Liquor Stores N.A. Ltd.

[FOR IMMEDIATE RELEASE]

LIQUOR STORES N.A. LTD. REPORTS SECOND QUARTER RESULTS FOR 2013

REVENUE UP 5.0%, CONTINUED SAME-STORE SALES GROWTH IN CANADA

EDMONTON, ALBERTA, August 6, 2013 – Liquor Stores N.A. Ltd (the "Company") (TSX: LIQ), North America's largest publicly traded liquor retailer today reported its results for the three and six months ended June 30, 2013.

HIGHLIGHTS

Three months ended June 30, 2013

- Consolidated sales increased 5.0% to $167.7 million (2012 - $159.6 million);
- Same-store sales increased by 0.4% ($0.5 million) in Canada and decreased by 3.0% ($1.1 million) in the U.S.;
- Gross margin at 24.8% was unchanged from the comparative quarter; and
- Adjusted operating margin decreased by 12.1% ($1.6 million) to $11.7 million (2012 - $13.3 million).

Six months ended June 30, 2013

- Consolidated sales increased 6.2% to $304.0 million (2012 - $286.3 million);
- Same-store sales increased by 1.5% ($3.1 million) in Canada and decreased by 2.7% ($1.8 million) in the U.S.;
- Gross margin has been maintained at 25.2%; and
- Adjusted operating margin decreased by 11.0% ($2.2 million) to $18.0 million (2012 - $20.3 million).

New Chief Executive Officer

Stephen Bebis became President and Chief Executive Officer on May 7, 2013 and was appointed to the Company's Board of Directors on May 8, 2013. Mr. Bebis has a deep resume of experience in the retail sector, and most recently was the President and Chief Executive Officer of U.S.-based Brookstone Inc., a specialty lifestyle retail company. From 1998 to 2011, Mr. Bebis served as the founder, President and CEO of Golf Town, the largest specialty golf retailer in Canada and one of the largest in the world. Earlier, Mr. Bebis held various executive-level positions, including President of Home Depot Canada, and founder and CEO of Aikenhead's Home Improvement Warehouse.

Stephen Bebis commenting on his first quarter as President and Chief Executive Officer of Liquor Stores N.A. Ltd., "During my first 90 days on the job I have conducted store visits in all of Liquor Stores' four regions to assess the Company's business and to meet with our front line employees, local management teams and our vendors. It was evident through these visits that the Company has built a tremendous business with excellent locations. The Company already has a strong platform and I plan to bring my 40+ years of retail experience to further improve the Company's sales, margins and in-store customer experience. These improvements will not only create shareholder value, but also better position ourselves to capitalize on the significant growth opportunities that await us in the United States. I look forward to updating shareholders on our progress in subsequent quarters."

SUMMARY FINANCIAL RESULTS AND ANALYSIS

(expressed in thousands of Canadian dollars)	**Three months ended**		**Six months ended**	
	June 30, 2013	**June 30, 2012**	**June 30, 2013**	**June 30, 2012**
Sales	$ 167,669	$ 159,621	$ 303,971	$ 286,257
Operating margin	$ 11,712	$ 12,087	$ 18,204	$ 19,021
Operating margin before adjusting items	$ 11,712	$ 13,330	$ 18,204	$ 20,264
Net earnings	$ 5,321	$ 4,766	$ 6,778	$ 7,172
Diluted earnings per share	$ 0.23	$ 0.21	$ 0.29	$ 0.31
Cash dividends per share	$ 0.27	$ 0.27	$ 0.54	$ 0.54
Weighted average number of shares outstanding – Basic (000's)	23,008	22,784	22,974	22,733
Stores in operation as at June 30	245	242	245	242

The Management's Discussion and Analysis (MD&A) as well as the condensed interim consolidated financial statements and notes for the three and six months ended June 30, 2013 are available on the Company's website at this link: www.liquorstoresna.ca and on the SEDAR website at www.sedar.com.

SALES

Total sales increased by $8.1 million or 5.0% to $167.7 million in the second quarter of 2013 (2012 - $159.6 million). The increase is primarily the result of new store expansion in Canada and the United States (9 new stores opened since March 31, 2012).

