



**LIQUOR STORES INCOME FUND**

**FOR IMMEDIATE RELEASE**

**LIQUOR STORES INCOME FUND REPORTS SOLID 2008 FOURTH QUARTER AND YEAR END RESULTS**

**EDMONTON, ALBERTA, March 17, 2009** – Liquor Stores Income Fund (“Liquor Stores” or the “Fund”) (TSX: LIQ.UN) today reported its results for the fourth quarter and year ended December 31, 2008.

**HIGHLIGHTS:**

**Fourth quarter 2008 compared with fourth quarter 2007**

- Operating margin before non-recurring items up 22.1% to \$15.5 million from \$12.7 million.
- Adjusted gross margin up 19.9% to \$37.4 million from \$31.2 million.
- Same store sales consistent with Q4 2007 at \$99.4 million.
- Distributable cash before non-recurring items up 23.2% to \$13.8 million from \$11.2 million.

**Year ended December 31, 2008 compared with year ended December 31, 2007**

- Distributable cash per unit excluding non-recurring items of \$1.72 compared with \$1.71 for 2007.
- On November 5, 2008, the Fund completed the acquisition of 19 Brown Jug liquor stores in Alaska.
- Operating margin before non-recurring items up 23.6% to \$43.8 million from \$35.5 million.
- Adjusted gross margin up 12.6% to \$121.7 million from \$108.1 million.
- Distributable cash before non-recurring items up 21.7% to \$38.7 million from \$31.8 million.

Rick Crook, President and CEO of LSGP, stated, “Results for 2008 were solid. We expanded into the United States through the acquisition of the 19 Brown Jug stores in Alaska and added 16 new stores in Canada through acquisition and development. We are very pleased with the integration of the Brown Jug stores.”

Sales were impacted near the end of the year due in part to unusual winter storms which struck BC's Lower Mainland and Vancouver Island during key Christmas season selling days; however, overall margins were strong and more than made up for the lost sales."

Mr. Crook also said, "We expect increased sales for 2009 compared with 2008 due to an increase in the number of stores, however, same store sales may decline in the first quarter due to the adverse impact of calendar related issues such as the timing of Easter, the loss of one day of sales in February due to 2008 being a Leap Year, a shift in key selling days - Fridays and Saturdays - between months and the current recession."

### **THREE MONTHS ENDED DECEMBER 31, 2008**

#### **SALES AND MARGINS**

Sales for the existing 223 stores totalled \$143.0 million, up 13.6% from \$125.9 million for 195 stores a year earlier.

On a combined basis, same store sales were consistent with the comparable period in 2007 at \$99.4 million.

Operating margin was up \$1.6 million or 12.9% to \$14.0 million from \$12.4 million.

Operating margin excluding non-recurring items was \$15.5 million, up 22.1% from \$12.7 million a year earlier. Non-recurring expenses included provisions for future operating lease costs for stores closed during the period, professional and consulting fees for litigation matters related to the 2007 acquisition of Liquor Barn Income Fund, and other miscellaneous items.

#### **DISTRIBUTABLE CASH AND DISTRIBUTIONS**

For the fourth quarter of 2008 distributable cash excluding non-recurring items was \$13.8 million compared with \$11.2 million for the fourth quarter of 2007. Distributable cash including non-recurring items was \$15.6 million for the three months ended December 31, 2008, up \$4.8 million or 44.4% from the same period in 2007.

On a weighted average basis, for the fourth quarter of 2008 distributable cash including non-recurring items was \$0.69 per unit, up from \$0.48 for the fourth quarter of 2007. Distributable cash excluding non-recurring items was \$0.61 for the fourth quarter of 2008, up from \$0.50 for the fourth quarter of 2007.

For the fourth quarter of 2008 the Fund declared distributions of \$0.41 per unit, up 5.1% from \$0.39 per unit a year earlier.

