



## NEWS RELEASE

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### NSLC announces Year-end results

**HALIFAX, June 17, 2009** – The Nova Scotia Liquor Corporation (NSLC) today released its financial results for the twelve months ending March 31, 2009. The NSLC recorded net income of \$212.6 million for the fiscal year, an increase of 7.0% over the \$198.7 million recorded during the same time period last year. Gross sales rose 5.5% to \$565.6 million this year compared to \$536.4 million last year.

“These are very strong results and are driven primarily by the dedication of the NSLC’s employees who are committed to delivering on the customer-focused strategy of the business,” stated Bret Mitchell President and CEO. “The NSLC’s dividend to the shareholder of almost \$14 million more than last year, \$2.6 million more than budget, was driven by increased sales across all product categories.”

For the 4<sup>th</sup> quarter (December 29, 2008 to March 31, 2009) the NSLC recorded net income of \$40.7 million on net sales of \$119.6 million, an increase of 8.7% compared to net income last year of \$37.6 million on net sales of \$110.0 million.

The NSLC’s gross sales increases for the fiscal year when compared to year by product category were:

- wine increased by 7.6%
- spirits increased by 4.8%
- beer increased by 4.7%
- ready-to-drink increased by 8.8%

Sales for the fiscal year measured by product volume resulting from retail and wholesale purchases grew by 1.3% over last year with 824 thousand hectoliters sold compared to 814 thousand hectoliters sold last year. The volume breakdown by product category was:

- wine volume increased 4.3%
- spirits volume increased 1.4%
- beer volume increased 0.8%
- ready-to-drink volume increased 4.2%

Another measure the NSLC uses to measure success is the gross profit per litre (GPL). An increase indicates that customers are premiumizing their purchases. The NSLC’s growth by gross profit per litre (GPL) increased 4.9% over last year. Gross profit per litre growth by product category was:

- beer increased by 6.4%
- wine increased by 2.7%
- spirits increased by 2.7%

- ready-to-drink increased by 6.9%

Wholesale sales (restaurants, pubs and bars, Private Wine and Specialty Stores and Agency Stores) were \$110.6 million, a 7.6% increase from \$102.8 million last year. Sales to licensees increased 1.5%, sales to Agency Stores increased 19.9% and sales to the Private Wine and Specialty Stores (PWSS) increased 10.2%.

Income Before Depreciation and Amortization for the fiscal year was \$221.3 million, an increase of 7.5% compared to \$206.0 million last year.

The NSLC's expenses to manage the business remained constant for the year with the Operating Expense Ratio (OPEX) including amortization and depreciation of 15.3% compared to 15.4% reported last year.

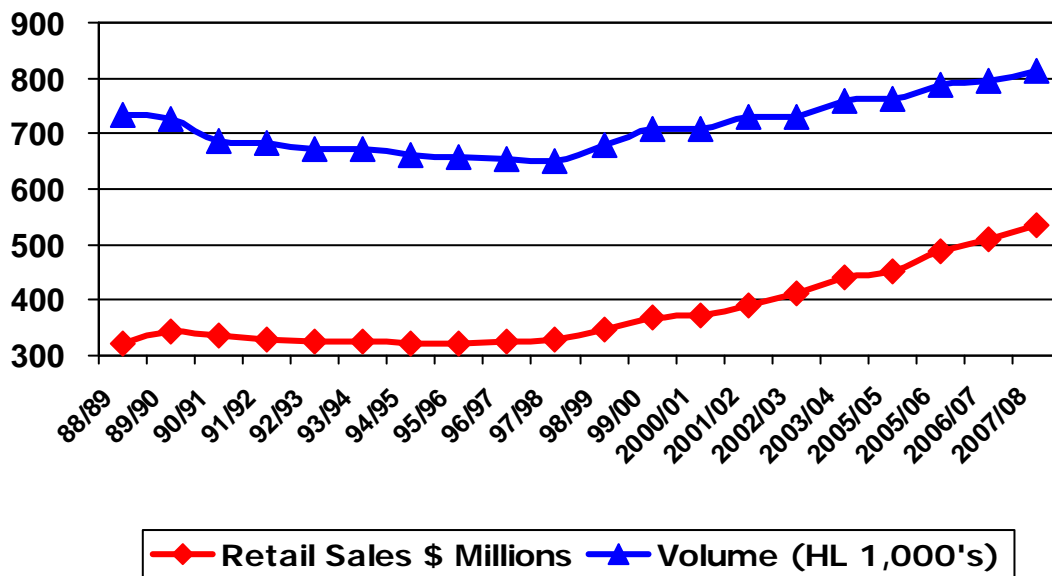
### The Recession and the NSLC

"NSLC sales remain strong bucking the trend of the previous two recessions," added Bret Mitchell. "Our performance is a testament to the changes in business strategy focused on renewed stores, improved product selection and most importantly the investment in employee training which have resulted in vastly improved customer satisfaction."

