ANDREW PELLER
LIMITED

MANAGEMENT'S DISCUSSION & ANALYSIS
For the three months ended June 30, 2025

The following management's discussion and analysis ("MD&A") provides a review of corporate developments, results of operations, and financial position for the three months ended June 30, 2025, in comparison with those for the three months ended June 30, 2024, for Andrew Peller Limited (the "Company" or "APL"). This discussion is prepared as of August 6, 2025 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes contained therein for the periods ended June 30, 2025 and 2024. Additional information relating to the Company, including the audited annual consolidated financial statements and Annual Information Form for the years ended March 31, 2025, and March 31, 2024, is available on www.sedarplus.ca. The financial years ending March 31, 2026 and March 31, 2025 are referred to as "fiscal 2026" and "fiscal 2025" respectively. All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Certain statements in this MD&A may contain "forward-looking statements" within the meaning of applicable securities laws including the "safe harbour provisions" of the Securities Act (Ontario) with respect to APL and its subsidiaries. Such statements include, but are not limited to, statements about the growth of the business; its launch of new premium wines and craft beverage alcohol products; 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", "could", and similar verbs 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 MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future grape, glass bottle, and wine and spirit prices; its ability to obtain grapes, imported wine, glass, and other raw materials; fluctuations in foreign currency exchange rates; its ability to market products successfully to its anticipated customers; the trade balance within the domestic Canadian and international wine markets; market trends; reliance on key personnel; protection of its intellectual property rights; the economic environment; the regulatory requirements regarding producing, marketing, advertising, and labelling of its products; the regulation of liquor distribution and retailing in Ontario; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the "Risks and Uncertainties" section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedarplus.ca. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the 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 MD&A, and except as required by applicable law, Andrew Peller Limited undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events, or circumstances.

Overview

The Company is a leading producer and marketer of quality wines and craft beverage alcohol products 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 Vintners' Quality Alliance ("VQA") brands include *Peller Estates, Trius, Thirty Bench, Wayne Gretzky, Sandhill, Red Rooster, Black Hills Estate Winery, Tinhorn Creek Vineyards, Gray Monk Estate Winery, Raven Conspiracy* and *Conviction*. Complementing these premium brands are a number of popularly priced varietal brands including *Peller Family Vineyards, Copper Moon, Black Cellar and XOXO. Hochtaler, Domaine D'Or, Schloss Laderheim, Royal*, and *Sommet* are the Company's key value priced brands.

The Company imports wines from major wine regions around the world to blend with domestic wine to craft these products. 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. ("GVI"), the recognized leader in personal winemaking products. GVI distributes products through over 200 authorized retailers and more than 400 independent retailers across Canada, with additional distributors in the United States, the United Kingdom, New Zealand, Australia and China. GVI's award winning premium and ultra-premium winemaking brands include *Winexpert, Vine Co., Apres, Limited Edition, Passport Series, On the House, Wild Grapes, Island Mist* and *Niagara Mist*. The Company owns and operates 101 well positioned independent retail locations in Ontario under The Wine Shop, Wine Country Vintners, and Wine Country Merchants store names. The Company also operates Andrew Peller Import Agency and The Small Winemaker's Collection Inc., importers and marketing agents for premium wines from around the world. As part of its innovation efforts and expansion into other beverage alcohol categories, the Company also produces various spirits and cream whisky products under the *Wayne Gretzky No. 99* brand as well as craft ciders under the *No Boats on Sunday* brand.

The Company's vision is to *Pour Extraordinary into Everyday Life*. The Company achieves this objective by delivering to its customers and consumers the highest quality branded wines, spirits, and experiences. To meet this goal, the Company invests in improvements in the quality of grapes, wines, and other raw materials, its winemaking and distillation capabilities, sales and marketing initiatives, tourism and hospitality experiences, and its quality management programs.

