

ANDREW PELLER LIMITED
REPORTS CONTINUED GROWTH IN FIRST QUARTER OF FISCAL 2013

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 8, 2012 – Andrew Peller Limited ADW.A/ADW.B (the “Company”) announced today continued strong operating and financial performance for the three months ended June 30, 2012.

Q1 FISCAL 2013 HIGHLIGHTS:

- Sales up 4.7% on solid growth through majority of trade channels
- Acquisition of Cellar Craft and the partnership with Wayne Gretzky make strong contribution to growth
- EBITA up 2.1% to \$9.7 million
- Net earnings up 19.2% to \$4.7 million or \$0.34 per Class A Share
- Balance sheet and financial position remain strong

“Our strong growth in sales and net income continued in the first quarter following another year of record performance in fiscal 2012,” commented John Peller, President and CEO. “Looking ahead, we believe fiscal 2013 will be another solid year as we capitalize on rising demand for our high quality wines across all of our well established trade channels.”

Sales for the first quarter of fiscal 2013 rose 4.7% to \$72.7 million from \$69.4 million in the prior year. The positive impact from the partnership with Wayne Gretzky and the acquisition of Cellar Craft, new product introductions, ongoing initiatives to grow sales of the Company’s blended varietal table and premium wines through provincial liquor boards, and strong export sales contributed to the increase. The increase was partially offset by lower sales of the Company’s personal winemaking products.

Gross margin was 38.8% of sales for the three months ended June 30, 2012 compared to 39.4% last year. Gross margin percentage was negatively affected by higher costs for wine purchased on international markets as well as increased price competition in certain markets. The increase was partially offset by the positive impact of sales of higher margin products and successful cost control initiatives to reduce operating and packaging expenses. A special levy implemented on July 1, 2010 by the Province of Ontario on international and Canadian blended (ICB) wines sold through the Company’s retail store network reduced sales and gross margin by approximately \$0.5 million in the first quarters of fiscal 2013 and fiscal 2012. Management believes gross margin will be in the range of approximately 37% to 38% range for the 2013 fiscal year.

Selling and administrative expenses increased in the first quarter of fiscal 2013 due to an increase in sales and marketing investments to grow sales volumes of its products through increased advertising and promotional initiatives across all trade channels and investments made to increase tourism at its estate wineries. As a percentage of sales, selling and administrative expenses for the first quarter of fiscal 2013 decreased to 25.5% from 25.7% in the prior year period.

Interest expense declined in the first quarter of fiscal 2013 compared to last year due to a decrease in short and long-term interest rates partially offset by higher levels of short-term borrowings.

The Company recorded a non-cash gain in the first quarter of fiscal 2013 related to mark-to-market adjustments on an interest rate swap and foreign exchange contracts aggregating \$0.2 million compared to a loss of approximately \$0.3 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.

Other expenses incurred in the first quarter of fiscal 2013 relate to a fair value adjustment to vines and maintenance costs for the Company’s Port Moody facility which was closed effective December 31, 2005. Other expenses in the first quarter of fiscal 2012 relate to a fair value adjustment to vines and maintenance costs for the Company’s Port Moody facility.

Net earnings excluding gains (losses) on derivative financial instruments, other expenses, and the related income tax effect of these items for the three months ended June 30, 2012 were \$4.6 million compared to \$4.3 million in the same period

last year. Net earnings for the three months ended June 30, 2012 were \$4.7 million or \$0.34 per Class A Share compared to \$3.9 million or \$0.28 per Class A Share in the first quarter of fiscal 2012.

Strong Financial Position

Working capital at June 30, 2012 decreased to \$34.7 million compared to \$34.9 million at March 31, 2012. The change related to lower levels of accounts payable and accrued liabilities which were offset by an increase to bank indebtedness and a reduction in inventory levels. The Company's debt to equity ratio was 0.94:1 at June 30, 2012 compared to 0.87:1 at March 31, 2012. Shareholders' equity as at June 30, 2012 was \$123.7 million or \$8.65 per common share compared to \$120.6 million or \$8.43 per common share as at March 31, 2012. The increase in shareholders' equity is primarily due to higher net earnings for the year partially offset by the payment of dividends.

In the first quarter of fiscal 2013 the Company used cash from operating activities, after changes in non-cash working capital items, of \$5.6 million compared to \$1.3 million in the prior year. Cash flow from operating activities declined in the first quarter of fiscal 2013 primarily due to the reduced levels of accounts payable and accrued liabilities and higher accounts receivable due to increased sales for the period. The decrease was partially offset by reduced levels of inventory and strong earnings performance.

Recent Events

The Company announced that its Thirty Bench Riesling 2011 had been awarded a Lieutenant Governor's Award for Excellence in Ontario Wines. Out of 258 wines submitted from 73 wineries, the Thirty Bench varietal was selected for the award by a panel of fourteen of Ontario's leading wine experts and sommeliers.

The Company's portfolio of leading ice wines have also been recognized with a significant number of awards in a number of prestigious international competitions, including gold medals in Korea, the United Kingdom, China, Japan, Brussels, Paris, and the United States for Peller Estates Vidal Icewine 2012, Peller Estates Oak Aged Icewine 2010, and Peller Estates Riesling Icewine 2007. The Company's recently-released Wayne Gretzky Cabernet Franc Icewine 2010 has also received a Double Gold Medal at the 2012 San Francisco International Wine Competition.

The Company recently launched its new brands, skinnygrape, Canada's first low calorie wine and Verano, an exciting premium Spanish wine.

