

NSLC Announces Third Quarter Results

Halifax, February 25, 2010 – The Nova Scotia Liquor Corporation (NSLC) today released its third quarter results (September 28, 2009 to December 27, 2009). For this three month period, the NSLC recorded net income of \$58.0 million on sales of \$149.7 million. This represents an increase in net income of 1.3 per cent and sales of 1.6 per cent compared to third quarter last year.

Net income for the first nine months was \$177.7 million, which was \$5.7 million or 3.3 per cent higher than net income during the same time period last year. Sales year-to-date increased by 3.6 per cent over last year with all product categories experiencing sales growth.

“Modest sales growth during our Christmas season offset a challenging fall selling season” said Bret Mitchell, President & CEO, NSLC. “The NSLC’s strategy, in partnership with the manufacturers, to increase the value proposition to our customers at this critical selling time combined with a focus on operating expense control, was effective in keeping us on track with our performance objectives.”

Earnings before depreciation and amortization for the fiscal year were \$184.6 million, an increase of 3.5 per cent compared to \$178.3 million last year.

Sales for the third quarter increased by 1.6 per cent. The breakdown by product category for the quarter was:

Wine	↑ 2.5 per cent
Beer	↑ 1.8 per cent
Spirits	↑ 0.8 per cent
Ready-To-Drink	↑ 0.9 per cent

The volume breakdown by product category for the third quarter decreased by 0.6 per cent and the breakdown by category was:

Wine	↑ 1.4 per cent
Beer	↓ 1.0 per cent
Spirits	↓ 0.5 per cent
Ready-To-Drink	↑ 0.2 per cent

When looking at the total product volume sold year-to-date, which is measured in hectolitres, the NSLC’s volume sold grew by 1.5 per cent compared to last year, with 661 thousand hectolitres sold compared to 652 thousand hectolitres sold last year.

The NSLC's wholesale business (restaurants, pubs and bars, Private Wine and Specialty stores and Agency stores) continues to show slower growth than the retail channel. NSLC wholesale sales for the third quarter were \$25.9 million, a decrease from the same period last year of \$300,000. NSLC wholesale sales year-to-date were \$83.3 million, a 0.5 per cent decrease from \$83.8 million last year. Sales to Agency Stores increased 5.8 per cent during the third quarter and year-to-date sales have increased 8.8 per cent when compared to the previous year. Contributing to this is better product selection in specific communities. Licensee sales continue to be impacted by economic conditions and decreased 4.2 percent for the third quarter and year-to-date sales decreased by 5.0 per cent when compared to the previous year. Sales to Private Wine and Specialty Stores (PWSS) increased by 2.5 per cent for the third quarter and year-to-date sales have increased by 0.1 per cent compared to previous year.

The NSLC's Operating Expense Ratio including amortization and depreciation for the nine month period ended December 27th 2009, was 14.0 per cent compared to 14.1 per cent reported over the same time period last year.

Business Highlights

Holiday Sales

December is a critical time of year, representing approximately 12 per cent of the NSLC's annual sales. Sales in December increased 3.0 per cent when compared to the same period last year. These strong results were driven by increases in the beer and wine categories.

The NSLC featured a two-week Boxing Day sale in late November and a three-day sale before Christmas. Both sales were supported by a festive print, radio and in-store advertising campaign.

NSLC holiday gift packs were a popular item again this year, achieving an 81 per cent sell-through, up 2.0 per cent when compared to last year's sales performance. Some popular gift pack items included Innis and Gunn Connoisseur's Oak Collection that came with three varieties of beer and a branded glass, and the Naked Grape Perfect Pair Gift Pack, which included Shiraz and Chardonnay wines.

Beer Promotions

Strong performance in the beer category was driven by in-store promotions that focused mainly on 24-pack offers on brands such as Bud Light Lager, Keith's India Pale Ale, Molson Canadian, and Coors Light. Through these promotions, NSLC customers were offered exceptional value in the form of Olympic tie-ins, contest sweepstakes and discount offers such as \$4 off Bud Light Lager and Keith's India Pale Ale.

Wine Promotions

French Cross four litre varietal wines were on promotion in November and December and included a \$5 off offer for two weeks in November and \$3 off offer for all of December. This promotion resulted in French Cross being the top selling wine in NSLC retail stores for the quarter.

Beaujolais Nouveau was released on November 19th to 79 select NSLC stores. Beaujolais Nouveau is a very young and unique wine produced in France and released in limited quantities only once a year. Within the first four weeks of its release, 95 per cent of Beaujolais Nouveau stock was sold out in Nova Scotia.

Spirit Promotions

Strong third quarter performance in the spirit category was attributed to promotions in white and flavoured rum, as well as vodka.

Promotions on Captain Morgan drove white rum growth this quarter, with \$1 off 375 ml in October and November as well as \$6 off 1750 ml Captain Morgan during the 3 day sale in December. Captain Morgan spiced rum displays, offering a free Captain Morgan etched glass with every purchase, and the launch of the new Sailor Jerry spiced rum contributed to growth in the flavoured rum category.

Strong Smirnoff promotions drove growth in the vodka category, with \$1 off 375 ml in October and November followed by a promotion on 1140 ml with a \$1.50 off in December.

Gift Cards

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. This contributed to an increase of \$172,000 in gift card sales compared to the same three months last year. The total gift card sales for the quarter was approximately \$1.9 million, which represents an increase of 10.2 per cent compared to the same three months last year.

