



# ANNUAL REPORT 2018



SAQ



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The English-language version of the *SAQ Annual Report 2018* does not include the Governance section or parts of the Finance section. For the complete report, please see the French-language version. In the event of discrepancy between the French- and English-language versions of the report, the French-language version shall prevail.

# 2018 HIGHLIGHTS

Fiscal year ended March 31, 2018  
(in millions of Canadian dollars and in millions of litres for volume sales)

	2018 <sup>1</sup>	2017	Change (%)
<b>FINANCIAL RESULTS</b>			
Sales	<b>3,251.7</b>	3,122.6	4.1
Gross margin	<b>1,652.9</b>	1,654.1	(0.1)
Net expenses <sup>2</sup>	<b>539.2</b>	568.4	(5.1)
Profit	<b>1,113.7</b>	1,085.7	2.6
Comprehensive income	<b>1,113.6</b>	1,085.4	2.6
<b>FINANCIAL POSITION</b>			
Total assets	<b>813.1</b>	827.7	(1.8)
Property, plant and equipment and intangible assets	<b>201.9</b>	222.4	(9.2)
Net working capital	<b>(129.6)</b>	(150.8)	14.1
Long-term liabilities	<b>33.0</b>	32.4	1.9
Shareholder's equity	<b>41.1</b>	41.2	(0.2)
<b>SALES BY NETWORK</b>			
Stores and specialized centres	<b>2,909.0</b>	2,776.6	4.8
Wholesale grocers	<b>342.7</b>	346.0	(1.0)
Total	<b>3,251.7</b>	3,122.6	4.1
<b>NET SALES BY PRODUCT CATEGORY</b>			
Wines	<b>2,387.9</b>	2,320.1	2.9
	<b>173.1L</b>	163.8L	5.7
Spirits	<b>787.3</b>	726.9	8.3
	<b>25.1L</b>	23.7L	5.9
Beers, ciders and coolers <sup>3</sup>	<b>76.5</b>	75.6	1.2
	<b>12.1L</b>	10.5L	15.2
Total	<b>3,251.7</b>	3,122.6	4.1
	<b>210.3L</b>	198.0L	6.2
<b>ADDITIONAL FINANCIAL DATA</b>			
Government revenue <sup>4</sup>	<b>2,191.5</b>	2,132.4	2.8

1. 53-week fiscal year.

2. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

3. Also known as RTDs (ready-to-drinks), FABs (flavoured alcoholic beverages) and cocktails.

4. Includes the declared dividend, sales taxes, the specific tax on alcoholic beverages, excise taxes and customs duties.

## MESSAGE FROM THE CHAIR OF THE BOARD

If I had to choose a single word to describe the fiscal year just ended at the Société des alcools du Québec (SAQ), it would be evolution. For the SAQ, fiscal 2017-2018 was a year of introspection, of consolidating its personalized approach and of major challenges. Not only did the company remain true to its mission—to sell beverage alcohol by offering its customers a broad range of quality products in its 800 points of sale across Quebec—it also focused on its continued success by carrying out another strategic planning process.

It is with the vision “Inspired by our customers, open to the world” that the SAQ has set its organizational objectives for 2018-2020, which are centred mainly on excellence in the customer experience as well as operational excellence, in particular by continuing efforts to improve the organization's performance. The company also took advantage of the process to rethink and unveil its 2018-2020 Social Responsibility Action Plan, which supports and strengthens its vision of the future. Having been involved in this fundamental work and these reflections, the Board approved these master plans for 2018-2020.

Last year, the Board also created a Recruitment Committee to fill the position of President and Chief Executive Officer, which will be vacated when Alain Brunet steps down on December 31, 2018. The committee developed and approved the expertise and experience profile for this position and hired an external recruitment firm to seek candidates.

To ensure the SAQ continues to address the recommendations issued by the Quebec Auditor General in her May 2016 report titled *Vérification de l'optimisation des ressources*, the Board considered, selected and approved the performance indicators now used in the company's dashboard.

That these highly strategic orientations were successfully developed and implemented is due to the involvement and discipline of the directors, whom I thank for their excellent work. I especially want to note the contributions of Danièle Bergeron, Thierry Dorval, Sylvain Lafrance and Jean-Marie Toulouse, all of whom left the Board this year. Following these departures and to continue successfully guiding the SAQ's activities, we welcomed Denis Chamberland, René Leprohon and Michael L. Vineberg to our team.

Lastly, I want to thank all the members of the Management Committee for their dedication and determination to take the SAQ to new heights. Your leadership and skill at rallying personnel around shared objectives enable the SAQ to continue growing and be ever more relevant for its customers and shareholder.



**Johanne Brunet**  
Chair of the Board

## MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Fully focused on its strategic objectives, which are to provide the best customer experience while achieving operational excellence, the Société des alcools du Québec continues and will continue to offer Quebecers a broad range of quality products from around the globe. Our increasingly personalized advice, new shopping environments (especially our experimental Carrefour Laval store), and the continuous training we provide to our employees are proof of our desire to satisfy our customers in every way.

In addition, to be even more centred on our core activities, which are constantly evolving, we reviewed our brand and launched our new brand signature: The Spirit of Sharing. The signature perfectly illustrates our desire to share our advice, discoveries, favourite wine and food pairings and, of course, earnings. It is also aligned with our corporate cause, food assistance, for which we have raised more than \$4.2 million in funds during the last eight years.

Significant efforts are also being expended to make the supply chain more efficient, agile and better performing. In the last fiscal year, we replaced the operations management system in our distribution centres in order to gain a more integrated view of our stocks, improved product traceability and greater flexibility in operations.

We also moved the company's head office, which had occupied the heritage Au-Pied-du-Courant building since its founding in 1921, to offices next to our Montreal Distribution Centre. This bringing together of administrative teams has already increased collaboration among employees while also significantly reducing their need to travel.

These efforts to achieve excellence in the customer experience and our operations have borne fruit: as in fiscal 2017-2018 and the five preceding fiscal years, the company remitted more than a billion dollars to the Quebec treasury. Volume sales for the fiscal year increased 6.2% while net earnings rose 2.6%, doing so despite large retail price reductions. Nearly \$1.114 billion will be paid to the provincial government in the form of a dividend, to the benefit of Quebec taxpayers. Moreover, as a result of the company's sustained efforts, net expenses expressed as a percentage of sales fell from 19.6% in 2009 to 16.6% in 2018.

From every standpoint, fiscal 2017-2018 was marked by great continuity. It was also a year of unprecedented sales results, with a customer satisfaction rate of 94% and constantly improving shopping environments. It is therefore with great pride that I will, this December, leave a vibrant, agile and healthy SAQ after having spent 37 years on the job here.

In closing, I want to note the valued collaboration of the members of the SAQ's Board of Directors and thank them for their trust and dedication. I would also like to offer my sincere thanks and congratulations to the members of the Management Committee and to all SAQ employees, who, day in, day out, display such determination, commitment and enthusiasm. The fiscal 2017-2018 results are fully attributable to them, and they have every right to be proud of their achievement.



**Alain Brunet**  
President and Chief Executive Officer

### MANAGEMENT COMMITTEE

**Alain Brunet**  
President and  
Chief Executive Officer

**Jean-François Bergeron**  
Vice-President  
Information Technology

**Martine Comtois**  
Secretary General

**Catherine Dagenais**  
Vice-President and  
Chief Operating Officer

**Jacques Farcy**  
Vice-President  
Sales Network  
Operations and  
Vice-President,  
Marketing, Donations  
and Sponsorships

**Édith Filion**  
Vice-President and  
Chief Financial Operator

**Madeleine Gagnon**  
Vice-President  
Human Resources

**Stéphane Garon**  
Director  
Legal Services





# REVIEW OF ACTIVITIES





NET EARNINGS OF

**\$1.114 BILLION**

REMITTED TO THE QUEBEC GOVERNMENT IN THE FORM OF A DIVIDEND,  
TO THE BENEFIT OF ALL QUEBECERS

The spirit of sharing: it is what inspires the actions of the Société des alcools du Québec (SAQ) every day, because sharing is part of the SAQ's DNA. The company shares not only advice, discoveries, favourites and top wine and food pairings but also its dividend, which is remitted in full to the government to the benefit of all Quebecers. Every day, it is the SAQ's duty to do more and better in order to offer higher quality products and exemplary service to its customers. This it does by adopting the best management practices, exhibiting the utmost respect for its employees and embracing the principles of sustainable development. The SAQ fully assumes its role as a government corporation even as it works to remain on the leading edge of the retail industry.