The Company is focused on initiatives to drive production efficiencies and realize cost savings through a continual review of its operations and cost structure with a view to improving profitability. The Company continues to expand and strengthen its distribution to all customers and consumers through its extensive distribution network, which is supported by enhanced sales, marketing, and promotional programs. The Company will also make packaging design changes that are more appealing to its target markets and are consistent with its initiative to be more environmentally friendly. From time to time the Company also evaluates the potential for acquisitions and partnerships, both in Canada and internationally, to further complement its product portfolio and market presence.

Recent Events

On August 6, 2025, the Company's Board of Directors approved a common share dividend of $0.0615 per Class A Share and $0.0535 per Class B Share, to be paid on October 10, 2025. The Company has consistently paid common share dividends since 1979. APL currently designates all dividends paid as "eligible dividends" for purposes of the Income Tax Act (Canada) unless indicated otherwise.

As part of its strategy to recognize value from non-core assets, during the first quarter of fiscal 2026, the Company initiated proceedings to sell land, vineyard, and building assets in Kaleden, British Columbia with a net book value of $1.0 million which were classified as assets held for sale on June 30, 2025. The sale was completed on July 15, 2025 for proceeds of $1.3 million.

On June 2, 2025, the Company announced the appointment of Renee Cauchi as Chief Financial Officer. Ms. Cauchi, who was named Vice President, Finance and Interim Chief Financial Officer in September 2024, has been in progressively senior finance positions with the Company since 2015, overseeing the finance, treasury and risk functions.

On May 15, 2025, as part of the Province of Ontario's 2025 budget, the government introduced the Ontario Grape Support Program (OGSP). The program will provide funding to eligible Ontario wineries for the production of Ontario non-VQA wine and International Domestic Blend wine. The intent of the program is to increase the percentage of Ontario grape content included in these products. Payments under the program are based on sales of these products to LCBO retail, grocery, convenience and on-site winery retails stores channels. For the three months ended June 30, 2025, $2.1 million has been recognized as a credit to cost of goods sold relating to the first quarter of fiscal 2026.

Effective March 4, 2025, the United States government imposed new trade measures, including tariffs of 25% on non-USMCA compliant goods imported from Canada. In response, the Canadian government announced retaliatory tariffs of 25% throughout March 2025, and U.S. alcohol products were removed from provincial liquor board shelves and restaurant, bar and retailer fulfilment catalogues. In April 2025, the Canadian government introduced a six-month temporary tariff relief period for selected imported U.S goods such as those used in Canadian manufacturing, processing and food and beverage packaging. On July 10, 2025, the U.S government announced an increase in tariffs on Canadian imports to 35% effective August 1, 2025. As of August 6, 2025, the Company has not experienced a material impact on its operating results or cash flows due to tariffs. Management continues to assess the exposure as part of its risk management practices and will recognize and disclose any material developments in future periods as applicable. In addition, the Company is working with its customers to increase support in the market for Canadian made products.

Results of Operations

For the three months ended June 30, **(in $000, except per share amounts)**	**2025**	2024
Revenue	**$ 99,184**	$ 99,465
Gross margin [(1)]	**42,032**	38,179
Gross margin (% of revenue)	**42.4%**	38.4%
Selling and administrative expenses	**25,911**	25,320
EBITA [(1)]	**16,121**	12,859
Interest expense	**3,902**	4,580
Net unrealized loss on derivative financial instruments	**17**	218
Other expenses, net	**439**	296
Net earnings (loss)	**4,553**	(375)
Earnings (loss) per share – Class A basic	**$0.11**	$(0.01)
Earnings (loss) per share – Class B basic	**$0.09**	$(0.01)
Dividend per share – Class A	**$0.0615**	$0.0615
Dividend per share – Class B	**$0.0535**	$0.0535

(1) See "Non-IFRS Measures" section of this MD&A

Revenue for the three months ended June 30, 2025 remained consistent with the prior year's first quarter results. Several of the Company's well-established trade channels performed well, particularly sales in western Canada due to the success of our BC replacement program, as well as sales to big box stores and at the Company estates. This was offset by expected softness in sales at the Company's stand-alone retail stores due to the evolving Ontario market, as well as sales from the Company's personal wine making business.