#### **EARNINGS AND EARNINGS PER UNIT**

Net earnings for the fourth quarter of 2008, before non-controlling interest and before a non-cash income tax charge, were \$10.4 million, up 15.6% from \$9.0 million a year earlier. The non-cash income tax charge, which totalled \$1.4 million, was a future income tax recovery resulting from the amortization of and additions to goodwill, property, plant and equipment, and intangible assets. The future tax recovery for the same period in 2007 was \$2.6 million, on a restated basis.

After the non-cash recovery, the Fund's net earnings before non-controlling interest were \$11.8 million, up 1.7% from \$11.6 million a year earlier. Fourth quarter 2008 net earnings were \$9.8 million, up 3.2% from \$9.5 million. 2008 earnings per unit for the fourth quarter were \$0.53 (basic and diluted) compared with basic earnings per unit of \$0.52 and diluted earnings per unit of \$0.50 a year earlier.

Other comprehensive income included \$1.4 million in translation gains due to the addition of US operations.

## **YEAR ENDED DECEMBER 31, 2008**

### **SALES AND MARGINS (PROFORMA)**

The proforma comparison includes results for Liquor Barn stores for the period January 1, 2007 to December 31, 2007 although Liquor Barn was acquired by the Fund on June 7, 2007.

Sales for all stores totalled \$482.9 million, up 7.7% from \$448.5 million proforma a year earlier due to the net addition of 28 stores between December 31, 2007 and December 31, 2008, including 19 stores in Alaska. Operating margin was \$41.6 million, up 23.8% from \$33.6 million proforma a year earlier due primarily to retail price increases in Liquor Barn stores to levels consistent with Liquor Depot stores (“retail price harmonization”).

Total same store sales were \$318.9 million, down 0.6% from \$320.9 million in 2007. Same store sales for 91 Liquor Depot stores increased by \$4.0 million or 2.0% compared to the prior year, which was offset by a decrease of \$6.0 million or 5.1% in same store sales for 54 Liquor Barn stores.

Same store sales were negatively impacted by: retail sales price harmonization for Liquor Barn stores; reduced natural gas and oil exploration activity throughout northern Alberta, including Grande Prairie and Slave Lake; reduced forestry activities in northern Alberta and the Vancouver Island region of British Columbia; winter storms experienced by the Lower Mainland and Vancouver Island in British Columbia over the Christmas season; extensive construction activities in the southern part of Edmonton interrupted traffic routes around several stores; and a drop in tourism in earlier months of the year.

### **SALES AND MARGINS (NON-PROFORMA FOR 2007)**

Sales for all stores totalled \$482.9 million, up 26.1% from \$383.1 million due to the Fund’s results including twelve full months of operations for the Liquor Barn stores in 2008 compared with operations from June 7 onward for 2007 and the net addition of 28 stores between December 31, 2007 and December 31, 2008, including 19 stores in Alaska.

Operating margin for the twelve months ended December 31, 2008 was \$41.6 million, up 19.9% from \$34.7 million due to retail price harmonization. Operating margin excluding non-recurring items was \$43.8 million, up 23.4% from \$35.5 million.

Same store sales for 91 Liquor Depot stores for the year ended December 31, 2008 were up 2% compared with 2007.

### **DISTRIBUTABLE CASH AND DISTRIBUTIONS**

Distributable cash excluding non-recurring items was \$38.7 million, up from \$31.8 million a year earlier. For the year ended December 31, 2008, distributable cash was \$39.6 million, up 27.7% from \$31.0 million in 2007. Distributable cash per weighted average unit was \$1.72 excluding non-recurring items for 2008, compared with distributable cash per weighted average unit of \$1.71. Including non-recurring items, distributable cash per weighted average unit was \$1.76 compared with \$1.67 for 2007.

Non-recurring items in distributable cash include a \$3.2 million foreign exchange gain relating to the acquisition of Brown Jug stores in Alaska, which was partially offset by non-recurring store closure costs and professional fees for Liquor Barn litigation noted above. 2007 non-recurring costs included Liquor Barn acquisition and head office relocation costs.