Same-Store Sales

- Canadian same-store sales increased by $0.5 million or 0.4%.
  - Same-store sales for the three months ended June 30, 2013 compared to 2012 were impacted negatively by the calendar shift in Easter (which occurred in Q1 in 2013 as opposed to Q2 in 2012). Management estimates that the net impact of the Easter calendar shift on Canadian same store sales was approximately 2.1%.
  - Same-store sales for the three months ended June 30, 2013 compared to 2012 were impacted by the success of the two Wine and Beyond stores opened in Edmonton during the last week of September 2012. In addition to drawing customers away from our competitors, these destination-type stores also drew customers away from our convenience-focused stores during the second quarter due to their uniqueness in the marketplace and larger selection of product.

- U.S. same store sales decreased by $1.1 million or 3.0%.
  - Same-store sales in the United States have continued to be negatively impacted by certain counties in Kentucky going from 'dry' to 'wet' throughout 2012 (i.e. certain counties in close proximity to the Company's stores that did not previously permit retail package liquor sales are now permitting these sales).
  - The decline in the quarter was also due to unfavourable weather experienced in Kentucky throughout the quarter as compared to the prior period.
  - Management estimates that the calendar shift in Easter contributed approximately 1.2% to US same store sales deceases for the Q2.

Other Sales

- Sales for the Other Canadian and U.S. stores have increased compared to 2012 as a result of the nine (9) new stores opened since March 31, 2012, including the two Wine and Beyond stores opened in Canada during the last week of September 2012, offset by four store closures in Canada (Q1 2013: one store; Q2 2013: three stores).

MARGINS

For the three months ended June 30, 2013, gross margin was $41.6 million, up 4.8% from $39.7 million for the same period last year. Gross margin as a percentage of sales has held consistent with the comparative period at 24.8%. During the quarter, we realized increases in gross margin as a percentage of sales from our continued focus on merchandising techniques, category management and purchasing strategies, including expanding our selection and marketing of control brands/private label and exclusive products. However, these increases were offset by decreases in gross margin percentages as a result of additional sales flyers in the quarter.

Operating margin was $11.7 million for the three months ended June 30, 2013, a decrease of 3.1% from $12.1 million in 2012. After normalizing for the adjusting item in Q2 2012 (costs associated with a store investment, with a prospective partner, that was not completed and which costs were determined by the Company not to be recoverable), Q2 2013 adjusted operating margin decreased 12.1% from the comparative period. As a percentage of total sales, adjusted operating margin was 7.0%, down from 8.4%.

Canadian operating margin was $9.8 million or 7.6% as a percentage of Canadian sales (2012 - $10.6 million or 8.8% as a percentage of sales). The decrease was as a result of a loss of operating margin from stores closed subsequent to June 30, 2012, an increase in operating expenses and investments being made in the Company's information technology infrastructure and head office staffing complement to support the Company's growth strategy, offset by increases in operating margin from same-stores and new stores opened in 2012. The eight additional stores added in Canada since March 31, 2012 are still in their ramp up phase (i.e. these stores have been opened for less than one year) and generally take three years to mature and fully contribute to operating margin.

The U.S. operating margin for the second quarter of 2013 was $1.9 million or 5.0% as a percentage of U.S. sales compared with $1.5 million and 3.8% as a percentage of U.S. sales for the comparable period in 2012. Normalizing for the adjusting item referenced above, adjusted U.S. operating margin in Q2 2012 was 7.0% as a percentage of sales. The decrease in the United States was primarily due to the decline in U.S. same-store sales and an increase in operating expenses. To a lesser extent, the decrease was also due to the one additional store added in the U.S. since March 31, 2012, which has not yet fully matured.

EARNINGS AND EARNINGS PER SHARE

Net earnings for the three months ended June 30, 2013 were $5.3 million compared to $4.8 million for the same period in 2012. The increase in net earnings in 2013 is primarily the result of the $1.2 million adjusting item in 2012 associated with a store investment, the $1.1 million change in non-cash interest expense in 2012 and the $0.9 million change in the mark-to-market adjustments on the interest rate swap. These increases were offset by a decline in U.S. same-store sales, increase in operating expenses, investments being made in the Company's information technology infrastructure and head office staffing complement to support the Company's growth strategy, and a $0.3 million increase in income tax expense.

