

ANDREW PELLER LIMITED
ANNOUNCES STRONG FIRST QUARTER FISCAL 2011 RESULTS

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 11, 2010 – Andrew Peller Limited ADW.A/ADW.B (the “Company”) announced today its results for the three months ended June 30, 2010.

FIRST QUARTER HIGHLIGHTS:

- Positive performance through majority of trade channels, including estate wineries
- Cost control initiatives result in improved profitability
- Gross profit margin improves to 39.7%
- Net earnings, before gains on financial instruments and other income, increases 31.5%
- Cash flow from operating activities increases to \$2.6 million
- Working capital increases to \$33.3 million

Sales for the first quarter of fiscal 2011 were stable at \$64.5 million compared to \$65.0 million in the prior year period. Ongoing initiatives to grow sales of the Company’s blended varietal table and premium wines through provincial liquor boards, the introduction of new products, improved performance at the Company’s estate wineries, and the contribution from acquisitions were partially offset by the negative impact of the global economic slowdown on export sales and personal winemaking products. Sales in the first quarter of the prior fiscal year were positively impacted by the increased sales in Ontario in June 2009 at the province’s LCBO locations in anticipation of a potential labour strike during July 2009. In addition, sales were unusually higher in March 2010 as Provincial Liquor Boards and other customers increased their purchases in anticipation of the Easter Holiday period which occurred in early April; this sales increase in March 2010 resulted in lower sales through the first month of the new fiscal year compared to the comparable prior year period.

Gross profit as a percentage of sales improved to 39.7% for the three months ended June 30, 2010 from 37.6% in the fourth quarter of fiscal 2010 and 36.6% in the same period last year. The solid increase in gross margin during the first quarter of fiscal 2010 was due to the decreased cost to the Company of purchasing United States dollars and Euros and the Company’s cost control initiatives which served to reduce operating and packaging expenses for the period. Management remains focused on efforts to enhance production efficiency and productivity to further improve overall profitability.

“We are pleased with the performance generated through the majority of our trade channels in the quarter, and specifically the return to steady growth at our estate wineries resulting from the gradual recovery in the North American economy,” commented John Peller, President and CEO. “We are also pleased to see further increases in our gross margins and profitability. Looking ahead, we are confident our ongoing initiatives to enhance efficiency and productivity, combined with improving trends for grape and wine costs, is expected to lead to further growth in cash flow and earnings through the balance of the year.”

Selling and administrative expenses increased in the first quarter of fiscal 2011, and as a percentage of sales were 26.1% compared to 24.4% in the same period last year. The increase is primarily the result of higher sales and marketing expenses in the current fiscal year compared with the prior year.

Interest expense in the first quarter of fiscal 2011 declined compared to last year’s first quarter due primarily to the reduction in debt from the proceeds of sale of the Company’s beer business and the sale of certain non-core vineyards during the first quarter of fiscal 2011. The Company expects to benefit from lower interest costs going forward.

The Company’s other income of \$0.3 million in the first quarter of 2011 primarily related to a gain on the sale of non-core vineyards. The Company also recorded a gain on foreign exchange contracts of \$1.0 million and incurred a non-cash loss of \$0.3 million, related to mark-to-market adjustments on an interest rate swap. Under CICA accounting standards, financial instruments must be 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.

Net and comprehensive earnings were \$4.0 million or \$0.28 per Class A share in the first quarter of fiscal 2011 compared to \$3.3 million or \$0.23 per Class A share for the same period in fiscal 2010. Operating results for the Company's beer business, which was sold on October 1, 2009, have been classified as a discontinued operation in the prior year.

Strengthened Financial Position

Working capital was \$33.3 million as at June 30, 2010 compared to \$30.0 million at March 31, 2010 and \$27.1 million at June 30, 2009. As at June 30, 2010, total bank indebtedness and long-term debt decreased to \$101.5 million compared to \$102.7 million at March 31, 2010 and \$136.4 million at June 30, 2009. The declines are due primarily to the reduction in bank indebtedness with the proceeds from the sale of certain non-core vineyard properties during the first quarter of fiscal 2011, proceeds from the sale of the Company's beer business effective October 1, 2009, and increased cash flow from operating activities due to higher net earnings and lower levels of working capital demands. On May 25, 2010 the Company sold approximately six acres of vineyard in the Okanagan Valley. The proceeds of approximately \$0.8 million were used to reduce bank indebtedness.