Gross margin as a percentage of revenue for the three months ended June 30, 2025 increased to 42.4% from 38.4%. The increase was driven by lower costs for glass bottles and inbound freight, resulting from the Company's cost savings program. The improvement also reflects the benefit of the OGSP of $2.1 million, which was recognized in the first quarter of fiscal 2026 but was not in effect during the comparable period in fiscal 2025.

As a percentage of revenue, selling and administrative expenses increased to 26.1% from 25.5% for the three months ended June 30, 2025 primarily due to timing of professional services and advertising and promotional expenditures. The increase is partially offset by a reduction in compensation expense resulting from the realization of cost savings associated with the Company's restructuring efforts.

Earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes ("EBITA") (see "Non-IFRS Measures" section of this MD&A) was $16.1 million in the first quarter of fiscal 2026, compared to $12.9 million in the first quarter of prior year, an increase of 25.4%.

Interest expense for the three months ended June 30, 2025 has decreased by 14.8% compared to the prior year due to lower average debt levels and lower interest rates compared to prior year.

The Company recorded a nominal net unrealized non-cash loss in the first quarter of fiscal 2026 related to mark-to-market adjustments on interest rate swaps and foreign exchange contracts compared to a loss of $0.2 million in the first quarter of fiscal 2025. The Company has elected not to apply hedge accounting and accordingly the change in fair value of these financial instruments is reflected in the Company's consolidated statement of earnings (loss) each reporting period. These instruments are considered to be effective economic hedges and are expected to mitigate the short-term volatility of changing foreign exchange and interest rates.

The Company generated net earnings of $4.6 million ($0.11 per Class A share) for the first quarter of fiscal 2026 compared to a net loss of $0.4 million (loss of $0.01 per Class A share) in the first quarter of the prior year.

Quarterly Performance

The following table outlines key quarterly highlights.

(in $000, except per share amounts)	Q1 26	Q4 25	Q3 25	Q2 25	Q1 25	Q4 24	Q3 24	Q2 24
Revenue	99,184	75,519	105,385	109,238	99,465	85,008	100,192	100,175
Gross margin [1]	42,032	39,715	42,384	46,327	38,179	35,565	34,742	41,267
Gross margin (% of revenue)	42.4%	52.6%	40.2%	42.4%	38.4%	41.8%	34.7%	41.2%
EBITA [1]	16,121	13,504	18,547	17,979	12,859	9,251	13,248	15,110
Interest	3,902	3,098	4,219	4,319	4,580	3,992	4,802	3,886
Net unrealized loss (gain) on financial instruments	17	665	(556)	1,513	218	(1,003)	2,840	(1,827)
Other expenses (income), net	439	635	1,637	912	296	(16)	31	(102)
Net earnings (loss)	4,553	(747)	7,677	4,560	(375)	(6,943)	(369)	5,391
E.P.S. – Class A basic	$0.11	$(0.02)	$0.18	$0.11	$(0.01)	$(0.17)	$(0.01)	$0.13
E.P.S. – Class B basic	$0.09	$(0.01)	$0.15	$0.10	$(0.01)	$(0.14)	$(0.01)	$0.11

[1] See "Non-IFRS Measures" section of this MD&A

The second and third quarters of the Company's fiscal year are historically the largest due to increased activity at the Company's estate properties and increased consumer purchasing of the Company's products during the holiday season.