**6,884**  
EMPLOYEES



**407**  
STORES



**13,300**  
**PRODUCTS**  
OFFERED FOR SALE  
IN FISCAL 2017-2018



**22.7 MILLION**  
CASES SHIPPED TO  
ITS STORE NETWORK



**2.2 MILLION**  
INSPIRE MEMBER/CUSTOMERS

# THE EXCELLENCE OF THE CUSTOMER EXPERIENCE

Quebecers' attachment to the SAQ is not unrelated to the many actions the company takes to attract customers and offer them assistance and constant support, regardless of how they came into contact with it. One of the pillars of the SAQ's strategic planning, the customer experience is of capital importance to the government corporation, which innovates and constantly reinvents itself so it can provide an optimal experience when it comes to selection, accessibility and price, while also remaining a socially responsible organization.

## A HUGE AND DIVERSE SELECTION

It is hardly a secret: Quebecers are curious by nature. They enjoy exploring, discovering and tasting products from the four corners of the globe. This year once again, the SAQ continued to encourage Quebecers' exceptional openness to the world by offering some 13,300 products from 81 countries. This vast array of products, 19% of which were renewed in fiscal 2017-2018, is the direct result of the sustainable relationship between the SAQ and its 3,100 suppliers.

## HERE'S TO QUEBEC PRODUCTS!

It is no longer unusual to see a Quebec product standing proudly at the centre of the table at fine meals shared with friends and family. For several years now, Quebecers have embraced local products and gladly served them at every occasion. In the most recent fiscal year, no fewer than 573 Quebec products, including 194 wines, were to be found on SAQ shelves.

In terms of volume, more than 420,000 litres of Quebec wine, nearly 420,000 litres of Quebec cider and nearly 960,000 litres of Quebec spirits were purchased in SAQ stores. The last category particularly stood out this year, largely due to the popularity of gin and vodka. For its part, the Quebec cider category saw volume sales decline due to supply issues.

Quebecers' interest in locally brewed beers continued growing last year. In response, the SAQ expanded its offer of exclusive product six-packs, which proved very popular. Beer category sales totalled more than 575,000 litres, mainly due to the introduction of new products.

In response to customers' growing desire to drink locally and responsibly, the SAQ also began clearly identifying Canadian products. More than 348 products were presented in the new Products of Canada category during the latest fiscal year.

## INTEREST IN ORGANIC WINES ON THE RISE

In recent years, SAQ customers have exhibited a growing interest in organic wines. As a result, the company also began identifying—in its stores and online—products that have obtained an organic certification recognized by the Canadian Food Inspection Agency. To make it easier for its customers to choose eco-responsible products, the SAQ improved its offer of organic products, expanding it by nearly 9%. Customers were able to choose from among more than 1,100 organic products. Meanwhile, sales of organic products grew 28%.





SALES OF ORGANIC PRODUCTS

**+28%**



**33 MILLION**

VISITS TO SAQ.COM

## WHEREVER, WHENEVER

At the SAQ, customers have a special relationship with their advisors. That is why the company continues to invest in its network of 407 stores, which welcome enthusiasts and discoverers in search of favourites new and old.

In its most recent fiscal year, the SAQ inaugurated four new stores adapted to customers' changing needs. A store exclusively for alcohol permit holders (restaurants, bars and hotels) was opened in Quebec City. In Montreal's LaSalle borough, the new Dollard-Newman store, located in a grocery store but equipped with its own entrance and storage space, is now part of locals' shopping itinerary. The SAQ also provided the city of Prévost with a brand new store to meet the needs of customers in a rapidly growing market. Lastly, the company inaugurated its new experimental Carrefour Laval store intended as a testing ground for new customer-centred approaches. In this sleek and airy space, the SAQ puts the accent on personalized service and always-available tastings as well as various technology tools that help customers explore products. This unique store, designed to be a place of sharing and discovery, has proved appealing: 88% of the customers who have shopped there say they are satisfied while 99% say they are delighted with their tasting experiences there. Elsewhere in the network, 22 stores were given a makeover during the last fiscal year.

While SAQ stores are heavily frequented and much appreciated destinations, they also have an online counterpart whose popularity with customers continues to rise. These days, many Quebecers turn to the Internet to shop at the Société des alcools du Québec, which explains why SAQ.com recorded \$38.7 million in sales for the year just ended. That 49% increase was achieved even as the number of visits to the website grew 10% to nearly 33 million visits annually. The popularity of SAQ.com probably

has much to do with the satisfaction level of the customers who use it. Actually, the site comes sixth in E-Performance Barometer's international ranking of the customer experience on wine sales websites worldwide. In short, with its online offer of more than 12,000 products, the SAQ has earned a place among the top retailers on the planet. Incidentally, no less than 87% of the SAQ's online customers chose to have their SAQ.com orders delivered to a store for pick-up at their convenience.

The SAQ could not claim to be available wherever, whenever without a powerful mobile app. Aware of the importance customers attach to the mobile experience, the company continuously upgrades the program. In fiscal 2017-2018, the app's users were able to enjoy, among other things, a refreshed experience featuring a new interface, easier and more intuitive navigation, enhanced search functions and the display of their Inspire points in their shopping cart. Nearly 750,000 Quebecers now use this upgraded point of contact with the SAQ, and they appear to be very satisfied with it, as Apple users rate it 4.7 out of 5. What's more, the app now works on tablets.

To be present across Quebec, the SAQ also relies on the collaboration of 432 SAQ agency stores (grocery and convenience stores). These allow inhabitants of municipalities and towns located far from more densely populated areas to buy products selected to meet the highest quality standards at the same prices as customers elsewhere in the province.



**\$41,6 MILLION**  
WORTH OF INSPIRE POINTS REDEEMED



**63%**  
RECOGNITION RATE FOR  
THE *SPIRIT OF SHARING* MAGAZINE

### EVER MORE INSPIRED CUSTOMERS

Some 2.2 million Quebecers have signed up for the SAQ Inspire experience since its launch in the fall of 2015. These days, nearly 70% of all sales made at the SAQ are connected to an Inspire account. The high usage rate is surely attributable to the satisfaction customers derive from the experience. In fiscal 2017-2018, nearly 855,000 members redeemed their Inspire points at least once, for a total value of \$41.6 million.

To be even more relevant to customers, the SAQ introduced new exclusive offers last year. Sent to buyers of Cellier and Signature products, the *New Arrivals for Me* feature in the SAQ's weekly newsletter points customers to specialty products likely to please them because they are based on the customer's tastes and purchase history. Customers have special access to these new arrivals available only online, and more than 100 products a week are promoted this way.

Many contests and events are also held for Inspire members. In fiscal 2017-2018, the SAQ organized 30 events, which 450 customers had the good fortune to attend. Among other things, these events allowed contest winners to discover unique products from the world's top vineyards, take part in exceptional encounters and even rediscover festivals and fairs across Quebec via special access.

Because inspiration is also sparked by what we read, the SAQ launched a new customer magazine, *The Spirit of Sharing*. An unmissable resource for fans of feature articles, recipes and practical advice, the content aims to enhance readers' gourmet pleasures. Published in print four times a year, the magazine is also available in an online version whose content is updated each week.

After only three issues, *The Spirit of Sharing* already enjoys a 63% recognition rate among SAQ Inspire members and an overall satisfaction rating of 7.6 out of 10.

### BECAUSE EXCELLENT ADVISORY SERVICE REQUIRES QUALIFIED EMPLOYEES

That SAQ employees are able to provide the best advice on new arrivals, suggest wine and food pairings that work and find the right bottle for a given event is because of the continuous training they receive. The SAQ ensures it is able to provide top quality service by offering its employees diversified, made-to-measure training that helps them guide customers in making the right choice.

In the latest fiscal year, through interactive training activities led by professional mixologists, nearly 600 store employees had the opportunity to discover the main categories of spirits used for successfully designing cocktails. Employees were able to see how various cocktails are made and to make some themselves. This hands-on training was much appreciated by the participants, who were then happy to share what they learned with colleagues and customers.

More than 520 store employees and wine advisors also took part in seven lecture-tastings on California wines, the aim being to refresh their knowledge about these products popular with consumers.

Another 120 employees—this time store managers, senior store operations coordinators and store operations coordinators—attended a training workshop on the importance of their role for providing the best possible service. Besides being part of the continuous development process for the coordinators, the workshop aimed to show the importance of various management roles to the store's success.



## 94% CUSTOMER SATISFACTION RATE

### CUSTOMER SATISFACTION FIRST AND FOREMOST

The SAQ continuously surveys its customers to ensure it is on the same wavelength and to improve how it does business. In fiscal 2017-2018, more than 273,000 customers replied to the company's customer satisfaction survey. No less than 94% of them said they were satisfied with the shopping experience provided to them.