With the decrease in bank debt, the Company's debt to equity ratio improved to 0.87:1 compared to 0.90:1 at the end of fiscal 2010 and 1.38:1 at the end of the prior year's first quarter. Shareholders' equity at June 30, 2010 rose to \$116.5 million or \$7.82 per common share compared to \$113.7 million or \$7.63 per common share at March 31, 2010 and \$98.8 million or \$6.63 per common share at June 30, 2009. The increase in shareholders' equity is due primarily to the net gain on the sale of the Company's beer business and higher net earnings.

Province of Ontario Levy

As part of the introduction of its Harmonized Sales Tax ("HST") in July 2010, the Province of Ontario introduced what the Company believes is a discriminatory tax in the form of a special levy, effective July 1, 2010, on Cellared-In-Canada ("CIC") wines that are sold through private retail stores in the Province, including the Company's retail network. CIC is wine that is made through the blending of wine made from domestic grapes with wine purchased on international markets. Imported and domestic wine sold through the LCBO will not be impacted by this additional taxation. The Company believes this special levy will negatively impact the Company's gross profit, as well as overall domestic grape prices and purchases across the Province. The Company estimates that the cost of the levy to the Company, on an annual basis, will amount to approximately \$4.3 million or approximately \$3.0 million through the balance of fiscal 2011.

"We believe this is an unfair and discriminatory levy, and we, along with other industry participants, are in discussions with the Government to mitigate its impact on the Ontario wine industry," Mr. Peller commented. "While the levy will affect our earnings, we are confident continued growth through all of our trade channels will help to reduce the impact and that we expect to see another year of strong performance in fiscal 2011."

Financial Highlights (Unaudited)

(Complete consolidated financial statements to follow)

FOR THE PERIOD ENDED JUNE 30, (in \$000 except as otherwise stated)	Three Months	
	2010	2009
Sales	64,466	64,950
Gross profit	25,624	23,797
Gross profit (% of sales)	39.7%	36.6%
Selling general and administrative expenses	16,842	15,849
Earnings before interest, taxes, amortization, other income (loss) and unusual items	8,782	7,948
Unrealized gain on financial instruments and other income	938	1,127
Net and comprehensive earnings from continuing operations	4,040	3,338
Net and comprehensive loss from a discontinued operation	-	(87)
Net and comprehensive earnings	4,040	3,251
Earnings per share from continuing operations Class A	\$ 0.28	\$ 0.23
Earnings per share from continuing operations Class B	\$ 0.24	\$ 0.20
Earnings per share – basic and diluted - Class A	\$ 0.28	\$ 0.22
Earnings per share – basic and diluted - Class B	\$ 0.24	\$ 0.19
Dividend per share – Class A (annual)	\$ 0.330	\$ 0.330
Dividend per share – Class B (annual)	\$ 0.288	\$ 0.288
Cash provided by (used in) operations (after changes in non-cash working capital items)	2,623	(1,796)
Working capital	33,329	27,132
Shareholders' equity per share	\$7.82	\$6.63

Andrew Peller Limited ('APL' or the 'Company') 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*, *Sandhill*, *Calona Vineyards Artist Series* and *Red Rooster*. Complementing these premium brands are a number of popularly priced varietal wine brands including *Peller Estates French Cross* in the East, *Peller Estates Proprietors Reserve* in the West, *Copper Moon*, *XOXO* and *Croc Crossing*. *Hochtaler*, *Domaine D'Or*, *Schloss Laderheim*, *Royal* and *Sommet* are our key value priced wine blends. The Company imports wines from major wine regions around the world to blend with domestic wine to craft these popularly priced and value priced wine 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 world 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, United States, United Kingdom, New Zealand and Australia. 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 *Artful Winemaker*. The Company owns and operates more than 100 well-positioned independent retail locations in Ontario under the Vineyards Estate Wines, Aisle 43 and WineCountry 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's products are sold predominantly in Canada with a focus on export sales for our icewine products.