Liquidity and Capital Resources

As at (in $000)	June 30, 2025	March 31, 2025
Current assets	**$ 204,853**	$ 223,848
Property, plant, and equipment	**206,421**	207,630
Right-of-use assets	**17,926**	19,326
Intangible assets	**36,784**	37,406
Pension asset	**1,654**	1,592
Goodwill	**53,638**	53,638
Total assets	**$ 521,276**	$ 543,440
Current liabilities	**$ 63,991**	$ 65,794
Long-term debt	**161,294**	180,294
Long-term derivative financial instruments	**1,045**	1,426
Lease obligations	**13,642**	16,560
Post-employment benefit obligations	**2,148**	2,155
Deferred income taxes	**32,837**	33,429
Shareholders' equity	**246,319**	243,782
Total liabilities and shareholders' equity	**$ 521,276**	$ 543,440

The decrease in current assets as at June 30, 2025 compared to March 31, 2025 is due to a decrease in inventory and accounts receivable. Inventory decreased due to increased sales quarter over quarter, cost savings initiatives, and the Company's focus on more efficient inventory management. Accounts receivable decreased by $5.2 million, primarily due to the receipt of funds related to the Ontario VQA Support program.

Long-lived assets at June 30, 2025, which include property, plant and equipment, right-of-use assets and intangibles, decreased by $3.2 million compared to March 31, 2025 due to amortization in excess of additions. Additions to property, plant and equipment relate to investments made in the Company's production facilities and vineyard management programs. Additions to intangible assets consist of enhancements made to the Company's various software assets.

Current liabilities were $64.0 million at June 30, 2025 compared to $65.8 million at March 31, 2025. The decrease is primarily due to lower accounts payable and accrued liabilities due to the timing of invoices and payments, offset by higher bank indebtedness.

Long-term debt decreased to $161.3 million at June 30, 2025 from $180.3 million at March 31, 2025. The Company's debt to equity ratio was 0.65:1 at June 30, 2025 compared to 0.74:1 at March 31, 2025. At June 30, 2025, the Company had available debt capacity in the amount of $65.4 million on its credit facility.

Management expects to generate sufficient cash flow from operations to meet its debt servicing and working capital requirements over the short-term through strong management of working capital and prioritization of capital expenditures. The Company regularly reviews all of its assets to ensure appropriate returns on investment are being achieved and that they fit with the Company's long-term strategic objectives.

For the three months ended June 30, 2025, the Company generated cash from operating activities, after changes in non-cash working capital items, of $19.2 million compared to $15.3 million in the same period in prior year. The increase is driven by the timing of government support receipts and improvement in net earnings, partially offset by non-cash working capital changes.

Cash used in investing activities for the quarter ended June 30, 2025 was $1.7 million compared to $5.3 million in the prior year comparative borrowings period. The decrease is due to the timing of investments in property, plant, and equipment, and proceeds from the sale of property, plant and equipment received in the quarter.

Cash used in financing activities for the quarter ended June 30, 2025 was $17.5 million compared to $5.1 million in the prior year comparative period. The change was primarily due to an increase in net long-term debt repayments of $18 million, partially offset by an increase in borrowings from bank indebtedness of $5.4 million.

Working capital at June 30, 2025 was $140.9 million compared to $158.1 million at March 31, 2025. Shareholders' equity at June 30, 2025 was $246.3 million or $5.69 per share compared to $243.8 million or $5.62 per share at March 31, 2025.

Common Shares Outstanding

The Company is authorized to issue an unlimited number of Class A and Class B Shares. Class A Shares are non-voting and are entitled to a dividend in an amount equal to 115% of any dividend paid or declared on Class B Shares. Class B Shares are voting and convertible into Class A Shares on a one-for-one basis.

On July 15, 2024, the Company announced its normal course issuer bid ("NCIB") had been approved by the Toronto Stock Exchange. Under the issuer bid, the Company can purchase for cancellation up to 1,000,000 of its outstanding Class A non-voting common shares representing 2.8% of the Class A non-voting common shares outstanding at that time, over the ensuing twelve months. The total number of Class A non-voting common shares repurchased for cancellation under the NCIB during the quarter ended June 30, 2025 amounted to 26,700 common shares, at a weighted average price of $4.41 per Class A non-voting common share, for a total cash consideration of $0.1 million.