A visibility study carried out by the Ad Hoc Research firm also revealed that Quebecers need no prompting to say they equate the SAQ with variety and quality. They also recognize the company's desire to assist and inform its customers. In addition, nearly half of the SAQ Inspire members surveyed in the study confirmed they had seen a positive change in the personalization of in-store advisory service since the program was launched.

The satisfaction felt by customers can also be seen in the Léger firm's Wow Customer Experience Index unveiled in November 2017. The SAQ came fifth among Quebec's 199 most appreciated retailers and second in the Specialized Store category. Exceptional in and of themselves, these results also saw the SAQ climb nine places in a single year.



## QUÉBEC ROYAL

THE ICONIC QUEBEC COCKTAIL

### TECHNOLOGY FOR EVEN MORE PERSONALIZED ADVICE

To be able to provide even more personalized service, the SAQ equipped 39 of its stores with interactive screens that allow customers to view their Inspire profile, purchase history and personalized offers as well as new arrivals. This additional tool is also appreciated by in-store advisors, who can use it to know customers better and guide them to new discoveries and products more likely to please them.

### THE QUEBEC ROYAL: AN ICONIC COCKTAIL FOR QUEBEC

Who better than Quebecers to design and choose their iconic cocktail? From this flash rose the idea of the provincewide Let's Create a Cocktail for Quebec contest. In response, the SAQ received 1,000 submissions, which were evaluated by a selection committee comprising some of Quebec's top mixologists and overseen by the Institut de tourisme et d'hôtellerie du Québec. More than 50,000 Quebecers then voted for their favourite of the cocktails invented by the three finalists. With 44% of the votes, The Quebec Royal, made from vodka, sparkling cider, cassis liqueur and maple syrup, was voted Quebec's iconic cocktail. Its creator, Jean-René Lebel, is a professional mixologist based in the Quebec City area.



**180,000**  
QUESTIONS AND COMMENTS

### TEMPTING PROMOTIONS, COMPETITIVE PRICES

Because they enjoy discovering new products and like lower prices, SAQ customers are happy to take advantage of promotions. The SAQ had great success in this area in fiscal 2017-2018, in particular with its New Arrivals for Me, Cyber Monday and late-January inventory sale.

The SAQ is also working upstream with its suppliers to obtain the lowest purchase prices in Canada on all the beverage alcohol products it sells.

As part of its push to offer fair and competitive prices while also maintaining price stability, the SAQ updated its Supplier Price Change Policy. The company now allows its business partners to raise their prices only twice year, in the spring and the fall. (Suppliers are, however, free to lower their prices at any time.) The actions taken in the last two years now position the SAQ as a price leader among Canadian liquor boards.

### AN ANSWER TO EVERY QUESTION

Customers are satisfied when they receive answers to their questions. To provide the most satisfactory possible experience and win the trust of its customers, the SAQ takes pains to train its Customer Relations Centre staff so they can quickly and accurately answer all the questions they are asked. In fiscal 2017-2018, the Centre received more than 180,000 questions and comments, mostly by telephone. The topic generating the largest number of queries was the SAQ Inspire experience.

### THE SAQ'S WORK RECOGNIZED

During the most recent fiscal year, the SAQ received many awards spotlighting its customer experience initiatives and communication activities. In October 2017, the SAQ was the recipient of the omnichannel customer experience award at the 2017 e-Commerce event organized by the Conseil québécois du commerce de détail. The award recognizes the SAQ's success at integrating the omnichannel experience into all aspects of its customer approach.

The SAQ was also celebrated by Infopresse at its Bommerang competition and was named a 2017 Brand of the Year at the Strategy Awards organized by *Strategy* magazine. These two competitions recognize the company's desire to establish a personalized communication channel with each of its customers and its success at doing so.

In fiscal 2017-2018, the SAQ was also singled out at the PROMO! Awards, which honours the best brand activation campaigns in Canada. In addition, the SAQ did well at the Gala des Flèches d'Or held by the Association du marketing relationnel, where the company was recognized for developing the personalized SAQ Inspire experience. The company also won silver in the Best Loyalty or Retention Campaign at the 2017 International ECHO Awards in New Orleans.

# OPERATIONAL EXCELLENCE AND ORGANIZATIONAL TRANSFORMATION

The mandate of the Société des alcools du Québec is to sell beverage alcohol by offering a broad range of quality products. It is with transparency, efficiency and openness that the company strives to meet and even exceed the expectations of its sole shareholder and various customer segments.

## **RECORD DIVIDEND: \$1.114 BILLION**

The work accomplished by the SAQ's divisions undoubtedly had a significant impact on its bottom line in fiscal 2017-2018. Once again, the company exceeded its financial objectives. Not only did it increase its sales responsibly and record a \$129.1 million or 4.1% increase, with total sales of \$3.252 billion, while offering its customers price reductions totalling more than \$100 million, it also significantly lowered its operating ratios. Net expenses as a percentage of sales went from 18.2% to 16.6% in a single year and did so despite a significant increase in the volumes sold and a fiscal year that was one week longer than the preceding fiscal year. All this was achieved through sustained efforts at improvement. Taken together, these achievements enabled the SAQ to post a profit of \$1.114 billion—a 2.6% increase—all of which will be paid to the Quebec government in the form of a dividend. Adding in the amounts collected as sales taxes and the specific tax, the SAQ will remit a total of \$1.767 billion to Quebec, while the Canadian government will receive \$424.6 million. The month of December 2017 certainly helped the company obtain these excellent results, with daily consumer sales exceeding \$36 million on the 22<sup>nd</sup>, the busiest day of the year. The day with the highest average shopping cart was December 18, where the average sales receipt was \$75.67. The 2017-2018 fiscal year also included two Easter holidays, which helped boost sales.

## **A DISTRIBUTION CHAIN RESOLUTELY TURNED TOWARD THE FUTURE**

The SAQ replaced the warehouse management system in its distribution centres in fiscal 2017-2018. Ultimately, the new technology will give it a more integrated vision of its stock, improved traceability of its products and greater flexibility in its operations. Despite the slowdowns encountered during the start-up phase, the SAQ's distribution centres helped increase shipments by 4.1%. As a result, the cost per case rose a mere 0.4%.

## **OPTIMIZING STORE DELIVERIES AND TRANSPORT**

The increase in sales in stores, on SAQ.com and using the SAQ app inevitably resulted in an increase in the number of cases to be handled by the company's supply chain. Specifically, the SAQ delivered to its points of sale more than 22.7 million cases of wine, beer and spirits, a 4.1% increase from the preceding fiscal year. The cases were distributed throughout its sales network of stores, specialized centres and wholesale grocers. To increase efficiency and reduce costs, the SAQ began delivering customer orders to stores using its own truck fleet instead of entrusting them to an external partner. Combining these additional deliveries with regular deliveries allowed the company to achieve savings of \$110,000 and implement more environmentally sound transport practices. The change in delivery practices also had a positive impact on store employees, who now receive products for replenishing their shelves along with their customers' online orders.





ISO 17025

## CERTIFIED LABORATORY

In addition to continuously optimizing its own transport activities, the SAQ is renegotiating better international shipping agreements for its products, to the benefit of all Quebecers. The rates negotiated with its carriers, the upgrading and optimizing of its equipment and the addition of direct shipments to the Quebec City distribution centre allowed the SAQ to lower the international shipping cost per case by 2.2%, an annual savings of more than \$956,000.

### QUALITY CONTROL: A FACT OF LIFE AT THE SAQ

The SAQ is recognized worldwide for its strict requirements and high standards in quality control. Fiscal 2017-2018 was no exception to this soon-to-be century-long tradition. The Quality Control Division and the SAQ Laboratory processed and analyzed some 46,000 product samples. The excellence of their processes and scope of their know-how enabled the SAQ to retain ISO 17025 certification for its laboratory and ISO 9011 certification for its quality assurance.

### MOVING HEAD OFFICE TO THE MONTREAL DISTRIBUTION CENTRE

In 2018, the SAQ left the Pied-du-Courant building, where its head office had been located since the creation of the Commission des liqueurs de Québec in 1921. To improve the synergy between teams, increase efficiency, minimize employee travel between two administrative centres and generate recurring savings, the SAQ moved all its administrative personnel to its Montreal distribution centre, now called the SAQ Campus.

### PRESENT AND ENGAGED EMPLOYEES

It is a well-known fact that employees committed to the company they work for accomplish more, perform better and have better attendance. To encourage employee engagement and support the organization's performance, the SAQ has decided to survey its employees on a continuous basis. Employees can now answer a weekly engagement survey by email or text and in the strictest confidence. The compiled results are distributed to managers, who can see whether their initiatives are appreciated by their employees and better understand employees concerns, initiate dialogue and suggest improvements.

