



NSLC Announces Year-end Results

HALIFAX, June 25, 2010 – The Nova Scotia Liquor Corporation (NSLC) today released its year end results (April 1, 2009 to March 31, 2010). For the twelve month period, the NSLC recorded net earnings of \$219.4 million on sales of \$579.4 million. This represents an increase in net income of \$6.8 million (3.2 per cent) compared to last year.

“Delivering more than \$3 million more than budget to our shareholder is the direct result of our employees working together to deliver on our customer focused strategy,” said Bret Mitchell, NSLC President & CEO. “Increasing sales across all categories last fiscal year is impressive given economic conditions in the year.”

Net earnings for the fourth quarter was \$41.7 million, which is 2.5 per cent higher than net earnings of \$40.7 million for the same time period last year. Sales for the quarter were \$123.8 million, an increase of 3.5 per cent over the last year’s sales of \$119.6 million.

Earnings before depreciation and amortization for the fiscal year were \$228.8 million, an increase of 3.4 per cent compared to \$221.3 million last year.

Sales for the year increased by 3.6 per cent and the breakdown by product category for the year was:

Beer	↑ 4.7 per cent
Wine	↑ 4.4 per cent
Spirits	↑ 0.9 per cent
Ready-To-Drink	↑ 5.2 per cent

When looking at the total product volume sold, which is measured in hectolitres, NSLC’s retail and wholesale sales grew by 1.7 per cent over last year with 839 thousand hectolitres sold compared to 824 thousand hectolitres sold last year.

Volume for the year increased by 2.6 per cent and the breakdown by category was:

Wine	↑ 3.0 per cent
Beer	↑ 1.6 per cent
Spirits	↓ 1.1 per cent
Ready-To-Drink	↑ 5.7 per cent

The NSLC’s wholesale business (restaurants, pubs and bars, Private Wine and Specialty Stores and Agency Stores) continues to show slower growth than the NSLC retail network. NSLC wholesale sales for the year were \$106.2 million, a 0.2 per cent increase from \$106.0 million last year. NSLC wholesale

sales for the fourth quarter were \$22.8 million, an increase from the same period last year of \$0.6 million. Sales to Agency Stores increased 6.9 per cent during the fourth quarter and year-to-date sales have increased 8.4 per cent when compared to the previous year. Contributing to this increase is improved product selection in specific communities. Licensee sales continue to be impacted by economic conditions and decreased 0.3 per cent for the fourth quarter and year-to-date sales decreased by 4.0 per cent when compared to the previous year. Sales to Private Wine and Specialty Stores (PWSS) increased by 12.2 per cent for the fourth quarter and year-to-date sales have increased by 2.8 per cent compared to the previous year.

The NSLC's Operating Expense Ratio including amortization and depreciation for the year ended March 31, 2010 was 15.4 per cent compared to 15.3 per cent reported over the prior year.

Business highlights for the year

Holiday Sales

The December period is a critical sales month for all retailers including the NSLC, representing more than 12 per cent of our annual sales. NSLC sales in December increased 3 per cent over last year.

NSLC holiday gift pack items featuring popular products from all categories were a hit with customers again this year. This year's gift packs achieved an 83 per cent sell-through, a 4 per cent increase over the previous year.

NSLC gift cards sold \$1.6 million in December, an increase of 9.5 per cent over last year proving to be a popular item with customers. New \$15 and \$100 gift cards were introduced this year to give customers a better gift-giving selection, in addition to the \$10, \$25, and \$50 gift cards that are already available.

Boxing Day Sale

The NSLC featured a two-week Boxing Day sale from November 23 – December 6 called 'Find Your Festive Spirit, Beer and Wine.' A select offering of popular beer, wine and spirits was featured as part of this sale at attractive price points. During this two week period transactions increased by 32 per cent.

Beer Promotions

Strong performance in the beer category was driven by increased beer sales as a result of the launch of innovative lime flavoured products and an engaged supplier community committed to providing the NSLC with creative promotions. The January Budweiser Super Bowl experience promotion as well as the 2010 Vancouver Winter Olympics and the Stanley Cup play-offs drove beer sales. Volume in beer was 2.7 per cent higher than last year, exceeding budget by 4.6 per cent.