The global recession impacting Canada has been more severe in other parts of Canada than it has been in Nova Scotia. The impact of the economic slowdown in Nova Scotia has been limited with Nova Scotia recording 2.0% real Gross Domestic Product (GDP) growth in 2008. Nova Scotia has not yet seen two consecutive quarters of negative GDP growth-the measure of a recession.

Employment levels in Nova Scotia were actually higher in the 4th quarter this year compared to last (3,000 more net jobs according to the Nova Scotia Department of Finance) impacting positively NSLC sales. With one of the lowest unemployment rates in Canada at 5.5%, Halifax continues to be the engine that drives the provincial economy and as a result, retail sales remain strong.

### NSLC HISTORIC SALES AND VOLUME



The growth of the economy has slowed in Nova Scotia and as a result, the growth that the NSLC has experienced over the last few years has slowed in the 4th quarter. Sales growth in the month of March slowed from almost 6% in 2008 to 3.3% in 2009. This is also true for January where sales growth dropped from 14% in 2008 to 4% in 2009 and again a similar pattern for February with sales growth dropping from 3.9% to 2.3%.

| <b>NSLC 08/09</b>    | <b>Net Sales % Increase</b> | <b>Volume % Increase</b> |
|----------------------|-----------------------------|--------------------------|
| Halifax & Area       | 7.5                         | 3.9                      |
| Dartmouth & Area     | 4.8                         | 0.7                      |
| Northern & Eastern   | 2.5                         | -2.1                     |
| Cape Breton          | 1.9                         | -2.6                     |
| Valley & South Shore | 3.4                         | -0.6                     |

On a regional basis, the strength of NSLC sales in the Halifax Regional Municipality is clearly driving overall sales growth. A major contributing factor to this is the strong economic performance of the region.

This is further evidenced with the NSLC's performance to date of retail sales and volume. Retail sales for the fiscal year increased by 4.9% and the volume of goods sold was relatively flat at 0.6%. This is a slowing of sales percentage growth from the previous year where NSLC retail sales increased by 5.5% and volume increased by 2.4%. Licensee sales were up for the year by 1.5% (Q1: 3.4%; Q2: 2.1%; Q3: 1.3%; Q4: 1.5%). Compared to the previous fiscal year this is a vast improvement over a decline in licensee sales of 3.9% for that year.

"While this performance is strong, it is not a guarantee that NSLC sales will remain unaffected if the economy gets worse in Nova Scotia," stated Bret Mitchell. "The products we sell are discretionary purchases made by our customers. The volume of product purchased has declined in past recessions and only a strong focus by all employees, combined with smart retailing practices, will enable the business to continue to produce future short-term growth."

## **Business Highlights**

### *Focus on the Environment*

The NSLC took a leadership position and announced eliminated the use of plastic bags in all 106 NSLC retail stores across the province in Fall 2008 as part of a new environmental strategy. Following the announcement, two other liquor jurisdictions, the LCBO (Liquor Control Board of Ontario) and the PEILCC (Prince Edward Island Liquor Control Commission) also announced their intentions to follow the NSLC's lead in this area.

### *Beer Promotions*

July was an exceptional month for beer sales. In July, sales increased a remarkable 9.9% and volume by an equally impressive 5.5%. Specialty and premium beer led the growth with a 29.5% sales increase. Mainstream popular brands drove most of the sales increase in terms of dollars posting a 9.5% increase over the same period last year. Driving these sales were the Coors Light and Molson Canadian promotional 20 bottle packs; a \$1.51 off Keith's Red 12 packs; the Heineken 5 litre kegs; and the strong summer performance of Corona with their straw cowboy hat offer.

#### *Wine Promotions*

The NSLC's wine focus for July, August, September and October offered customers a limited time promotion \$9.99 of unique quality wines. Customers added this product to their planned purchase generating a lift in wine sales of 1.6% of sales. Through the year, 99 new wines were permanently listed and another 717 limited offer wines were brought into the market.

#### *Spirits Promotions*

Spirit sales were very strong in July and August at 5.8% and 6.4% growth respectively. The NSLC introduced a new spirit-based offering in spirits that drove these great numbers: one pour cocktails. The products use brand name spirits as the base for the cocktail.

#### *Boxing Day Sale*

For the first time, the NSLC featured a two-week Boxing Day sale in late November called 'Find Your Festive Spirit, Beer and Wine'. A select group of popular beer, wine and spirits were featured as part of this sale at very attractive price points. This sale was supported by an innovative media campaign that contributed to our success in all categories. Net sales increased across all categories by an average of 6% with a 3.9% increase in the spirits category, a 9% increase in the wine category, a 6% increase in the beer category and an 8.8% increase in the ready-to-drink category. This promotion helped to generate incremental sales of \$4.3 million in net sales in the six week Holiday selling period when compared to the previous year.

#### *Holiday Sales*

The December period is a critical sales month for all retailers including the NSLC, representing more than 12% of our annual sales. NSLC sales in December increased 4.8% over last year.

NSLC holiday gift pack items featuring popular products from all categories were a hit for the third year in a row. This year's gift packs achieved a 79% sell-through consistent with our performance over last year.