Recognition being another motivating factor, the SAQ continued with its Millésime activity, which spotlights the work of employees who excel and have a notable impact on attainment of the company's objectives. In fiscal 2017-2018, 47 employees were recognized for their enthusiasm, innovative thinking and exceptional contribution.



## FOUR YEARS WITH NO ACCIDENTS

REAL ESTATE OPERATIONS AND MAINTENANCE

To ensure it is able to count on solid, stable and present teams, the SAQ put much effort into encouraging employees' attendance at work. For example, it facilitated the integration of light work and proposed rehabilitation plans to some employees unable to carry out their usual duties. The actions taken are already bearing fruit: an 8.1% reduction in the work absence rate was seen in fiscal 2017-2018, a result of which the SAQ is more than a little proud and on which it continues to work.

### A HEALTHY AND SAFE WORKPLACE

So its employees can do their jobs in a healthy, stimulating and safe work environment, the SAQ continued promoting occupational health and safety (OHS) activities in its stores. Besides implementing its priority prevention activities, the SAQ continued to count on the presence of an OHS ambassador in each of its stores. It also reminded employees of the importance of carrying out a systematic inquiry into all accidental events. Moreover, to reduce the risks related to the handling of heavy loads, a special training session on the subject was offered—and continues to be offered—to all employees, and new job support tools have been made available to teams for in-store testing. These good practices led to the implementation of preventive measures, and more than 50% of stores ended the year with no lost-time occupational accidents.

For their part, the employees of the two distribution centres and the Real Estate Operations and Maintenance Department in Quebec City maintained their prevention activities, including training, inspections of premises and inquiries into accidental events. These actions produced convincing results: no lost-time accidental event has been recorded in these units in the last four years.



## \$734,919 PRESENTED TO

FOOD BANKS OF QUEBEC

### BEING PART OF QUEBEC'S COMMUNITY LIFE

Because operational excellence also requires being aware of the impacts of the company's business on the community and the strength of its involvement in community life, in fiscal 2017-2018, the SAQ made every effort to conduct its operations with respect and consideration for its various stakeholders.

#### Food assistance: a cause close to our heart

The love story between the SAQ and Food Banks of Quebec (FBQ) showed no signs of ending this year. The company once again held its in-store Generous Wines campaign, paying \$1 to FBQ for each bottle of white wine sold on May 26, 27 and 28, 2017. Customer donations were also collected in the run-up to and during the event, namely from May 22 to 28. These efforts enabled the SAQ to present a total of \$734,919 to the organization.

To provide even more support to Quebecers dealing with food insecurity, the SAQ now sells gift boxes and donates the profits to the FBQ network. This initiative and the participation of SAQ employees and customers allowed the SAQ to address an urgent need and make up for the network's shortage of protein-rich foodstuffs by providing more than 500,000 eggs during the Easter holiday.

In another instance of its continued contribution to the food assistance cause, the SAQ partnered with La Tablée des Chefs for the 15th year running, donating \$100,000 to support the Semaine des écoles hôtelières du Québec. As part of the event, 500 students from 15 Quebec hotel schools prepared more than 100,000 meals, which were then distributed to needy families through the FBQ network. To mark the 15<sup>th</sup> anniversary of this activity, SAQ employees donned chef's hats and made a total of 500 meals as part of a volunteer activity.



## SUPPORT FOR 330 ORGANIZATIONS AND FESTIVALS

Éduc'Valcool

**\$3.5 MILLION**  
GIVEN TO ÉDUC'ALCOOL

For the fourth year in a row, the SAQ allowed the Y'a Quelqu'un l'Autr'Bord du Mur community organization to grow a kitchen garden on land at the Montreal distribution centre. This partnership produced a harvest of 572 kilograms of 30 varieties of fruits and vegetables, which were sold at low cost to residents of Mercier-Hochelaga-Maisonneuve Borough, considered something of a food desert. As a result, more than 4,600 customers were able to acquire some of this bounty in community markets. Around 40 families that receive assistance from the district's food security organizations were given part of the harvest free of charge.

The SAQ also maintained its partnership with Alvéoles to promote urban beekeeping and increase employees' awareness of biodiversity. The bees in its hives produced 90 kilos of honey, which was bought by employees of the SAQ's administrative centres and distributed to various urban agriculture organizations. The funds raised, nearly \$2,300, were donated to the FBQ, the SAQ's corporate cause.

### Support of culture and charities

Like the province's population, the SAQ is interested in the sectors that are challenges for Quebec society. That is why it contributes to organizations active in the fields of health, education and culture. In fiscal 2017-2018, the SAQ invested, through its Donation and Sponsorship Program, some \$5.6 million in 270 organizations and more than 60 festivals, fairs and events across Quebec.

The SAQ also remitted nearly \$260,000 to Entraide, half of which was donated by employees. Entraide is a fundraising campaign targeting working and retired employees in the Quebec public service. Entraide supports 36 organizations that assist persons in vulnerable situations across Quebec.

### Responsible sales

The SAQ considers it a duty to sell products responsibly. This means it does not sell beverage alcohol to minors, the obviously inebriated or any person attempting to buy beverage alcohol on their behalf. To ensure its teams continue to rigorously apply its sales ethic, the SAQ maintained its underage mystery customer program. In the most recent fiscal year, 93.3% of mystery customers were prevented from purchasing or tasting alcoholic products.

### Éduc'alcool

The SAQ takes part in promoting responsible drinking through Éduc'alcool. In fiscal 2017-2018, it collected and paid more than \$3.5 million to the organization, which develops and runs prevention and information programs aimed at helping young people and adults make informed and responsible decisions about alcohol consumption.

### Alternative containers

The SAQ plays a leadership role in sustainable development in the Quebec retail industry. That is why it is focused, among other things, on offering more eco-responsible options in containers. In fiscal 2017-2018, the SAQ increased its offer of bag-in-box products<sup>1</sup> by 33%, which in turn resulted in a 40% jump in the sales of these products. The government corporation also worked with the wine industry to promote lightweight glass containers, which weigh 420 grams or less for a 750 ml bottle and have an environmental impact around 30% less than that of traditional glass bottles. At the SAQ, the number of table wines bottled in lightweight glass containers increased 38% in fiscal 2017-2018.

<sup>1</sup>Bags-in-boxes (BIBs) consist of a bladder (plastic bag) packaged inside a corrugated fiberboard box.



## 25 PALLETS

OF OFFICE FURNITURE OFFERED

### Recovering is good but reusing is better!

As part of the move of the SAQ head office to its Montreal distribution centre, employees did a through cleanup and “pruning,” resulting in a total of 25 pallets of offices supplies they no longer needed due to the advent of the paperless office. In excellent condition, the supplies were offered free of charge to various organizations and educational institutions in the vicinity of the SAQ Campus.

### For better glass sorting

Concerned about what happens to the glass containers it sells, the SAQ has for many years worked with the recovery industry and Quebec engineers to obtain quality glass through selective collection and find new uses that add value to glass and give it a second life. It is thus with great optimism that the SAQ has joined Éco Entreprises Québec’s Innovative Glass Works Plan committee, which aims to modernize sorting centres by introducing new and proven equipment, all with the goal of stimulating the development of new uses for glass. Run jointly by Éco Entreprises Québec and RECYC-QUÉBEC, the committee brings together several organizations active in industries directly or indirectly involved with glass recycling as well as representatives from municipal government and the environmental sector. Currently, five sorting centres handling 25% of the glass recovered by selective collection are testing the new, state-of-the-art equipment designed to provide higher quality glass.



## ICI ON RECYCLE !

AGOLD-LEVEL CERTIFICATION  
FOR THE DISTRIBUTION CENTRES

### The social economy: to do good

As part of its responsible procurement practices, the SAQ has joined the *J’achète !* social economy movement initiated by the Conseil d’économie sociale de l’île de Montréal (CESIM). The movement leads its adherents to become more familiar with social economy companies and the goods and services they offer. This new commitment will enable the SAQ to form new partnerships, in particular with the Petites-Mains organization, which helps people—especially female immigrants, single parents and the unemployed—break out of isolation by learning a job.

### ICI, ON RECYCLE !

In the last fiscal year, the sustained efforts by the employees of the SAQ’s administrative centres allowed the company to earn various certifications under RECYC-QUÉBEC’s ICI ON RECYCLE ! program. The Montreal and Quebec City distribution centres obtained gold level certification while the Des Futailles and Tellier buildings reached silver and bronze respectively. All employees in the units concerned contributed to reaching the company’s targets by reducing their production of waste and recovering materials (paper, paperboard, glass, plastic, metal, wood).