Shares outstanding	June 30, 2025	March 31, 2025
Class A Shares	**35,284,792**	**35,311,492**
Class B Shares	**8,036,183**	**8,036,183**
Total	**43,320,975**	**43,347,675**

Strategic Outlook and Direction

APL is committed to a strategy of growth that focuses on the expansion of its core business as a producer and marketer of quality wines and wine related products through concentrating on and developing leading brands that meet the needs of consumers and customers. Over the long term, the Company believes higher-priced premium wine and spirits sales will continue to grow in Canada, generating higher margins and increased profitability compared to lower-priced products. The Company has focused its innovation and sales and marketing initiatives to capitalize on category trends, such as healthier-for-you, sparkling and sustainable offerings.

The Company will continue to expand product offerings outside the traditional table wine segment into other alcoholic beverages where it is able to leverage its detailed knowledge of growth opportunities and operational advantages in the Canadian market. New product launches and key brands through all of the Company's distribution channels will continue to receive increased marketing and sales support.

The Company has been acquisitive historically and, from time to time, the Company evaluates investment opportunities which support its strategic direction.

The Company believes that sales will grow over the long term due to strong positioning of key brands, the continued launch of new and innovative products in both its core wine business and in new product categories, potential strategic acquisitions, as well as overall growth in the Canadian beverage alcohol market. The Company expects to continue to invest in capital expenditures to improve efficiencies, increase capacity, support its ongoing commitment to producing the highest-quality wines and spirits, and improve productivity.

Risks and Uncertainties

The Company's sales of wine and craft beverage alcohol products are affected by general economic conditions and social trends such as changes in discretionary consumer spending and consumer confidence, future economic conditions, changes to inter-provincial trade laws, tax laws, the prices of its products, and health trends. The Company is actively managing raw materials costs, foreign exchange, and freight surcharges and shipment delays associated with international conflicts. The impact on the financial results of the Company will depend on management's continued ability to successfully mitigate against these risks.

The Province of Ontario has modernized the rules for selling beverage alcohol in Ontario by expanding retail distribution in the province. During the third quarter of fiscal 2025, licensed convenience stores, gas stations, grocery and big box stores in Ontario can sell beer, cider, wine and ready-to-drink alcoholic beverages. This represents a significant change to the retail landscape in Ontario with the goal of providing more convenience and choice to consumers. The Company has contracted with a third party to provide field sales support to reach the convenience and gas licensees and has restructured its commercial team to align with the changing retail landscape. The Company is working closely with its partners to manage any risks and opportunities that this transition may have on its financial results.

The Canadian wine market continues to be the target of low-priced imported wines from regions and countries that subsidize wine production and grape growing as well as providing sizeable export incentives on subsidies. Many of these countries and regions prohibit or restrict the sale of imported wine in their own domestic markets. The Company, along with other members of the Canadian wine industry, are working with the Canadian government to improve support for the domestic industry. No assurance can be given regarding the renewal or amendment of these programs, and any material change to the programs could result in a material impact on the financial statements.

The Company operates in a highly competitive industry and the dollar amount and unit volume of sales could be negatively impacted by its inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption, or the decision of retailers or consumers to purchase competitor's products.

Retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products including their quality or pricing compared to competitive products. Sales could also be affected by purchasing, financing, operational, advertising, or promotional decisions made by provincial agencies and retailers which could affect supply of or consumer demand for the Company's products. APL could also experience higher than expected selling and administrative expenses if it finds it necessary to increase the number of its personnel, advertising, or promotional expenditures to maintain its competitive position.

