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**SAQ FINANCIAL  
REPORT**

**SECOND QUARTER ENDED SEPTEMBER 9, 2006**



## **MORE EFFICIENT, MORE PRODUCTIVE**

For the 12-week operating period ended September 9, 2006, the SAQ achieved consolidated net earnings of \$161.9 million, an increase of \$12.8 million or 8.6% over the same period last year. During the first half of this fiscal year, the SAQ achieved consolidated net earnings of \$297.3 million, compared with \$275.6 million in 2005-2006, an increase of \$21.7 million or 7.9%. For this period, consolidated sales reached \$1.29 billion, up \$68.9 million or 5.6%. Operating expenses for the fiscal half-year remained stable at \$204.6 million.

### **NET SALES**

Consolidated net sales totalled \$476.5 million in the second quarter, an increase of \$24.8 million or 5.5%, due entirely to the network of outlets and specialized centres, which achieved sales of \$419.8 million. Net sales to wholesale grocers held steady at \$56.7 million. For the first fiscal half-year, the network of outlets and specialized centres clearly distinguished itself by posting net sales of \$808.1 million, an increase of \$48.7 million or 6.4% over the previous year's figure.

Well-focused, ongoing and exciting ad campaigns throughout the fiscal year are responsible for this success. Even so, sales to wholesale grocers declined slightly by 1.8% to \$110.3 million since the beginning of the year.

The total sales volume for the second quarter increased by 1.3 million litres or 3.7% to 36.0 million litres. This gain can be attributed to sales at the outlets and specialized centres, whose combined volume sold increased by 1.0 million litres or 3.6%. For the current year, total sales volume reached 69.2 million litres, an increase of 3.0 million litres, or 4.5%, over the previous fiscal year, owing primarily to excellent wine sales across the SAQ network. In contrast, the volume of spirits sold dropped by 2.5% since the start of the fiscal year. The volume sold through the SAQ's network of wholesale grocers increased by 4.4% in the same period, attaining 14.1 million litres.

### **GROSS EARNINGS**

The company achieved gross earnings of \$261.7 million during the second quarter, up \$11.1 million over the previous fiscal year. The gross margin declined slightly, stabilizing at 54.9%. After 24 weeks of operations, gross earnings increased by \$21.8 million or 4.5%. The gross margin for the current year was 54.7%, compared with 55.1% for 2005-2006.

### **OPERATING EXPENSES AND INVESTMENTS**

Second-quarter operating expenses totalled \$99.8 million, compared with \$101.5 million for the previous year. For the first half of this year, they were \$204.6 million, compared with \$204.5 million in the same period last year. Operating expenses held steady at 17.4% of retail sales during the current year, compared with 18.2% for the 2005-2006 fiscal year, an improvement that attests to the increased efficiency achieved by all of the SAQ's business operations.

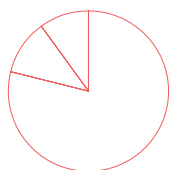
In addition, the SAQ committed \$3.2 million to investments during the second quarter. Approximately \$2.1 million was used to redesign the company's administrative centres and modernize its network of outlets; a further \$1.1 million was committed to developing IT systems and acquiring equipment. During the second quarter, the SAQ sold its interest in Maison des Futailles, S.E.C. A tangible result of the SAQ's strategic plan, the disposal of this business investment resulted in a gain of approximately \$1.8 million. The agreement reached with Kruger includes conditions that may lead to an upward adjustment in the gain realized from this transaction.



SYLVAIN TOUTANT  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

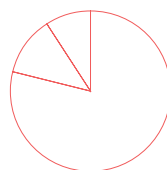
## SECOND-QUARTER OPERATING RESULTS AT A GLANCE

Unaudited consolidated data



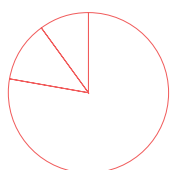
### NET SALES, BY SALES NETWORK Q2 2006-2007

**79%** Outlets and specialized centres  
**11%** Wholesale grocers  
**10%** Brewers and beer distributors



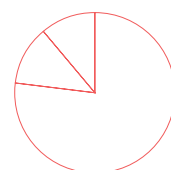
### NET SALES, BY SALES NETWORK Q2 2005-2006