For 2008 the Fund declared distributions of \$1.62 per unit, up 8.7% from \$1.49 per unit a year earlier.

## **EARNINGS AND EARNINGS PER UNIT**

For the year ended December 31, 2008, net earnings before non-controlling interest and before a non-cash income tax charge, were \$26.7 million up 13.6% from \$23.5 million a year earlier. After the non-cash charge, net earnings before non-controlling interest were \$24.5 million compared with \$15.5 million a year earlier. Net earnings for 2008 were \$19.3 million or \$1.05 per unit, compared with \$10.0 million or \$0.68 per unit a year earlier.

## **STORE ADDITIONS**

The previously mentioned acquisition of 19 retail liquor stores in greater Anchorage, Alaska was completed on November 5, 2008.

In 2008, the Fund acquired or opened 35 stores including the 19 Brown Jug stores. After subtracting seven stores that were closed in 2008, the net increase was 28 stores. At year-end, the Fund operated or had an investment in 223 stores. Subsequent to the end of the year, the Fund added an additional store.

**Liquor Stores Summary Financial Results, three and twelve months ended December 31, 2008 with comparisons to 2007**

(000) except per unit	Three months ended			Year ended		
	December 31, 2008	December 31, 2007 (restated – note 1)	% Change	December 31, 2008	December 31, 2007 (restated – note 1)	% Change
Sales	\$143,015	\$125,920	13.6%	\$482,915	\$383,063	26.1%
Operating margin before non-recurring items	\$15,495	\$12,691	22.1%	\$43,838	\$35,455	23.6%
Operating margin	\$14,010	\$12,350	31.4%	\$41,557	\$34,655	19.9%
Earnings before non-controlling interest (and before non-cash tax charge)	\$10,426	\$8,974	16.2%	\$26,681	\$23,480	13.6%
Earnings before non-controlling interest	\$11,813	\$11,581	2.0%	\$24,487	\$15,490	58.1%
Earnings	\$9,777	\$9,549	2.4%	\$19,259	\$9,980	93.0%
Diluted earnings per unit	\$0.53	\$0.50	6.0%	\$1.05	\$0.68	54.4%
Distributable cash (before non-recurring items)	\$13,845	\$11,159	24.1%	\$38,673	\$31,796	21.6%
Distributable cash (after non-recurring items)	\$15,608	\$10,816	44.3%	\$39,641	\$30,996	27.9%
Distributable cash per unit (before non-recurring items)	\$0.61	\$0.50	22.0%	\$1.72	\$1.71	0.6%
Distributable cash per unit (after non-recurring items)	\$0.69	\$0.48	43.8%	\$1.76	\$1.67	5.4%
Cash distributions per unit	\$0.41	\$0.39	5.1%	\$1.62	\$1.49	8.7%
Diluted average units outstanding	22,557	22,508	0.2%	22,548	18,598	21.2%
Stores in operation at December 31	223	195	14.4%	223	195	14.4%

Note 1: Information has been restated in accordance with the adoption of CICA Emerging Issues Committee Abstract #171 Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through.

The Management's Discussion and Analysis (MD&A) as well as the complete financial statements and notes for the year ended December 31, 2008 are available on the Fund's website at this link: [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca) and on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**Conference Call**

Liquor Stores Income Fund will conduct an investor conference call on Wednesday, March 18, 2009 to discuss results for the year and fourth quarter ended December 31, 2008. The conference call will take place at 9 a.m. MDT. Participants in the call include Rick Crook, President and CEO, Pat de Grace, Vice-President, Finance and Chief Financial Officer and Simon McCaffery, Chief Operating Officer.

To take part in the call, please dial 416-695-6320, or toll-free 1-800-952-6845. An archived recording of the conference call will be available approximately one hour after the completion of the call until March 25, 2009, by dialling 416-695-5800, or toll-free 1-800-408-3053. The required passcode is 3281707. An archived recording of the call will also be available on the Liquor Stores Income Fund website.