# TRENDS





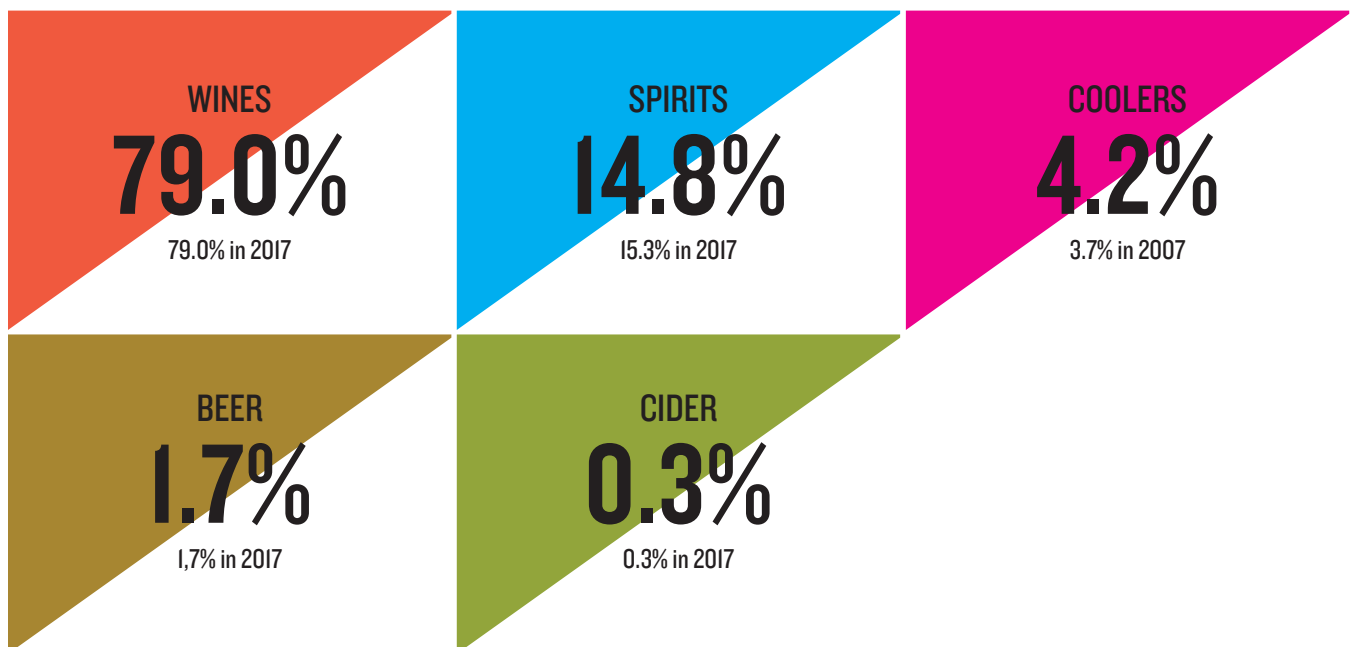
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# LONG LIVE WINE, BE IT RED, WHITE OR ROSÉ!

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True to their habits, Quebecers continue preferring wine over all other products sold in SAQ stores. This year once again, wines—whether red, white or rosé—formed 79% of what went into customers' shopping carts. Spirits, coolers, beers and ciders respectively accounted for 14.8%, 4.2%, 1.7% and 0.3% of sales. While still growing, the spirits category relinquished a small part of its market share to coolers, the introduction of new products and a reduction in the markup applicable to coolers clearly having an impact on sales.

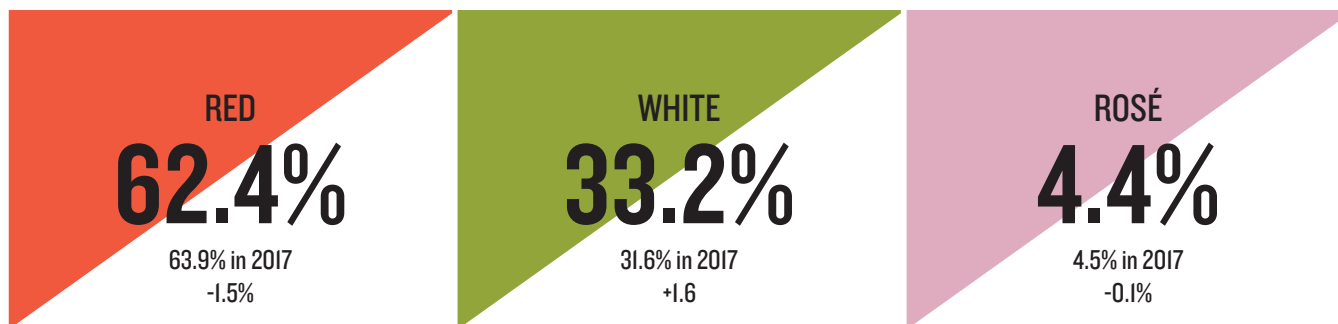
**Litre Sales by Product Category**  
(stores and specialized centres)



## WHITE WINES, STILL GAINING GROUND

**Litre Sales of Still Wines by Colour**  
(stores and specialized centres)

Slowly but surely, white wines continue to gain in popularity. This year, they accounted for one third of all wines purchased at SAQ points of sale. As a market share, that is 10% higher than 10 years ago. Interestingly, in the early 1990s, two thirds of wines sold at the SAQ were white. It is as if Quebecers are rediscovering the subtlety and lightness of these products.



## ITALY RISING

In the overall ranking of producer countries with the most popular wines at the SAQ, France continues to top the chart with a 29% market share. Italy may be comfortably sitting in second place but it is also stealing percentage points from its French neighbour and little by little closing the gap that has separated the two countries for decades. What about other countries? Well, fiscal 2017-2018 was a year of continuity, with market shares basically remaining unchanged.

### Still Wines by Country of Origin

(volume sales)

(stores and specialized centres)

	2018
France	29.2%
Italy	24.6%
United States	10.7%
Spain	8.4%
Australia	6.0%
Portugal	4.8%
Chile	3.6%
Canada	2.8%
South Africa	2.6%
Argentina	2.6%
Other	4.7%

## CABERNET SAUVIGNON, THE STAR OF RED GRAPES

Among all the red grape varieties, Cabernet Sauvignon comes in first place with a score of 26% of sales. Why Cabernet Sauvignon? Because Quebecers like the full-bodied, rich, deeply coloured wines the variety gives and the complex aromas and flavours of ripe fruit, cassis, black cherry and plum. Taking second place, with 12% of sales, Merlot is known for the silky texture of its deeply coloured, aromatic and savoury wines.



## CHARDONNAY, QUEBECERS' FAVOURITE WHITE GRAPE

With a score of 30%, Chardonnay dominates the white grape varieties, followed by Sauvignon Blanc—also known as Fumé Blanc—with nearly 18%. The former is synonymous with rich-textured, even “fat” wines with aromas and flavours of fresh butter and toast. The latter makes wines with remarkably fresh noses (lemon and green apple) that bring greenery (boxwood) to mind.

### Most Popular Grape Varieties

(percentage of litre sales, still wines)  
(SAQ stores)

Grape varieties – Red wines	2018
Cabernet-sauvignon	26%
Merlot	12%
Syrah/Shiraz	9%
Sangiovese	8%
Pinot noir	7%
Tempranillo	6%
Other	32%

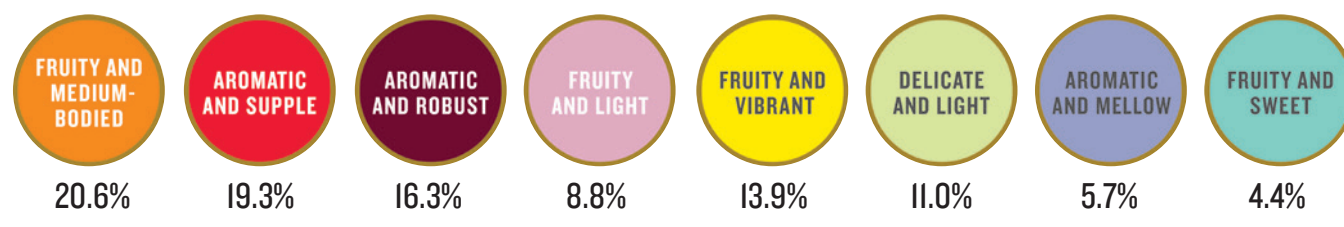
Cépages – Vins blancs	2018
Chardonnay	30%
Sauvignon blanc	18%
Pinot gris/Pinot grigio	16%
Chenin blanc	6%
Riesling	3%
Aligoté	3%
Other	24%

## TASTE TAGS: GO WITH FRUITY AND YOU WON'T GO WRONG!

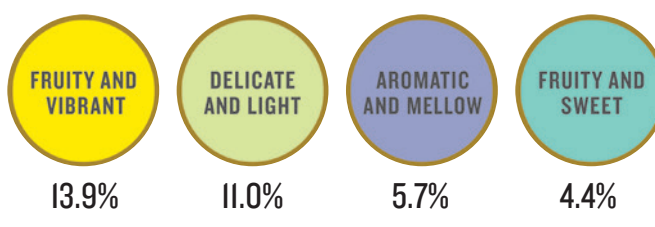
When choosing wines and spirits, Quebecers clearly have a thing for fruity flavours and aromas. Wines with them account for nearly 48% of wine sales (reds and whites combined) and 42% of fine spirits sales.