VQA wines are a key driver of APL's growth strategy, and as a result, the Company is dependent on the quality and supply of domestically grown premium quality grapes. If any of the Company's vineyards or the vineyards of our grape suppliers experience adverse weather variations, natural disasters, pestilence, or other severe environmental problems, APL may not be able to secure a sufficient supply of grapes, a situation which could result in a decrease in production of certain products from those regions and/or result in an increase in costs. The inability to secure premium quality grapes could impair the ability of the Company to supply certain wines to its customers. When environmental risks such as wildfires or extreme cold weather events occur, the Company's viticultural teams have internal processes to ensure the Company's vineyards are protected. This may include the use of technology and fire suppression activities. APL has also developed internal strategies to maintain access to a consistent supply of premium quality grapes and wine, such as, contracting additional supply from other regions. The price of grapes is determined through negotiations with the Ontario Grape Growers Marketing Board in Ontario and with independent growers in British Columbia.

The Company is exposed to interest rate risk as a result of cash balances and floating rate debt. Of these risks, the Company's principal exposure is that increases in the floating interest rates on its debt, if unmitigated, could lead to decreases in cash flow and earnings. The Company's objective in managing interest rate risk is to achieve a balance between minimizing borrowing costs over the long term, ensuring it meets borrowing covenants, and ensuring it meets other expectations and requirements of investors. To meet these objectives, the Company's policy is to effectively fix the rates on long-term debt to match the duration of investments in long-lived assets and to use floating rate funding for short-term borrowing. On June 30, 2023, the Company entered into an interest rate swap agreement with a notional amount of $65 million. Until June 13, 2027, the interest rate is fixed at 4.46%. For the quarter ended June 30, 2025, the Company recorded a net unrealized non-cash gain of $0.4 million related to mark-to-market adjustments on interest rate swaps. A 1% change in the variable interest rate would result in a $0.8 million change in net earnings (loss).

Foreign exchange risk exists on the purchases of bulk wine and concentrate that are primarily made in United States dollars, Euros, and Australian dollars. Fluctuating foreign currencies may have a positive or negative impact on gross margins (see "Non-IFRS Measures" section of this MD&A), however, the Company believes the impact on gross margin will be largely offset by its continued ability to leverage scale and successful cost control initiatives to reduce other cost of goods sold. The Company's strategy is to hedge approximately 50% - 80% of its foreign exchange requirements throughout the fiscal year and to regularly review its on-going requirements. The Company does not enter into foreign exchange contracts for trading or speculative purposes and contracts are reviewed periodically. As at June 30, 2025, the Company had forward currency contracts to buy $12.4 million US at rates averaging $1.40 and $4.7 million AUD at rates averaging $0.87. The Company has no Euro forward currency contracts as at June 30, 2025. A 1% change in the US dollar, Australian dollar or Euro would not have a material impact on the Company's net earnings (loss).

The Company is exposed to risks and uncertainty associated with tariffs imposed under international trade policies, namely increased costs of direct materials. The Company's is also exposed to a reduction in import agency revenue due to the removal of U.S products from provincial liquor stores, and bars and restaurants. As of August 6, 2025, the Company has not experienced a material impact on its operating results or cash flows due to tariffs. Management continues to assess the exposure as part of its risk management practices.

The Company purchases glass, bag in box, tetra paks, and other components used for bottling and packaging. The largest component of packaging is glass, of which there are few domestic or international suppliers and any interruption in supply could have an adverse impact on the Company's ability to supply its markets. APL has taken steps to reduce its dependence on domestic suppliers through the development of relationships with several international producers of glass and through carrying increased inventory of selected bottles.

The Company operates in a highly regulated industry with requirements regarding the production, distribution, marketing, advertising, and labelling of wine and spirits. Certain federal and provincial regulations also require warning labels and signage. These regulatory requirements may inhibit or restrict the Company's ability to maintain or increase consumer support and brand recognition and may adversely affect APL's business strategies and results of operations.