Basic and diluted earnings per share for the three months ended June 30, 2013 were $0.23 (2012 - $0.21). Basic and diluted earnings per share decreased as a result of the same factors that impacted net earnings, as noted above.

CASH FLOW AND DIVIDENDS

For the three months ended June 30, 2013, cash provided by operating activities before changes in non-cash working capital and adjusting items was $10.0 million ($0.43 per share), a decrease of $1.6 million compared to $11.6 million ($0.51 per share) for the same quarter in 2012. The decrease was attributable to a decline in U.S. same-store sales, inflation of operating expenses, and investments being made in the Company's information technology infrastructure and head office staffing complement to support the Company's growth strategy, which were offset by an increase in operating margin from Canadian same-stores and new stores added in 2012, and a decrease in cash interest expense.

During the three months ended June 30, 2013 the Company declared dividends of $0.27 per share. The Company's current annual dividend is $1.08. The Company has declared a monthly dividend consecutively since going public in 2004.

The Company has a dividend reinvestment plan (the "DRIP") to provide eligible shareholders with a convenient means of reinvesting monthly dividends into additional common shares. For further information about the DRIP and DRIP enrolment please visit the Company's website located at www.liquorstoresna.com.

CONFERENCE CALL

As previously announced, Liquor Stores N.A Ltd. will conduct an investor conference call on Wednesday August 7, 2013 to discuss results for the three and six months ended June 30, 2013. The conference call will take place at 9:00 a.m. MT. Participants in the call include Stephen Bebis, President and Chief Executive Officer, Pat de Grace, Senior Vice President and Chief Financial Officer, and Craig Corbett, Senior Vice President, Business Development and General Counsel.

To take part in the call, please dial toll-free 1-866-226-1792. An archived recording of the conference call will be available approximately one hour after the completion of the call until August 15, 2013, by dialling 1-905-694-9451 or toll-free 1-800-408-3053. The required pass code is 8558275.

DEPARTURE OF CHIEF OPERATING OFFICER

Mr. Scott Morrow, the Company's Chief Operating Officer, departed from the organization effective August 6, 2013 to pursue other interests. Stephen Bebis, President and Chief Executive Officer said, "The Board and I want to thank Scott for his dedicated service and contributions to Liquor Stores, particularly with respect to developing our new and successful large-format Wine and Beyond stores in the Edmonton-area."

ABOUT LIQUOR STORES N.A. LTD.

The Company currently operates 246 retail liquor stores in Alberta, British Columbia, Alaska and Kentucky. The Company's common shares and convertible subordinated debentures trade on the Toronto Stock Exchange under the symbols "LIQ" and "LIQ.DB.A", respectively.

Additional information about Liquor Stores N.A. Ltd. is available at www.sedar.com and the Company's website at www.liquorstoresna.com.

NON-IFRS FINANCIAL MEASURES

Operating margin, operating margin as a percentage of sales, cash provided by operating activities before changes in working capital, cash provided by operating activities before changes in non-cash working capital on a per share basis, and same-store sales are not measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. Investors are cautioned that operating margin, operating margin as a percentage of sales, cash provided by operating activities before changes in non-cash working capital, cash provided by operating activities before changes in non-cash working capital on a per share basis, and same-store sales should not replace net earnings or loss (as determined in accordance with IFRS) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's method of calculating operating margin, operating margin as a percentage of sales, cash provided by operating activities before changes in non-cash working capital, cash provided by operating activities before changes in non-cash working capital on a per share basis, and same-store sales may differ from the methods used by other issuers. Therefore, the Company's operating margin, operating margin as a percentage of sales, cash provided by operating activities before changes in non-cash working capital, cash provided by operating activities before changes in working capital on a per share basis, and same-store sales may not be comparable to similar measures presented by other issuers.

Operating margin for purposes of disclosure has been derived by subtracting Operating and Administrative expenses from Gross Margin. Operating margin as a percentage of sales is calculated by dividing operating margin by sales.

Cash provided by operating activities before changes in non-cash working capital is a non-IFRS financial measure that does not have a standardized meaning prescribed by IFRS and therefore is unlikely to be comparable to similar measures presented by other issuers. Investors are cautioned that this should not be construed as an alternative measure of profitability.

For further information, please contact:

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