### Litre Sales by Taste Tag (stores and specialized centres)

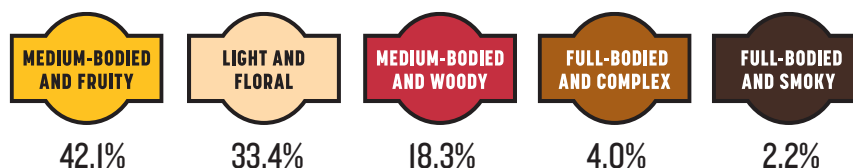
#### RED WINES



#### WHITE WINES



#### FINE SPIRITS





# FINANCE





# ACCOUNTABILITY REPORT

The SAQ is a government corporation mandated to sell beverage alcohol, a mandate that involves importing, warehousing, distributing, marketing and retailing a wide variety of quality beverage alcohol products. The Accountability Report section presents an overview of the SAQ's financial performance.

## Financial Results

Fiscal years ended the last Saturday in March  
(in millions of Canadian dollars)

	2018 <sup>(1)</sup>		2017		2016		2015	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
Sales	3,251.7	3,252.0	3,122.6	3,112.0	3,073.6	3,078.0	3,006.3	2,995.6
Gross margin	1,652.9	1,663.0	1,654.1	1,650.0	1,637.8	1,625.0	1,600.3	1,583.5
Net expenses <sup>1</sup>	539.2	574.0	568.4	580.0	570.8	585.0	566.6	572.9
Net income <sup>2</sup>	1,113.7	1,089.0	1,085.7	1,070.0	1,067.0	1,040.0	1,033.7	1,020.7
Comprehensive income <sup>2</sup>	1,113.6	1,089.0	1,085.4	1,070.0	1,067.1	1,040.0	1,032.7	1,020.7

1.53-week fiscal year.

2. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income, the write-down of an interest in a joint venture and the share in profit or loss of equity-accounted interests.
3. The forecast net income and comprehensive income for fiscal 2015 correspond to an initial budget of \$1.011 billion, to which was added an amount of \$10 million corresponding to the additional effort requested in the June 2014 provincial budget.

## Investments in property, plant and equipment and intangible assets

Fiscal years ended the last Saturday in March  
(in thousands of Canadian dollars)

	2018 <sup>(1)</sup>	2017	2016	2015
	Actual	Actual	Actual	Actual
Capital projects – distribution and administrative centres	5,077.5	2,791.1	4,526.7	3,249.0
Outlet network development	6,872.4	6,528.7	10,193.3	5,106.3
Information systems development	9,219.7	9,903.5	15,405.1	11,916.4
Rolling stock and mobile equipment	1,479.3	2,167.3	2,977.2	3,407.9
Specific equipment	870.5	477.8	472.3	293.8
Total	23,519.4	21,868.4	33,574.6	23,973.4

1. 53-week fiscal year.

# COMMERCIAL DATA

Management indicators for the last five fiscal years

<b>Sales growth by volume</b> (in thousands of litres)					
	189,400	192,700	196,100	198,000	210,300
	2014	2015	2016	2017	2018 <sup>(1)</sup>
	Actual	Actual	Actual	Actual	Actual
Change (%)	(0.9)	1.7	1.8	1.0	6.2

<b>Growth in average in-store purchase<sup>2,3</sup></b> (in dollars)					
	46.14	47.48	47.95	48.35	47.83
	2014	2015	2016	2017	2018 <sup>(1)</sup>
	Actual	Actual	Actual	Actual	Actual
Change (%)	4.7	2.9	1.0	0.8	(1.1)

<b>Growth in customer traffic in stores<sup>4</sup></b> (in thousands of transactions)					
	58,200	58,400	59,600	59,400	62,500
	2014	2015	2016	2017	2018 <sup>(1)</sup>
	Actual	Actual	Actual	Actual	Actual
Change (%)	(1.9)	0.3	2.1	(0.3)	5.2

<b>Growth in average sales price per litre in stores<sup>3,4,5</sup></b> (in dollars)					
	19.28	19.67	19.81	19.85	18.92
	2014	2015	2016	2017	2018 <sup>(1)</sup>
	Actual	Actual	Actual	Actual	Actual
Change (%)	3.1	2.0	0.7	0.2	(4.7)

1. 53-week fiscal year.
2. Average expenditure by consumers (including sales taxes).
3. The decrease is mainly attributable to price reductions made on some 1,600 wines and coolers.
4. Consumers.
5. Excluding sales taxes.

# PERFORMANCE DATA

## BACKGROUND

In conformance with the *Act respecting the governance of state-owned enterprises*, which requires the SAQ Board of Directors to adopt “measures to assess the effectiveness and performance of the enterprise, including benchmarking against similar enterprises” and in response to the spring 2016 recommendations of the Quebec Auditor General, who suggested, among other things, that the information presented in the annual report be more complete and enable readers to understand the results obtained versus the planned objectives, the SAQ has prepared a corporate dashboard that includes a series of indicators that will make it possible to track, on an annual basis, the organization’s achievement of its performance objectives.

## FISCAL 2017-2018 HIGHLIGHTS

Implementing strategies aimed at achieving excellence in the customer experience as well as operational excellence allowed the SAQ to exceed the targets for 16 of the dashboard’s 22 indicators.

- Four of the five financial performance indicators were exceeded. Net expenses expressed as a percentage of sales were 16.6%, a result under both the target 17.2% and last year’s 18.2%. As for the gross margin, the reduction in retail prices had a more positive impact on consumers, reducing the expected ratio.
- Implementing the new warehouse management system led to a temporary decline in productivity, which explains the cases-per-hours-worked figure among the operational indicators.
- As regards the customer promise in stores, the satisfaction level expressed in a customer survey is above target for all four indicators. Satisfaction with fair pricing is significantly improving in response to the price reduction strategy. However, that strategy, which benefits customers, also had a slight impact on the value of the average shopping cart and on the average bottle price.
- A new way of measuring employee engagement was introduced in fiscal 2017-2018 and is showing positive results.
- Efforts to lower the absenteeism rate also bore fruit.
- The growth in sales of Origine Québec products is attributable mainly to an increase in spirits sales.

## SAQ DASHBOARD INDICATORS

Includes the 13 indicators of the 2018-2020 Strategic Plan.

Dashboard	2017-2018 actual <sup>1</sup>	2017-2018 target <sup>1</sup>	2016-2017 actual
<b>Financial indicators</b>			
Sales growth	4.1%	3.1%	1.6%
Gross margin over sales	50.8%	51.3%	53.0%
Net expenses over sales	16.6%	17.2%	18.2%
Net earnings over sales	34.2%	34.1%	34.8%
Net earnings over total assets (quarterly average)	129.9%	128.0%	128.7%
<b>Operational indicators</b>			
Cases shipped per hour worked in the distribution centres	26.6	28.7	27.3
Distribution centre inventory turnover rate	12.1	11.6	11.5
Number of store inventory weeks	4.01	4.04	4.14
<b>Customer indicators<sup>2</sup></b>			
Overall satisfaction rate	94.1%	94.0%	93.9%
Satisfaction rate – discovery and advice	77.0%	74.0%	72.6%
Satisfaction rate – product accessibility	84.1%	83.0%	81.9%
Satisfaction rate – fair prices	60.6%	51.0%	50.4%
Increase in traffic	5.2%	2.7%	(0.3)%
Average purchase per transaction	\$47.83	\$48.00	\$48.35
Average bottle price	\$16.28	\$16.65	\$17.00
<b>Human resources indicators</b>			
Employee engagement rate (out of 10) <sup>3</sup>	7.0	7.3	N/A
Reduction in the absenteeism rate <sup>3</sup>	(8.1)%	(5.0)%	N/A
<b>Social responsibility indicators</b>			
Satisfaction with emphasis on sustainable development	65.7%	57.0%	54.8%
Sales growth of Origine Québec products <sup>4</sup>	14.2%	5.0%	13.9%
Sales Ethic – mystery customer detection rate	93.9%	95.0%	94.3%
Achievement of the actions of the Social Responsibility Action Plan <sup>5</sup>	100.0%	90.0%	N/A
Reduction in kilograms of CO <sub>2</sub> per litre from 2015-2016 levels <sup>3</sup>	(6.8)%	(0.5)%	N/A

1. 53-week fiscal year.