Federal and provincial governments impose excise, other taxes, and mark-ups on beverage alcohol products which have been subject to change. Significant increases in excise and other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. New or revised regulations, increased licensing fees, requirements, taxes, or mark-ups could also have a material adverse effect on the Company's financial condition or results of operations.

The wine industry and the domestic and international markets in which the Company operates are consolidating. This has resulted in fewer, but larger, competitors who have increased their resources and scale. The increased competition from these larger market participants may affect the Company's pricing strategies and create margin pressures. Competition also exerts pressure on existing customer relationships which may affect APL's ability to retain existing customers and increase the number of new customers. The Company has worked to improve production efficiencies, selectively increase pricing to increase gross margin (see "Non-IFRS Measures" section of this MD&A) and implement a higher level of promotion and advertising activity to remain competitive. APL and other wine industry participants also generally compete with other alcoholic beverages for consumer acceptance, loyalty, and shelf space. No assurance can be given that consumer demand for wine and premium wine products will continue at current levels in the future.

The Company uses information technology and the internet, including online banking, to streamline business operations and to improve customer experience. The Company's information systems, and those of its third-party service providers, creditors, and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the organization. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapidly evolving nature of the threats, targets, and consequences. Additionally, unauthorized parties may attempt to gain access to these systems or the Company's information through fraud or other means of deceiving the Company's third-party service providers, employees, creditors or vendors. As the threat landscape is ever-changing, the Company must make continuous mitigation efforts. The Company employs third-party information technology services and continually monitors and improves its internal controls to protect against known and emerging threats. However, there can be no assurance that the Company's ability to monitor for or mitigate cybersecurity risks will be fully effective, and it may fail to identify cybersecurity breaches or discover them in a timely manner.

The Company's future operating results also depend on the ability of its officers and other key employees to continue to implement and improve its operating and financial systems and manage the Company's significant relationships with its suppliers and customers. The Company is also dependent upon the performance of its key senior management personnel. The Company's success is linked to its ability to identify, hire, train, motivate, promote, and retain highly qualified management. Competition for such employees is intense and there can be no assurances that the Company will be able to retain current key employees or attract new key employees.

The Company has certain defined benefit pension plans. The expense and cash contributions related to these plans depend on the discount rate used to measure the liability to pay future benefits and the market performance of the plan assets set aside to pay these benefits. The Company's Pension Committee reviews the performance of plan assets on a regular basis and has a policy to hold diversified investments. Nevertheless, a decline in long-term interest rates or in asset values could increase the Company's costs related to funding the deficit in these plans.

The competitive nature of the wine industry internationally has resulted in the discounting of retail prices of wine in key markets such as the United States and the United Kingdom. Although significant price discounting may occur in Canada beyond current levels, the Company believes that its product quality, advertising, and promotional support along with its competitive pricing strategies will effectively mitigate the impact on the Company.

The Company considers its trademarks, particularly certain brand names and product packaging, advertising and promotion design, and artwork to be of significant importance to its business and ascribes a significant value to these intangible assets. APL relies on trademark laws and other arrangements to protect its proprietary rights. There can be no assurance that the steps taken by APL to protect its intellectual property rights will preclude competitors from developing confusingly similar brand names or promotional materials. The Company believes that its proprietary rights do not infringe upon the proprietary rights of third parties, but there can be no assurance in this regard.

As an owner and lessee of property the Company is subject to various federal and provincial laws relating to environmental matters. Such laws provide that the Company could be held liable for the cost of removal and remediation of hazardous substances on its properties. The failure to remedy any situation that might arise could lead to claims against the Company. A perceived failure to maintain high ethical, social, and environmental standards could have an adverse effect on the Company’s reputation.

The success of the Company’s brands depends upon the positive image that consumers have of those brands. Contamination of APL’s products, whether arising accidentally or through deliberate third-party action, or other events that harm the integrity or consumer support for those brands could adversely affect sales. Contaminants in raw materials purchased from third parties and used in the production of the Company’s products or defects in the fermentation process could lead to low product quality as well as illness among, or injury to, consumers of the products and may result in reduced sales of the affected brand or all of the Company’s brands.