Net earnings from continuing operations is defined as net earnings before the net unrealized gain on financial instruments, other (income) expenses and net earnings from a discontinued operation, all adjusted by income tax rates as calculated below:

(in \$000)	Three Months	
Period ended June 30,	2010	2009
Net and comprehensive earnings (loss)	4,040	3,251
Unrealized gain on financial instruments	(646)	(1,127)
Other income	(292)	-
Income tax effect on the above	279	360
Net loss from a discontinued operation	-	87
Net earnings from continuing operations before other expenses	3,381	2,571

The Company utilizes EBITA (defined as earnings before interest, amortization, unrealized derivative gains, other (income) expense, income taxes and net loss from a discontinued operation). EBITA is not a recognized measure under GAAP. 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 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. In addition, the Company's method of calculating EBITA 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 (the "Company") 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 labelling 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

CONSOLIDATED BALANCE SHEETS

These financial statements have not been reviewed by our auditors

	June 30	March 31
	2010	2010
	\$	\$
Assets		
Current Assets		
Accounts receivable	23,887	22,902
Inventories	86,282	89,693
Prepaid expenses and other assets	3,095	2,429
Income taxes recoverable	365	1,327
Discontinued operation	-	-
	<u>113,629</u>	<u>116,351</u>
Property, plant and equipment	94,438	95,728
Goodwill	37,473	37,473
Intangibles and other assets	14,003	14,164
Discontinued operation - long-term assets	-	-
	<u><u>259,543</u></u>	<u><u>263,716</u></u>
Liabilities		
Current Liabilities		
Bank indebtedness	49,654	48,877
Accounts payable and accrued liabilities	22,450	28,229
Dividends payable	1,197	1,197
Current derivative financial instruments	1,666	1,922
Current portion of long-term debt	5,333	6,158
Discontinued operation	-	-
	<u>80,300</u>	<u>86,383</u>
Long-term debt	46,485	47,633
Long-term derivative financial instruments	1,878	1,667
Employee future benefits	4,376	4,530
Future income taxes	9,996	9,838
Discontinued operation - long-term liabilities	-	-
	<u><u>143,035</u></u>	<u><u>150,051</u></u>
Shareholders' Equity		
Capital Stock	7,375	7,375
Retained Earnings	109,133	106,290
	<u><u>116,508</u></u>	<u><u>113,665</u></u>
	<u><u>259,543</u></u>	<u><u>263,716</u></u>

The accompanying notes are an integral part of these interim consolidated financial statements

ANDREW PELLER LIMITED

Consolidated Statements of Earnings, Comprehensive Earnings and Retained Earnings For the three months ended June 30, 2010 and 2009

These financial statements have not been reviewed by our auditors

	2010	2009
	\$	\$
Sales	64,466	64,950
Cost of goods sold, excluding amortization	<u>38,842</u>	<u>41,153</u>
Gross profit	25,624	23,797
Selling and administration	<u>16,842</u>	<u>15,849</u>
Earnings before interest and amortization	8,782	7,948
Interest	1,942	2,183
Amortization of plant, equipment and intangible assets	<u>2,027</u>	<u>1,993</u>
Earnings before other items	4,813	3,772
Unrealized gains on derivative financial instruments	(646)	(1,127)
Other income (Note 4)	<u>(292)</u>	<u>-</u>
Earnings before income taxes	5,751	4,899
Provision for income taxes		
Current	1,553	1,082
Future	<u>158</u>	<u>479</u>
	<u>1,711</u>	<u>1,561</u>
Net and comprehensive earnings for the period from continuing operations	4,040	3,338
Net and comprehensive loss for the period from a discontinued operation (Note 3)	<u>-</u>	<u>(87)</u>
Net and comprehensive earnings for the period	4,040	3,251
Retained earnings- Beginning of period	106,290	89,416
Dividends:		
Class A and Class B	<u>(1,197)</u>	<u>(1,197)</u>
Retained earnings - End of period	<u>109,133</u>	<u>91,470</u>
Net earnings per share from continuing operations		
Basic and diluted		
Class A shares	<u>0.28</u>	<u>0.23</u>
Class B shares	<u>0.24</u>	<u>0.20</u>
Net earnings (loss) per share from discontinued operation		
Basic and diluted		
Class A shares	<u>0.00</u>	<u>(0.01)</u>
Class B shares	<u>0.00</u>	<u>(0.01)</u>
Net earnings per share		
Basic and diluted		
Class A shares	<u>0.28</u>	<u>0.22</u>
Class B shares	<u>0.24</u>	<u>0.19</u>

The accompanying notes are an integral part of these interim consolidated financial statements