2. Store customers.

3. These indicators were not measured in fiscal 2016-2017.

4. Origine Québec products include all wines, ciders and other beverage alcohol products made under a small-scale production permit and spirits in the Quebec-made spirits category.

5. The achievement rate is the expected progress on the actions of the Social Responsibility Action Plan.

Certain comparative figures have been reclassified to conform to the current year's presentation.

# FINANCIAL REVIEW

This financial report reviews the operations of the Société des alcools du Québec (SAQ) for the fiscal year ended March 31, 2018, and its financial position at that date. It should be read in conjunction with the consolidated financial states and notes thereto, which will be found in the French-language version of the 2018 annual report. The information contained in this analysis includes all significant events that have occurred up to May 31, 2018.

## OVERVIEW OF RESULTS

For the fiscal year ended March 31, 2018, the SAQ declared net income of \$1.114 billion, an increase of \$28 million or 2.6%, the entirety of which was remitted to its sole shareholder, the Quebec Minister of Finance. Government revenues from operations (in the form of federal duties, consumer taxes and dividends) increased \$59.1 million to \$2,192 billion.

## SALES

Sales from all the SAQ's sales and distribution networks totalled \$3.252 billion, up \$129.1 million or 4.1%. The corresponding volume sales rose 6.2% to reach 210.3 million litres, compared with 198 million litres in fiscal 2016-2017.

### By sales network

The store and specialized centre network had sales of \$2.909 billion, an increase of \$132.4 million or 4.8% compared with the preceding fiscal year. Volume sales rose 8.5%, going from 155.7 million litres to 169 million litres. Implemented in the third quarter, the first round of price reductions on some 1,600 wines combined with the strong economy partly explains this volume increase. In addition, the 2017-2018 fiscal year was one week longer and had two Easter holidays, both factors that helped boost sales.

The average value of consumers' in-store purchases was \$47.83 in fiscal 2017-2018 versus \$48.35 in the preceding fiscal year. Overall, the average per-litre sales price in the SAQ network fell to \$18.92, compared with \$19.85 in fiscal 2016-2017. These decreases are due to the price reductions mentioned earlier. For their part, sales in the wholesale grocer network fell \$3.3 million or 1% to \$342.7.

Sales in the wholesale grocer network fell \$3.3 million or 1% from the preceding fiscal year to total \$342.7 million. Volume sales in this network decreased 1 million litres or 2.4% to 41.3 million litres.

### By product category

Despite the reductions in the retail prices of more than 1,600 wines in the store network last year, wine sales, which accounted for more than 73% of total sales, increased \$67.8 million or 2.9% to \$2.388 billion. Volume sales for the category rose 5.7% to 173.1 million litres. More specifically, wine sales in the store and specialized centre network saw a \$70.7 million or 3.6% increase. The corresponding volume sales grew 10.5 million litres or 8.5%.

As for spirits, which are sold only in the store and specialized centre network, sales rose \$60.4 dollars or 8.3% to \$787.3 million. The corresponding volume sales increased 5.9% to 25.1 million litres.

Lastly, sales of beers, ciders and coolers grew \$0.9 million or 1.2% to \$76.5 million. Exclusive product introductions combined with a price reductions in the first quarter of the preceding fiscal year helped stimulate this category. The corresponding volume sales totalled 12.1 million litres, a \$1.6 million or 15.2% increase.

## COST OF SALES AND GROSS MARGIN

Cost of sales consists primarily of acquisition costs, the freight costs incurred to ship goods to the SAQ's distribution centres and various points of sale and the related customs duties and excise taxes. In fiscal 2018-2019, the cost of sales stood at \$1.599 billion, compared with \$1.468 billion in the preceding fiscal year. The resulting gross margin totalled \$1.653 billion versus \$1.654 billion in fiscal 2015-2016, a \$1.2 million decrease. The gross margin was 50.8% in fiscal 2017-2018 as opposed to 53% in the preceding fiscal year.

The initial round of reductions on the sales prices of some 1,600 wines and on products in the cooler category, which was Introduced in the third quarter of fiscal 2016-2017, is mainly responsible for the decrease in the gross margin.

## NET EXPENSES

Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income, the write-down of an interest in a joint venture and the share in profit or loss of equity-accounted interests. In fiscal 2017-2018, net expenses totalled \$539.2 million, compared with \$568.4 million in the preceding fiscal year, a \$29.2 million or 5.1% decrease. This performance was achieved despite the expense of having an additional week of operations in fiscal 2017-2018.

Employee compensation, which is the SAQ's largest net expense category, totalled \$380.9 million, a decrease of \$11.4 million or 2.9%. This line item accounts for around 70% of net expenses. Expressed as a percentage of sales, employee compensation is 11.7%, compared with 12.6% for the preceding fiscal year, a decrease is largely attributable to company's optimization initiatives.

Building occupancy expenses, including the related amortization, constitute the second largest net expense category. These rose \$0.6 million or 0.6% to \$99.2 million. The small size of the increase is due to initiatives taken reduce the square-footage occupied and building occupancy expenses, which helped to offset retail rent increases.

Lastly, delivery, communication and other expenses totalled \$17 million, an \$11.7 million or 40.8% decrease. The constant efforts to improve efficiency enabled the company to cut advertising and promotion costs by \$7.3 million and technology and telecommunications costs by \$4.1 million.

Expressed as a percentage of sales, net expenses were 16.6% for fiscal 2017-2018, compared with 18.2% for the preceding fiscal year. This result reflects the significant efforts made to improve the organization's performance.

## NET INCOME AND COMPREHENSIVE INCOME

Net income for the fiscal year totalled \$1.114 billion, a \$28 million or 2.6% increase. Expressed as a percentage of sales, net income was 34.2% as opposed to 34.8% in fiscal 2016-2017. Comprehensive income rose \$28.2 million to end the year at \$1.114 billion.

## GOVERNMENT REVENUES

As a government corporation, the SAQ pays substantial amounts to both levels of government in the form of consumer taxes, federal taxes and duties and its net income from operations. In fiscal 2017-2018, government revenues from operations totalled \$2.192 billion, up \$59.1 million or 2.8% from the preceding fiscal year.

The amounts paid to the Quebec Treasury rose by \$51.7 million or 3% to \$1.767 billion. Several factors explain this positive change: the \$28 million increase in the declared dividend, a significant \$17.1 million rise in the specific tax on alcoholic beverages resulting from the increased sales volume and collected provincial sales taxes that were \$6.6 million higher than expected due to sales growth. The amounts remitted to the Canadian government totalled \$424.6 million, a \$7.4 million or 1.8% increase attributable mainly to higher sales.

### Government revenues from operations

(in millions of dollars)

	2018 <sup>(1)</sup>	2017
<b>Government of Quebec</b>		
Declared dividend	1,113.7	1,085.7
Provincial sales tax	363.8	357.2
Specific tax	261.4	245.5
Specific permit holder tax	28.0	26.8
	<b>1,766.9</b>	<b>1,715.2</b>
<b>Government of Canada</b>		
Excise taxes and customs duties	242.2	238.1
Goods and services tax	182.4	179.1
	<b>424.6</b>	<b>417.2</b>
<b>Total</b>	<b>2,191.5</b>	<b>2,132.4</b>

1. 53-week fiscal year.



## INTEREST IN A JOINT VENTURE

The SAQ holds a 50% interest in Société d'investissement M.-S., Limited Partnership (L.P.). This Quebec-incorporated company was created to establish a business-to-business cybermarket providing an integrated solution for purchasing and selling wine. The SAQ's share of the joint venture is shown separately in the consolidated statement of financial position.

On May 29, 2018, the joint venture's board of directors voted unanimously to wind up the joint venture. As a result, the joint venture will be dissolved and any remaining cash and cash equivalents will be divided equally among the partners. The dissolution and distribution are expected to take place on or before June 30, 2018.