Non-IFRS Measures

The Company utilizes EBITA (defined as “earnings before interest, amortization, net unrealized gains and losses on derivative financial instruments, other (income) expenses, and income taxes) to measure its financial performance. EBITA is not a recognized measure under IFRS; however, management believes that EBITA is a useful supplemental measure to net earnings (loss) as it provides readers with an indication of earnings available for investment prior to debt service, capital expenditures, and income taxes, as well as providing an indication of recurring earnings compared to prior periods.

The Company calculates EBITA as follows.

For the three months ended June 30, **(in $000)**	**2025**	2024
Net earnings (loss)	**$ 4,553**	$ (375)
Add: Interest	**3,902**	4,580
Income taxes	**1,074**	2,264
Amortization of plant and equipment used in production	**2,827**	2,674
Amortization of plant, equipment, intangibles and right-of-use assets used in selling and administration	**3,309**	3,202
Net unrealized loss on derivative financial instruments	**17**	218
Other expenses, net	**439**	296
EBITA	**$ 16,121**	$ 12,859

Readers are cautioned that EBITA should not be construed as an alternative to net earnings (loss) 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 utilizes gross margin (defined as revenue less cost of goods sold, excluding amortization) as calculated below.

For the three months ended June 30, (in $000)	2025	2024
Revenue	**$ 99,184**	$ 99,465
Less: Cost of goods sold, excluding amortization	**57,152**	61,286
Gross margin	**$ 42,032**	$ 38,179
Gross margin (% of revenue)	**42.4%**	38.4%

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 the corresponding measures used by other companies.

Financial Statements and Accounting Policies

The Company's condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 – Interim Financial Reporting.

Critical Accounting Estimates

During the year, management is required to make estimates and assumptions that are inherently uncertain. These estimates can vary with respect to the level of judgment involved and ultimately the impact that these estimates may have on the Company's financial statements. Estimates are deemed to be critical when a different estimate could reasonably be used or where changes are reasonably likely to occur which could materially affect the Company's financial position or financial performance. The Company's critical accounting estimates remain unchanged from those disclosed in the notes to the audited consolidated financial statements for the years ended March 31, 2025 and 2024.

Recently issued accounting pronouncements

IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, IFRS 18 was issued to achieve comparability of the financial performance of similar entities. The standard, which replaces IAS 1, impacts the presentation of primary financial statements and notes, including the statement of earnings where companies will be required to present separate categories of income and expense for operating, investing, and financing activities with prescribed subtotals for each new category. The standard will also require management-defined performance measures to be explained and included in a separate note within the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027, including interim financial statements, and requires retrospective application. The Company has not yet assessed the impact of the new standard on the consolidated financial statements.

Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments

In May 2024, amendments to IFRS 9 and IFRS 7 were issued to:

a) Clarify the date of recognition and derecognition of some financial assets and liabilities, with the exception of some financial liabilities settled through an electronic cash transfer system;
b) Clarify and add further guidance for assessing whether a financial asset meets the "solely payments of principal and interest" criterion;
c) Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
d) Update the disclosures for equity instruments designated at fair value through other comprehensive (loss) income (FVOCI).

The amendments are effective for annual reporting periods beginning on or after January 1, 2026 with earlier adoption permitted. The Company has not yet assessed the impact of the new standard on the consolidated financial statements.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

To comply with National Instrument 52-109, the Company's management, under the supervision of, and with participation of the CEO and CFO, have designed and maintained the Company's disclosure controls and procedures as required in Canada by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. For the three months ended June 30, 2025, there have been no material changes in the Company's internal controls over financial reporting or changes to disclosure controls and procedures that materially affect or were likely to affect the Company's internal control systems.