ANDREW PELLER LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ending June 30, 2010 and 2009
These financial statements have not been reviewed by our auditors

	2010	2009
	\$	\$
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	4,040	3,338
Items not affecting cash:		
(Gain) on disposal of property and equipment	(340)	-
Amortization of plant, equipment and intangible assets	2,027	1,993
Employee future benefits	(154)	(267)
Net unrealized (gain) on derivative financial instruments	(646)	(1,127)
Future income taxes	158	479
Amortization of deferred financing costs	185	12
	<u>5,270</u>	<u>4,428</u>
Changes in non-cash working capital items related to operations (Note 5):	<u>(2,647)</u>	<u>(6,224)</u>
	<u>2,623</u>	<u>(1,796)</u>
Investing activities		
Acquisition of businesses	(825)	(825)
Net proceeds from disposal of property and equipment	766	-
Purchase of property and equipment	(811)	(1,368)
	<u>(870)</u>	<u>(2,193)</u>
Financing activities		
Increase in bank indebtedness	777	8,619
Repayment of long-term debt	(1,333)	(1,333)
Dividends paid	(1,197)	(1,197)
	<u>(1,753)</u>	<u>6,089</u>
Cash provided from continuing operations	-	2,100
Cash (used in) discontinued operation	-	(2,100)
Cash at beginning and end of period	-	-
Supplemental disclosure of cash flow information		
Cash paid during the period from continuing operations for		
Interest	1,869	1,896
Income taxes	590	135
Cash paid during the period from discontinued operation for		
Income taxes	-	202
Cash paid during the period for		
Interest	1,869	1,896
Income taxes	590	337

The accompanying notes are an integral part of these interim consolidated financial statements

Notes to the Interim Consolidated Financial Statements

June 30, 2010 and 2009

(in thousands of dollars)

UNAUDITED

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 consolidated financial statements only presents material changes to the disclosure found in the Company's audited consolidated financial statements for the years ended March 31, 2010 and 2009. These interim consolidated financial statements should be read in conjunction with those consolidated financial statements and follow the same accounting policies as the audited consolidated financial statements. In the opinion of management, the accompanying unaudited interim consolidated financial statements contain all adjustments necessary to present fairly, in all material respects the financial position of the Company as at June 30, 2010 and for the three-month period then ended.

2. Seasonality

The third quarter of each 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.

3. Discontinued operations

During fiscal 2010, the Company entered into an agreement to dispose of its ownership interests in Granville Island Brewing Company Ltd. and Mainland Beverage Distribution Ltd. (collectively referred to as "GIBCO") effective October 1, 2009.

Financial information relating to the discontinued operation is as follows:

Condensed statement of net earnings from discontinued operation

	For the three months ended June 30 2009 \$
Sales	5,213
Cost of goods sold	<u>2,705</u>
Gross profit	2,508
Selling and administration	<u>2,529</u>
Amortization	106
Earnings before income taxes	<u>(127)</u>
Recovery of income taxes	40
Net earnings from discontinued operations	<u><u>(87)</u></u>

Included in cost of goods sold is \$2,055 for the three months ended June 30, 2009 for costs relating to manufacturing services provided by a related company. The costs incurred by the Company for these activities are not expected to continue upon completion of the eventual disposition.

Condensed statement of cash flows from discontinued operation

	For the three months ended June 30 2009 \$
Cash used in operating activities	<u>(2,100)</u>
Cash provided by (used in) investing activities	-
Cash provided by (used in) financing activities	-
	<u><u>(2,100)</u></u>

4. Other (income) expenses

Included in other (income) expenses is a gain in the amount of \$340 pre-tax related to the sale of a portion of a vineyard on May 25, 2010. The net proceeds from the sale were \$766.

5. Changes in non-cash working capital items

The change in non-cash working capital items is comprised of the change in the following items:

	For the Three Months Ended June 30,	
	<u>2010</u>	<u>2009</u>
	\$	\$
Accounts receivable	(985)	(921)
Inventories	3,411	2,502
Prepaid expenses and other assets	(65)	(854)
Accounts payable and accrued liabilities	(5,970)	(7,898)
Income taxes recoverable	962	947
	<u>(2,647)</u>	<u>(6,224)</u>

6. Comparative Figures

Certain of the prior year balances have been restated to conform with the current year's presentation.