### **About Liquor Stores Income Fund**

The Fund is a publicly traded Canadian income fund that participates in the retail liquor industry in Alberta, British Columbia and Alaska through its 81.8% interest in Liquor Stores Limited Partnership. Management believes the Fund is Alberta's largest operator of private liquor stores by both number of stores and sales revenue. The Fund currently operates or has investments in 224 stores. The trust units and 6.75% convertible subordinated debentures of the Fund trade on the Toronto Stock Exchange under the symbols "LIQ.UN" and "LIQ.DB", respectively.

Additional information about Liquor Stores Income Fund is available at [www.sedar.com](http://www.sedar.com) and the Fund's website at [www.liquorstoresincomefund.ca](http://www.liquorstoresincomefund.ca).

### **NON-GAAP MEASURES**

References to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization and references to "distributable cash" are to cash available for distribution to unitholders in accordance with the distribution policies of the Fund. Management believes that, in addition to income or loss, EBITDA, distributable cash, distributable cash before non-recurring items, and operating margin before non-recurring items are useful supplemental measures of performance. Distributable cash of the Fund is a measure generally used by Canadian open-ended trusts as an indicator of financial performance. As one of the factors that may be considered relevant by unitholders and prospective investors is the cash distributed by the Fund relative to the price of the Fund's trust units, management believes that distributable cash of the Fund is a useful supplemental measure that may assist unitholders and prospective investors in assessing an investment in the Fund.

EBITDA and distributable cash are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that EBITDA and distributable cash should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's method of calculating EBITDA and distributable cash may differ from the methods used by other issuers. Therefore, the Fund's EBITDA and distributable cash may not be comparable to similar measures presented by other issuers.

Same store sales include sales for stores that have been open 12 full months at the beginning of the reporting period. Same store sales exclude stores which have significant wholesale business and seven non-performing stores that were closed during the fourth quarter of 2008. Sales for five existing Liquor Depot stores have also been excluded from same store sales where new Liquor Depot stores were opened within close proximity to existing stores.

Operating margin has been derived by adding amortization of inventory fair value adjustments, interest expense, non-recurring items and amortization of property and equipment, intangibles and pre-opening costs to net earnings before non-controlling interest. Operating margin as a percentage of sales is calculated by dividing operating margin by sales.

Operating margin and operating margin as a percentage of sales are not measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Investors are cautioned that operating margin and operating margin as a percentage of sales should not replace net earnings or

loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's method of calculating operating margin and operating margin as a percentage of sales may differ from the methods used by other issuers. Therefore, the Fund's operating margin and operating margin as a percentage of sales may not be comparable to similar measures presented by other issuers.

## **FORWARD LOOKING STATEMENTS**

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including, without limitation, statements regarding the future financial position, cash distributions, sales, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans and objectives of or involving the Fund or Liquor Stores Limited Partnership. Specific forward-looking statements contained in this news release include, among others, statements regarding the anticipated future operational and financial performance of the business acquired pursuant to the Brown Jug acquisition. You can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof. These forward-looking statements include statements with respect to the amount and timing of the payment of the distributions of the Fund. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this press release. There can be no assurance that such expectations will prove to be correct.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to, those discussed under "Risk Factors" in the Fourth Quarter and Year Ended 2008 Management's Discussion and Analysis. Specific forward-looking statements contained in this press release include, among others, the expected increased sales for 2009 and same store sales declines in the first quarter of 2009.

The information contained in this press release, including the information set forth under "Risk Factors" in the Fourth Quarter and Year Ended 2008 Management's Discussion and Analysis, identifies additional factors that could affect the operating results and performance of the Fund and Liquor Stores Limited Partnership.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this press release are made as of the date of this press release and the Fund assumes no obligation to update or revise them to reflect new events or circumstances except as expressly required by applicable securities law.

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