (% of sales)	36.0%	38.6%	36.8%	38.6%
Selling and administrative expenses	18,097	18,942	55,302	56,697
EBITA	11,378	11,859	30,074	30,411
Restructuring charge	254	-	353	-
Unrealized gains on financial instruments	(252)	(683)	(519)	(1,079)
Other (income) expenses	(22)	214	242	(213)
Net earnings	5,967	6,572	14,599	15,454
Earnings per share – Class A	\$0.43	\$0.47	\$1.05	\$1.11
Earnings per share – Class B	\$0.37	\$0.41	\$0.91	\$0.97
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)			19,148	6,655
Working capital			48,492	45,000
Shareholders' equity per share			\$9.89	\$9.18

(1) Amounts for the period ended December 31, 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 nine months ended December 31, 2013 and 2012 (in \$000)	Three Months		Nine months	
	2013	2012 ⁽¹⁾	2013	2012 ⁽¹⁾
Net earnings	5,967	6,572	14,599	15,454
Restructuring costs	254	-	353	-
Net unrealized gains on derivatives	(252)	(683)	(519)	(1,079)
Other expenses (income)	(22)	214	242	(213)
Income tax effect of the above	5	122	(20)	336
Adjusted earnings	5,952	6,225	14,655	14,498

(1) Amounts for the period ended December 31, 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. 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.

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ANDREW PELLER LIMITED

Condensed Consolidated Balance Sheets

Unaudited

These financial statements have not been reviewed by our auditors

	December 31 2013	March 31 2013 Restated ⁽¹⁾	April 1 2012 Restated ⁽¹⁾
(in thousands of Canadian dollars)	\$	\$	\$
Assets			
Current Assets			
Accounts receivable	24,383	25,484	24,937
Inventory	122,330	115,931	110,256
Current portion of biological assets	-	938	881
Prepaid expenses and other assets	1,555	1,573	1,338
Income taxes recoverable	-	268	-
	148,268	144,194	137,412
Property, plant, and equipment	89,330	88,841	84,490
Biological assets	13,826	13,405	12,556
Intangibles	13,305	12,606	13,621
Goodwill	37,473	37,473	37,473
	302,202	296,519	285,552
Liabilities			
Current Liabilities			
Bank indebtedness	53,462	60,099	57,495
Accounts payable and accrued liabilities	34,064	33,616	37,118
Dividends payable	1,391	1,252	1,252
Income taxes payable	2,472	-	40
Current portion of derivative financial instruments	1,002	1,107	1,272
Current portion of long-term debt	7,385	6,450	5,366
	99,776	102,524	102,543
Long-term debt	39,921	41,473	41,456
Long-term derivative financial instruments	508	1,215	1,943
Post-employment benefit obligations	4,248	6,411	6,665
Deferred income	1,010	1,314	-
Deferred income taxes	15,263	13,881	12,038
	160,726	166,818	164,645
Shareholders' Equity			
Capital stock	7,026	7,026	7,026
Retained earnings	134,450	122,675	113,881
	141,476	129,701	120,907
	302,202	296,519	285,552
Commitments			

(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 or at www.sedar.com.

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	For the nine months ended	For the nine months ended
	December 31, 2013	December 31, 2012 Restated ⁽¹⁾	December 31, 2013	December 31, 2012 Restated ⁽¹⁾
(in thousands of Canadian dollars)	\$	\$	\$	\$
Sales	81,854	79,813	231,798	225,557
Cost of goods sold	52,379	49,012	146,422	138,449
Amortization of plant and equipment used in production	1,205	1,180	3,600	3,527
Gross profit	28,270	29,621	81,776	83,581
Selling and administration	18,097	18,942	55,302	56,697
Amortization of plant, equipment, and intangibles used in selling and administration	732	646	2,367	2,426
Interest	1,241	1,359	3,834	4,079
Restructuring costs	254	-	353	-
Operating earnings	7,946	8,674	19,920	20,379
Net unrealized gains on derivative financial instruments	(252)	(683)	(519)	(1,079)
Other expenses (income)	(22)	214	242	(213)
Earnings before income taxes	8,220	9,143	20,197	21,671
Provision for income taxes				
Current	1,926	2,140	4,690	5,089
Deferred	327	431	908	1,128
	2,253	2,571	5,598	6,217
Net earnings for the period	5,967	6,572	14,599	15,454
Net earnings per share				
Basic and diluted				
Class A shares	0.43	0.47	1.05	1.11
Class B shares	0.37	0.41	0.91	0.97

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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 nine months ended	For the nine months ended
	December 31, 2013	December 31, 2012 Restated ⁽¹⁾	December 31, 2013	December 31, 2012 Restated ⁽¹⁾
(in thousands of Canadian dollars)	\$	\$	\$	\$
Net earnings for the period	5,967	6,572	14,599	15,454
Items that are never reclassified to net income				
Net actuarial gains (losses) on post-employment benefit plans	499	(71)	1,822	(1,755)
Deferred income tax (provision) recovery	(130)	17	(474)	454
Other comprehensive income (loss) for the period	369	(54)	1,348	(1,301)
Net comprehensive income for the period	6,336	6,518	15,947	14,153

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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 nine months ended December 31, 2013	For the nine months ended December 31, 2012 Restated ⁽¹⁾
(in thousands of Canadian dollars)	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	14,599	15,454
Adjustments for:		
Loss (gain) on disposal of property and equipment	63	(547)
Amortization of plant, equipment, and intangibles	5,967	5,953
Interest expense	3,834	4,079
Provision for income taxes	5,598	6,217
Revaluation of biological assets	99	295
Post-employment benefits	(341)	(727)
Deferred income	(304)	1,819
Net unrealized gain on derivative financial instruments	(519)	(1,079)
Interest paid	(3,638)	(3,853)
Income taxes paid	(1,950)	(3,201)
	<u>23,408</u>	<u>24,410</u>
Changes in non-cash working capital items related to operations (note 5)	<u>(4,260)</u>	<u>(17,755)</u>
	<u>19,148</u>	<u>6,655</u>
Investing activities		
Proceeds from disposal of property and equipment	18	514
Purchase of property, equipment, and biological assets	(6,202)	(11,266)
Purchase of intangibles	(1,512)	-
Proceeds from disposal of a business	-	1,000
	<u>(7,696)</u>	<u>(9,752)</u>
Financing activities		
Decrease in bank indebtedness	(6,637)	4,789
Issuance of long-term debt	4,086	6,500
Repayment of long-term debt	(4,868)	(4,280)
Deferred financing costs	-	(155)
Dividends paid	(4,033)	(3,757)
	<u>(11,452)</u>	<u>3,097</u>
Increase (decrease) in cash during the period	-	-
Cash, beginning of period	-	-
Cash, end of period	-	-

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