NSLC gift cards, introduced three years ago, sold \$830,000 in December 2006 and continue to be a popular item with NSLC customers. Sales have increased to \$2.3 million in December 2008, up 18.2 % over gift card sales from the same period last year.

#### *Anti-Binge Drinking Campaign*

The NSLC continues to take a leadership position in the area of social responsibility and to develop advocacy campaigns and partnerships designed to create awareness of the need to enjoy beverage alcohol responsibly. The

most innovative campaign in the organization's history, Jonze, was an anti-binge drinking campaign aimed at students aged 19 – 25. This edgy campaign was delivered using a variety of social media tactics to communicate with students in a real and meaningful way. Animation is incorporated with live-action to deliver a serious message that binge drinking has very serious health and social consequences and is never considered an acceptable behavior. This campaign was awarded the Gold Quill Award of Excellence for Best Electronic and Digital Campaign and for the best Audiovisual Campaign from the International Association of Business Communicators at their annual conference held in June 2009.

#### *'Lots of Ways' Campaign*

For the holiday season, the NSLC was in-market with the award winning 'Lots of Ways' campaign featuring television commercials, washroom advertising in restaurants and universities as well as a variety of campaign components in NSLC retail stores. This campaign is designed to remind customers that there are lots of ways to get home safely – all you need is one. The NSLC also engaged in a powerful partnership with Operation Red Nose. This is a free service that delivers cars and drivers home safely after enjoying a social occasion in December and is staffed exclusively by volunteers. The NSLC encouraged employees and business partners to volunteer for Operation Red Nose on December 6<sup>th</sup>. More than 40 NSLC employees participated and drove more than 4248 km's to deliver 200 people home safely.

#### **Board Expenses**

The NSLC released the Board of Directors expenses for the first quarter. These expenses amounted to \$6.97 per Director per day. Copies of the expenses are available on the NSLC web site, [www.theNSLC.com](http://www.theNSLC.com).

## Audited Financial Highlights

For the quarter ended March 31, 2009

| Q4  | 2009                  | 2008                  |
|---|-----------------------|-----------------------|
| <b>Sales Volume (Hectolitres)</b>         | 172,853               | 167,168               |
| Spirit revenue                            | \$ 35,941,781         | \$ 33,280,333         |
| Wine revenue                              | 22,588,904            | 20,974,520            |
| Beer revenue                              | 58,000,252            | 53,892,524            |
| Ready to Drink revenue                    | 4,161,152             | 3,776,955             |
| Non-liquor revenue                        | 30,609                | 20,023                |
| Discounts                                 | (1,167,103)           | (1,915,977)           |
| <b>Net Sales</b>                          | <b>\$ 119,555,595</b> | <b>\$ 110,028,378</b> |
| Gross Profit                              | \$ 64,323,120         | \$ 59,499,463         |
| Stores Operating Expense                  | (12,846,772)          | (11,485,034)          |
| Gross Operating Income                    | \$ 51,476,348         | \$ 48,014,429         |
| Depreciation and other corporate expenses | (11,607,098)          | (11,368,666)          |
| Permitting, Display & other revenue       | 787,274               | 919,346               |
| <b>INCOME FROM OPERATIONS</b>             | <b>\$ 40,656,524</b>  | <b>\$ 37,565,109</b>  |

## Audited Financial Highlights

For the twelve month period ended March 31, 2009

| YTD Q4                                    | 2009                  | 2008                  |
|---|-----------------------|-----------------------|
| <b>Sales Volume (Hectolitres)</b>         | 824,366               | 813,851               |
| Spirit revenue                            | \$ 160,878,620        | \$ 153,513,559        |
| Wine revenue                              | 104,476,330           | 97,095,982            |
| Beer revenue                              | 276,188,679           | 263,737,652           |
| Ready to Drink revenue                    | 23,899,411            | 21,958,793            |
| Non-liquor revenue                        | 183,480               | 109,955               |
| Discounts                                 | (6,111,955)           | (5,863,669)           |
| <b>Net Sales</b>                          | <b>\$ 559,514,564</b> | <b>\$ 530,552,272</b> |
| Gross Profit                              | \$ 298,149,647        | \$ 280,486,826        |
| Stores Operating Expense                  | (49,085,992)          | (48,861,652)          |
| Gross Operating Income                    | \$ 249,063,655        | \$ 231,625,174        |
| Depreciation and other corporate expenses | (40,972,200)          | (38,583,188)          |
| Permitting, Display & other revenue       | 4,521,749             | 5,629,463             |
| <b>INCOME FROM OPERATIONS</b>             | <b>\$ 212,613,204</b> | <b>\$ 198,671,449</b> |

The Nova Scotia Liquor Corporation, the largest single banner retailer in Nova Scotia, generates more than a half billion dollars of revenue a year generating over \$212 million profit annually. It employs more than 1,500 Nova Scotians, offering 5,900 products from around the globe through 161 retail locations and 2,100 licensed establishments.

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