Other in-store promotions like one-time-offers on Keith's 12 pack cans and \$2 savings on Bud Light, Molson Canadian and Coors Light were also strong, offering customers exceptional value on promotions proven to be popular. St. Patrick's Day specials on Guinness, Kilkeny and Irish Beer Collection were also successful from a sales perspective.

Spirit Promotions

The spirit category experienced highs and lows this year with sales being driven by strong in-store promotions such as 'Buy and Save' programs and a variety of added value 50 ml's on popular brands like Smirnoff, Appleton, Wiser's, Malibu, Polar Ice, Canadian Club, Captain Morgan rums, Bacardi Gold, Prince Igor, and Iceberg Rum contributed to sales in the spirit category.

Spiced rum grew 25 per cent over last year driven by the promotional launch of new 750ml Sailor Jerry, 750ml Lambs Black Sheep & 750ml Captain Morgan 100 spiced rums. Vodka grew 5 per cent over last year driven by promotional displays of 1140ml Polar Ice, 750ml Iceberg and the new 750ml Russian Standard vodka. St. Patrick's Day displays increased sales in Irish Whiskey by 28 per cent over last year.

The category lows happened in the fourth quarter where performance in the spirit category was below last year. White rum, accounting for 25 per cent of total spirit sales, declined 6 per cent. This decline is attributed to limited in-store promotional activity in this category.

There is a shift within the mainstream segment (which makes up 80 per cent of spirit sales) as customers are moving to smaller pack size products. This trend is prevalent in three of the largest subcategories; rum, whiskey and vodka—which are all showing declining gross profit percentages.

Wine Promotions

Quality Nova Scotia offerings in the wine category had a positive effect on this category. 'Jost Valley Roads' from Jost Vineyards a limited release product introduced in NSLC stores in the second quarter enjoyed tremendous sales.

The wine focus for July, August, September and October was on the promotion of unique \$9.99 quality wines. This promotion increased sales by 1.6 per cent. Through the year, 99 new wines were permanently listed and an additional 717 limited offer wines were brought into the market.

Strong \$5 and \$3 off promotions of French Cross four litre varietal wines in November and December resulted in French Cross being the top selling wine in NSLC retail stores during this time.

Store Development

The NSLC continues to make improvements to the store network to better serve its customers. Renovations were completed at the NSLC Wolfville store and included a 1025 square foot expansion of retail space, a new reach-in cooler and improved in-store design.

Renovations to the NSLC's Wine Basket in Clayton Park were completed and include an additional 346 square feet, a new chilled Beers of the World section and improved in-store design.

In addition, the NSLC completed renovations at the Bedford Place store featuring a new design as well as offering an extended product mix and a

Cool Zone. The Bridgetown store was moved into the Graves Valu Foods with access between the stores offering improved shopper convenience.

myNSLC.com

The NSLC launched a new website myNSLC.com in October 2009. This website is designed to leverage the power of digital and social media to create a vibrant online community for anyone interested in current trends in beverage alcohol and who may be interested in expressing their opinions on specific products. Customers are encouraged to become a member of the online community, called Finds, where members can post product reviews, flag their favourite products and maintain a dynamic personalized wine journal.

Corporate Social Responsibility

The NSLC strives to be a responsible corporate citizen and continues to take a leadership position in the area of corporate social responsibility. Long recognized for its efforts in the Social Responsibility area, the NSLC has established several leading corporate responsibility programs during 2009-2010. These included the "Plight of the Reaper" holiday campaign which was recently recognized with an Award of Excellence winner in the multi-media category by the Canadian Public Relations Society. The Award of Excellence winners represent the "best of the best" of public relations in Canada.

NSLC Adopt-A-Stream

The NSLC and the Nova Scotia Salmon Association (NSSA) have announced a partnership that will significantly improve efforts toward protecting and restoring local watersheds and improving Nova Scotia's water quality. The NSLC, using the proceeds of its annual ECO SALE, has made a five-year, \$500,000 commitment to the newly named NSLC Adopt-A-Stream program. The NSLC presented the Nova Scotia Salmon Association with the first \$100,000 installment on March 29, 2010 which will be used to fund stream, river and headwater projects across Nova Scotia.