Financial Highlights (Unaudited)

(Complete condensed consolidated financial statements to follow)

(in \$000 except per share amounts)	Three Months	
For the Period Ended June 30,	2012	2011
Sales	72,662	69,407
Gross margin	28,227	27,313
Gross margin (% of sales)	38.8%	39.4%
Selling and administrative expenses	18,550	17,831
EBITA	9,677	9,482
Unrealized loss (gain) on financial instruments	(198)	300
Other expenses	86	164
Net earnings	4,662	3,911
Earnings per share - Class A	\$0.34	\$0.28
Earnings per share - Class B	\$0.29	\$0.24
Dividend per share – Class A (annual)	\$0.360	\$0.360
Dividend per share – Class B (annual)	\$0.314	\$0.314
Cash provided by operations (after changes in non-cash working capital items)	(5,607)	(1,294)
Working capital	34,670	34,869
Shareholders' equity per share	\$8.65	\$8.43

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

Unaudited (in \$,000) Period ended June 30,	Three Months	
	2012	2011
Net earnings	4,662	3,911
Net unrealized (gains) losses on derivatives	(198)	300
Other expenses	86	164
Income tax effect of the above	29	(125)
Net earnings excluding (gains) losses on derivative financial instruments, other expenses, and the related income tax effect	4,579	4,250

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*, *Crush*, *Wayne Gretzky*, *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*, *skinnygrape* and *Verano*. *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 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, 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*, *Cellar Craft*, 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 has entered into a partnership to market the Wayne Gretzky Estate Winery 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. Andrew Peller Limited common shares trade on the Toronto Stock Exchange (symbols ADW.A and ADW.B).

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 net earnings excluding (gains) losses on derivative financial instruments, other expenses, and the related income tax effect as defined above. The Company's method of calculating EBITA and gross margin 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 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.

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	March 31
	2012	2012
(in thousands of Canadian dollars)	\$	\$
Assets		
Current Assets		
Accounts receivable	28,201	24,937
Inventory	105,510	110,256
Current portion of biological assets	2,116	881
Prepaid expenses and other assets	1,921	1,338
	<u>137,748</u>	<u>137,412</u>
Property, plant, and equipment	86,641	84,490
Biological assets	12,889	12,556
Intangibles	13,525	13,621
Goodwill	37,473	37,473
	<u>288,276</u>	<u>285,552</u>
Liabilities		
Current Liabilities		
Bank indebtedness	70,794	57,495
Accounts payable and accrued liabilities	24,064	37,118
Dividends payable	1,252	1,252
Income taxes payable	407	40
Current portion of derivative financial instruments	1,195	1,272
Current portion of long-term debt	5,366	5,366
	<u>103,078</u>	<u>102,543</u>
Long-term debt	40,188	41,456
Long-term derivative financial instruments	1,909	1,943
Post-employment benefit obligations	7,302	7,151
Deferred income taxes	12,075	11,907
	<u>164,552</u>	<u>165,000</u>
Shareholders' Equity		
Capital stock	7,026	7,026
Retained earnings	116,698	113,526
	<u>123,724</u>	<u>120,552</u>
	<u>288,276</u>	<u>285,552</u>

The above statements should be read in conjunction with the entire interim consolidated financial statements and notes. They will be available through 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
	June 30, 2012	June 30, 2011
(in thousands of Canadian dollars)	\$	\$
Sales	72,662	69,407
Cost of goods sold	44,435	42,094
Amortization of plant and equipment used in production	1,209	1,233
Gross profit	27,018	26,080
Selling and administration	18,550	17,831
Amortization of plant, equipment, and intangibles used in selling and administration	768	714
Interest	1,246	1,549
Operating earnings	6,454	5,986
Net unrealized (gains) losses on derivative financial instruments	(198)	300
Other expenses	86	164
Earnings before income taxes	6,566	5,522
Provision for income taxes		
Current	1,653	1,516
Deferred	251	95
	1,904	1,611
Net earnings for the period	4,662	3,911
Net earnings per share		
Basic and diluted		
Class A shares	0.34	0.28
Class B shares	0.29	0.24

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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
	June 30, 2012	June 30, 2011
(in thousands of Canadian dollars)	\$	\$
Net earnings for the period	4,662	3,911
Net actuarial losses on employee future benefits	(321)	(326)
Deferred income taxes	83	85
	(238)	(241)
Net comprehensive income for the period	4,424	3,670

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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 three months
ended

For the three months
ended

June 30, 2012

June 30, 2011

(in thousands of Canadian dollars)

\$

\$

Cash provided by (used in)

Operating activities

Net earnings for the period	4,662	3,911
Adjustments for:		
Amortization of plant, equipment, and intangibles	1,977	1,947
Interest expense	1,246	1,549
Provision for income taxes	1,904	1,611
Revaluation of vine biological assets	47	113
Post-employment benefits	(170)	(168)
Net unrealized (gain) loss on derivative financial instruments	(198)	300
Interest paid	(1,187)	(1,426)
Income taxes paid	(1,286)	(2,515)
	<u>6,995</u>	<u>5,322</u>

Changes in non-cash working capital items related to operations	<u>(12,602)</u>	<u>(6,616)</u>
	<u>(5,607)</u>	<u>(1,294)</u>

Investing activities

Purchase of property, equipment and vine biological assets	(5,019)	(1,582)
Purchases of intangibles	(88)	(6)
	<u>(5,107)</u>	<u>(1,588)</u>

Financing activities

Increase in bank indebtedness	13,299	5,363
Repayment of long-term debt	(1,333)	(1,333)
Dividends paid	(1,252)	(1,148)
	<u>10,714</u>	<u>2,882</u>

Increase (decrease) in cash during the period	-	-
Cash, beginning of period	-	-
Cash, end of period	<u>-</u>	<u>-</u>

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