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 *Find*s, where members can post product reviews, flag their favourite products and maintain a dynamic personalized wine journal.

Social Responsibility

The NSLC continues to take a leadership position in the area of social responsibility in Canada through the use of advocacy campaigns and

partnerships designed to create awareness of the need to enjoy beverage alcohol responsibly. Jonzed, the NSLC's integrated campaign starring a not-so-likeable cartoon character whose alcohol-fueled night gets out of control, won Gold at the 39th annual Canadian Marketing Association awards in November 2009. This was the third year in a row the NSLC has been honoured with a prestigious CMA award.

Holiday Social Responsibility Campaign

The "Plight of the Reaper" campaign approached the topic of drinking and driving by asking the question: Who would lose if everyone in Nova Scotia enjoyed beverage alcohol responsibly? The answer became obvious that only the Grim Reaper would suffer, since increased incidents of responsible drinking means fewer alcohol-related deaths. Based on a positive behavior reinforcement strategy an opportunity existed to use a light-hearted, humour-based approach on a topic that often utilizes consequence-based messaging.

The campaign featured television commercials, online presence, in-store posters and even utilized social media such as Facebook and Twitter. The Reaper's awkward learning curve was evident in every new endeavour. The scenarios were unexpected, uncomplicated and memorably deliver the important message that "When you drink responsibly, he's only killing time."

Operation Red Nose

The NSLC was pleased to continue its partnership with Operation Red Nose during the holiday season. As the provincial sponsor of Operation Red Nose, the NSLC fielded teams for two corporate nights in each of the Halifax and Sydney Regional Municipalities.

Thanks to the dedication and commitment of over 50 NSLC employees, family, friends, and business partners, more than 5,200 km were driven with 140 safe rides home provided to party-goers in the two NSLC corporate sponsored nights. Through the efforts of all Operation Red Nose volunteers, more than 18,000 km were driven and over 1,200 people were delivered home safely. In addition, more than \$15,000 was raised in donations to Safe Graduation programs across Nova Scotia.

Events

14th Annual Port of Wines Festival

The 14th Annual Port of Wines Festival and Winemakers' Dinner was held October 1 – 3, 2009. The Winemakers' Dinner and auction attracted 610 guests and raised \$50,000 to support Symphony Nova Scotia. More than 4,400 were in attendance during the Grand Tastings to sample 340 wines from 12 countries around the world.

6th Annual NSLC Ceilidh

The 6th Annual Ceilidh was held at the Lord Nelson on November 5, 2009. Over 300 guests were in attendance and had the opportunity to learn and

appreciate the finer aspects of single malts, whiskies, rums and liqueurs, as well as sample exclusive products not yet available in NSLC stores.

Store Development

The NSLC continues to make improvements to the store network to better serve customers. Renovations were recently 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.

Renovation work in the NSLC's Wine Basket in Clayton Park is now complete and includes an additional 346 square feet, a new chilled Beers of the World section and improved in-store design.

"The NSLC's key financial target for the year is to deliver \$217 million of profit to our shareholder," concluded Maureen Sullivan, Vice President, Finance, NSLC. "We believe given the results for the first nine months, that the NSLC will meet its financial targets for the year."

Board Expenses

The NSLC released the Board of Directors' expenses for the third quarter. These expenses amounted to \$9.40 per director, per day. An electronic version of these expenses is available on myNSLC.com.

Unaudited Financial Highlights
For the quarter ended December 27, 2009

Q3	2010	2009
Sales Volume (Hectolitres)	201,651	202,915
Spirit revenue	\$ 46,664,205	\$ 46,284,018
Wine revenue	30,583,244	29,836,598
Beer revenue	67,082,654	65,902,639
Ready to Drink revenue	5,270,646	5,222,147
Non-liquor revenue	51,073	58,897
Net Sales	\$ 149,651,822	\$ 147,304,299
Gross Profit	\$ 80,274,605	\$ 79,159,415
Stores Operating Expense	(12,432,069)	(12,109,833)
Gross Operating Income	\$ 67,842,537	\$ 67,049,581
Depreciation and other corporate expenses	(10,717,643)	(10,874,464)
Permitting, Display & other revenue	849,625	1,065,961
INCOME FROM OPERATIONS	\$ 57,974,519	\$ 57,241,078

Unaudited Financial Highlights
For the nine month period ended December 27, 2009

YTD Q3	2010	2009
Sales Volume (Hectolitres)	661,257	651,510
Spirit revenue	\$ 125,374,346	\$ 123,852,358
Wine revenue	83,049,239	79,690,944
Beer revenue	226,824,537	217,000,005
Ready to Drink revenue	20,264,754	19,263,186
Non-liquor revenue	138,940	152,478
Net Sales	\$ 455,651,815	\$ 439,958,970
Gross Profit	\$ 241,591,133	\$ 233,826,527
Stores Operating Expense	(36,685,648)	(36,239,220)
Gross Operating Income	\$ 204,905,486	\$ 197,587,306
Depreciation and other corporate expenses	(30,628,918)	(29,365,101)
Permitting, Display & other revenue	3,407,327	3,734,475
INCOME FROM OPERATIONS	\$ 177,683,895	\$ 171,956,680

The Nova Scotia Liquor Corporation, the fifth largest business and largest single banner retailer in Nova Scotia, generates more than a half billion dollars of revenue a year and more than \$200 million profit annually. It employs more than 1,500 Nova Scotians, offering almost 6000 products from around the globe through 161 retail locations and 2,100 licensed establishments.

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