Liquid Waste Management

NSLC product breakage or damage results in the production of liquid waste throughout the retail network and at the main warehousing facility, the Distribution Centre. In January 2010, the NSLC, along with the Nova Scotia based firm Maritime BioFuels Inc. (MBI), implemented an environmentally sustainable method of disposing of the NSLC's liquid waste. From an environmental perspective, the primary problem with releasing the waste liquid into the environment is that the residual ethyl alcohol present in the liquid does not biodegrade sufficiently and has adverse impacts on the environment.

Waste liquid is now collected on a monthly basis in all NSLC stores utilizing a 200L or a 1000L tote (dependent on store volume of wastage). MBI processes the liquid waste through a distillation column to remove the ethanol, and then safely releases the waste water into the environment through a licensed wastewater treatment facility. The removed ethanol will be used to produce biodiesel from waste vegetable oil also collected throughout Nova Scotia.

Five Year Strategic Plan

The past fiscal year marks the final year of the NSLC's first five year strategic plan. This plan, 2005-2010, set \$215 million of profit in 2010 as the net income target for the organization. This increase required growth of \$45 million from the starting point of \$170 million in profit delivered in March 2005. Along with the net income target, the NSLC set many other transformational business goals in the plan.

"The NSLC exceeded its five year plan target of \$215 million by an impressive \$4.3 million primarily by transforming into a customer-centric and product knowledge culture," added Maureen Sullivan, NSLC VP, Finance. "The NSLC delivered just over \$1 billion in profit during the five years – a 29% improvement."

Subsequent to the year-end, the NSLC released its next five year strategic plan which will take the business into 2015. The plan sets a target of delivering \$1.2 billion in cumulative profit during the period reaching \$275 million in 2015. This growth while still strong reflects the challenges associated with a Nova Scotia population that is not growing and is aging.

Board Expenses

The NSLC released the Board of Directors' expenses for the fourth quarter. These expenses amounted to \$4.63 per director, per day. An electronic version of these expenses is available on myNSLC.com.

The Nova Scotia Liquor Corporation, the largest single banner retail business in Nova Scotia, generates more than half a billion dollars of revenue a year, returning more than \$200 million profit annually to the province. It employs more than 1,500 Nova Scotians, offering almost 6,000 products from around the globe through 160 retail outlets, and 2,100 licensees. The NSLC is driven to be a sustainable and community focused organization helping to make Nova Scotia an even better place to live.

-30-

For more information please contact:

Rick Perkins

Nova Scotia Liquor Corporation

Phone: (902) 450-5926

Email: rick.perkins@myNSLC.com

Unaudited Financial Highlights

For the quarter ended March 31, 2010

Q4	2010	2009
Sales Volume (Hectolitres)	177,333	172,847
Spirits	\$ 35,618,838	\$ 35,711,075
Wine	23,099,079	22,005,590
Beer	60,686,293	57,670,283
Ready to Drink	4,363,111	4,138,038
Non-liquor	22,139	30,608
Total Net Sales by Category	\$ 123,789,460	\$ 119,555,594
Gross Profit	\$ 66,724,947	\$ 64,323,121
Stores Operating Expense	(14,711,756)	(12,846,771)
Gross Operating Income	\$ 52,013,191	\$ 51,476,349
Other corporate expenses	(11,199,629)	(11,607,099)
Permitting, Display & other revenue	864,722	787,274
Net Earnings	\$ 41,678,284	\$ 40,656,524

Audited Financial Highlights

For the twelve month period ended March 31, 2010

YTD Q4	2010	2009
Sales Volume (Hectolitres)	838,590	824,357
Spirits	\$ 160,993,184	\$ 159,563,433
Wine	106,148,318	101,696,534
Beer	287,510,830	274,670,288
Ready to Drink	24,627,864	23,401,224
Non-liquor	161,079	183,085
Total Sales by Category	\$ 579,441,275	\$ 559,514,564
Gross Profit	\$ 308,316,080	\$ 298,149,647
Stores Operating Expense	(51,397,404)	(49,085,992)
Gross Operating Income	\$ 256,918,677	\$ 249,063,656
Other corporate expenses	(41,828,547)	(40,972,200)
Permitting, Display & other revenue	4,272,049	4,521,749
Net Earnings	\$ 219,362,179	\$ 212,613,204