**79%** Outlets and specialized centres  
**12%** Wholesale grocers  
**9%** Brewers and beer distributors



### SALES IN VOLUME, BY PRODUCT CATEGORY<sup>1</sup> Q2 2006-2007

**78%** Wines  
**12%** Spirits  
**10%** Imported and microbrewery beers, ciders and coolers

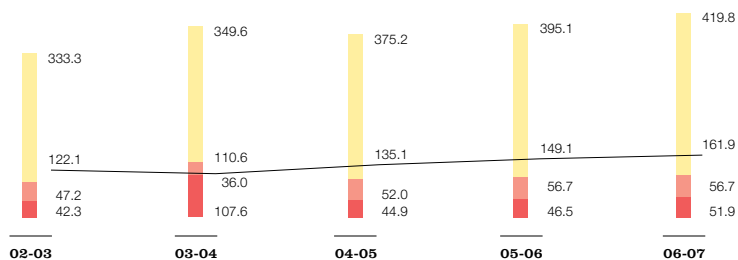


### SALES IN VOLUME, BY PRODUCT CATEGORY<sup>1</sup> Q2 2005-2006

**77%** Wines  
**12%** Spirits  
**11%** Imported and microbrewery beers, ciders and coolers

### CHANGE IN NET SALES AND NET EARNINGS

(in millions of dollars)



■ Net sales – outlets and specialized centres  
■ Net sales – wholesale grocers  
■ Net sales – brewers and beer distributors  
— Net earnings

### VARIATION IN NET SALES COMPARED WITH FISCAL YEAR 2005-2006

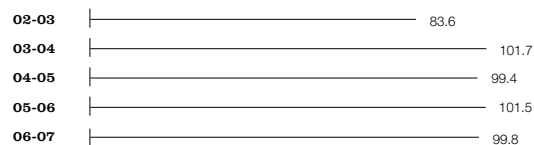
Outlets and specialized centres	6.3%
Wholesale grocers	0%
Brewers and beer distributors	11.6%
Total variation	6.0%

### NET PROFIT MARGIN ON NET SALES<sup>1</sup>

Q2 2006-2007	34.0%
Q2 2005-2006	33.0%
Q2 2004-2005	31.6%
Q2 2003-2004	28.7%
Q2 2002-2003	32.1%

### CHANGE IN OPERATING EXPENSES

(in millions of dollars)



### OPERATING EXPENSES AS A PERCENTAGE OF NET SALES<sup>1</sup>

Q2 2006-2007	20.9%
Q2 2005-2006	22.5%
Q2 2004-2005	23.3%
Q2 2003-2004	26.4%
Q2 2002-2003	22.0%

<sup>1</sup> Excluding sales to brewers and beer distributors, which generate no gross earnings.

To conform with the basis of presentation adopted in the current year, certain figures previously reported have been reclassified.

## HIGHLIGHTS

Unaudited consolidated data

(in thousands of dollars and millions of litres for sales by volume)

	12-week period ended		24-week period ended	
	September 9, 2006	September 10, 2005	September 9, 2006	September 10, 2005
<b>OPERATING RESULTS</b>				
Gross sales	\$ 663,814	\$ 633,446	\$ 1,290,375	\$ 1,221,486
Gross sales, excluding sales to brewers and beer distributors	606,383	579,590	1,175,597	1,121,639
Net sales	528,385	498,274	1,021,367	960,026
Net sales, excluding sales to brewers and beer distributors	476,511	451,738	918,400	871,696
Gross earnings	261,686	250,544	501,926	480,122
Operating expenses	99,812	101,486	204,599	204,536
Net earnings	161,874	149,058	297,327	275,586
<b>FINANCIAL AND CASH POSITIONS</b>				
Total assets	\$ 777,882	\$ 833,999	\$ 777,882	\$ 833,999
Dividends and advances to shareholder	119,000	118,000	277,000	217,000
Cash flow from operations	173,012	145,639	321,139	250,094
Net investments	(14,133)	4,968	(9,930)	7,385
<b>NET SALES, BY SALES NETWORK</b>				
Outlets and specialized centres	\$ 419,829	\$ 395,073	\$ 808,086	\$ 759,357
Wholesale grocers	56,682	56,665	110,314	112,339
Brewers and beer distributors	51,874	46,536	102,967	88,330
Total net sales	528,385	498,274	1,021,367	960,026
<b>SALES IN VOLUME, BY SALES NETWORK</b>				
Outlets and specialized centres	29.0 L	28.0 L	55.1 L	52.7 L
Wholesale grocers	7.0	6.7	14.1	13.5
Total volume, excluding sales to brewers and beer distributors	36.0	34.7	69.2	66.2
Brewers and beer distributors	36.0	40.3	70.4	71.3
Total volume	72.0	75.0	139.6	137.5
<b>SALES IN VOLUME, BY PRODUCT CATEGORY</b>				
Wines	28.2 L	26.8 L	54.9 L	51.9 L
Spirits	4.2	4.2	7.7	7.9
Imported and microbrewery beers, ciders and coolers	3.6	3.7	6.6	6.4
Total volume, excluding sales to brewers and beer distributors	36.0	34.7	69.2	66.2
Beers sold to brewers and beer distributors	36.0	40.3	70.4	71.3
Total volume	72.0	75.0	139.6	137.5

To conform with the basis of presentation adopted in the current year, certain figures previously reported have been reclassified.