## INVESTMENTS

Investments in capital assets totalled \$23.5 million in fiscal 2017-2018. A total of \$6.9 million was dedicated to upgrading the store network. The company also invested \$5.1 million in upgrades to its distribution and administrative centres, an amount that includes relocating all the SAQ's administrative teams to its east-end Montreal site. In addition, \$9.2 million was set aside for the design and development of new information systems to increase the operational efficiency of the distribution and administrative centres and provide a more personalized shopping experience in its store network, online and on mobile devices. Lastly, \$2.3 million was invested in upgrading rolling stock and equipment.

## FINANCIAL POSITION

As at March 31, 2018, the SAQ had total assets of \$813.1 million, compared with \$827.7 million as at March 25, 2017. A \$30 million investment that appeared as asset at the end of the preceding fiscal year reached maturity at the beginning of fiscal 2017-2018. Accounts receivable and other receivables decreased \$11.8 million to \$55.8 million while the value of inventories increased \$28.1 million to \$386.9 million. The net value of the Au-Pied-du-Courant building, estimated at \$12.2 million, was reclassified under current assets in view of its being placed on the market at the end of the fiscal year. Deposits and prepaid expenses rose \$4.9 million. Cash and cash equivalents increased \$2.7 million to end the year at \$134.8 million. The value of long-lived assets decreased \$20.6 million, mainly due to the reclassifying of the net value of the Au-Pied-du-Courant heritage building mentioned above and to a reduction in the net value of property, plant and equipment and intangible assets.

On May 4, 2018, the SAQ completed the sale of the Au-Pied-du-Courant heritage building, located at 905 De Lorimier Avenue in Montreal, for a purchase price of \$12.3 million.

At fiscal year-end, current liabilities decreased \$15.1 million, going from \$754.1 million at March 25, 2017, to \$739 million at March 31, 2018. This change is attributable to the \$34.4 million decrease in government taxes and duties payable. Increases of \$16 million in the dividend payable and of more than \$2.4 million in accounts payable and other payables partly offset the decrease in current liabilities. Long-term liabilities, which totalled \$33 million at March 31, 2018, did not see a significant change.

## CASH FLOWS

The SAQ's activities generated cash and cash equivalents of \$2.7 million in fiscal 2017-2018, compared with a \$13.8 million decrease in cash and cash equivalents in the preceding fiscal year.

Standing at \$1.096 billion, the cash flows related to operating activities decreased \$39.9 million from the preceding fiscal year, due mainly to the \$65.2 million decrease in the net change in non-cash working capital items, which was partially offset by the \$28 million increase in net income.

The company's investment activities entailed a \$4.9 million cash inflow in the fiscal year, compared with a \$52.2 million cash outflow in fiscal 2016-2017, that is, a \$57.1 million increase. The difference stems mainly from the maturation of a \$30 million investment at the beginning of the fiscal year.

Financing activities required \$1.098 billion in cash in fiscal 2017-2018, \$0.7 million more than the dividend paid to the shareholder.

As at March 31, 2018, the consolidated statement of cash flows showed a cash and cash equivalent balance of \$134.8 million, compared with \$132.2 million at the end of the preceding fiscal year.

## FINANCING OF OPERATIONS

As stated in note 19 of its consolidated financial statements, the company manages the financing of its operations within certain limits set by the government of Quebec and its Board of Directors. As dividend advances are paid periodically to its shareholder, the Quebec Minister of Finance, the SAQ relies on external sources to finance its operations. In this regard, the company is authorized to take out short-term loans up to a maximum amount outstanding of \$400 million. The company had no borrowings outstanding at March 31, 2018, or at March 25, 2017.

Financing of the SAQ's money market activities resulted in net financial income of \$1.5 million, compared with \$0.8 million in the preceding fiscal year, an \$0.7 million improvement. The change is due partly to an increase in the average net surplus for treasury activities from the preceding fiscal year and partly to an increase in the average interest rate earned on the surplus.

The net interest related to the liabilities and assets arising from employee benefit plans totalled \$1.1 million in fiscal 2017-2018, unchanged from the preceding fiscal year.

## FUTURE STANDARDS, AMENDMENTS AND INTERPRETATIONS

### Changes in accounting methods

Throughout the 2017-2018 fiscal year, the company complied with the new IFRS standards published and updated by the International Accounting Standards Board (IASB) and adopted by Canada's Accounting Standards Board before being mandatorily adopted for all fiscal years beginning on or after January 1, 2017.

### Changed standards that must be applied for the current fiscal year

#### IAS 7, Disclosure Initiative

The company has implemented the changes requiring it to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash and non-cash-flow changes.

The liquidities arising from the company's financing activities consist of the dividend, and a reconciliation of the opening and closing balances for this item is presented in note 21. In conformance with the transitional provisions specified in the changes, the company has not disclosed comparative information for the preceding fiscal year. Besides the additional disclosures required in note 21, implementing these changes has had no impact on the company's consolidated financial statements.

### Future standards, amendments and interpretations

On the date that publication of these consolidated financial statements was authorized, new standards, amendments and interpretations of existing standards had been published but were not yet in force. The SAQ did not early-adopt them but plans to adopt them as they come into force.

Note 4 to the consolidated financial statements provides information on the new standards, amendments and interpretations that are likely to be relevant to the SAQ's consolidated financial statements. Other new standards and interpretations have been published but do not apply to the SAQ or will not have a significant impact on its consolidated financial statements.

## DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision of the President and Chief Executive Officer and of the Vice-President and Chief Financial Officer, the SAQ's disclosure controls and procedures (DC&P) are designed to provide reasonable assurance that significant information about the SAQ is communicated to management in a timely manner.

An evaluation of the design and effectiveness of the DC&P was performed as at March 31, 2018, under the supervision and with the participation of management. Based on this evaluation, the President and Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the DC&P were adequately designed and operating effectively.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The SAQ's internal control over financial reporting is designed to provide reasonable assurance that the financial information is reliable and that the consolidated financial statements were prepared, for financial reporting purposes, in accordance with International Financial Reporting Standards (IFRS).

The SAQ's management, including the President and Chief Executive Officer and the Vice-President and Chief Financial Officer, have evaluated the effectiveness of the internal controls over financial reporting (ICFR) using the framework and criteria set out in the Internal Control – Integrated Framework document issued by the Committee of Sponsoring Organizations (COSO 2013) of the Treadway Commission. Based on this evaluation, management concluded that, as at March 31, 2018, the ICFR are adequately designed and effective to provide reasonable assurance as to the reliability of the financial information and the presentation of the SAQ's consolidated financial statements in accordance with IFRS.

## RISKS AND UNCERTAINTIES

In the normal course of its business operations, the SAQ is exposed to various risks that could have an adverse impact on its net income, financial position or cash flows. The SAQ has implemented risk management governance throughout the organization to detect and rank risks so as to be able to put in place measures to minimize their impact.

Integrated into the SAQ's day-to-day operations, risk management is a continuous, dynamic process designed to increase the organization's effectiveness and flexibility with respect to the many challenges related to its business environment.

In addition to the financial risks described in Note 23 to the consolidated financial statements, the SAQ is exposed to business risks, the most significant of which are described below.

### Economy, market and performance

Beverage alcohol sales are dependent on, among other things, the strength of the Quebec economy and the disposable income of consumers. An extended economic slowdown in Quebec could have an adverse impact on the sale of products offered by the SAQ and, consequently, on its performance. The SAQ must also contend with demographic factors related to the market it serves. Due to the aging population, the growth in beverage alcohol sales could slow in coming years in Quebec. Moreover, the retail sector is constantly changing and consumers are increasingly targeted by a wide range of offers of products and services.

To ensure its continued growth, the SAQ is always looking for innovations that will help it optimize its ways of doing business and maintain its operational efficiency. It constantly studies consumer shopping habits and trends in order to adapt its business strategies and provide an integrated shopping experience in line with customers' needs.

### Product quality control

With a catalogue of more than 13,300 products from 3,100 suppliers around the globe, the SAQ must ensure that an irreproachable level of quality is maintained in the products it sells. This it does through its ISO 17025-certified laboratory and ISO 9001 quality management. Several measures have also been implemented to ensure compliance with Health Canada regulations.

### Information technology

As part of its operations, the SAQ has warehouses and a large network of stores and specialized centres that rely on a vast information technology infrastructure. The continuity of the company's operations could be interrupted in the event its information systems were unavailable for an extended period of time.

The SAQ is also aware of the risks related to the security of its information systems. It has implemented robust controls and contingency plans to maintain the continuity of its operations and is constantly evaluating its protection measures to ensure the security and integrity of its data.

The confidentiality of customer data and personal data is ensured by a series of measures, in particular controlling access, increasing the security of personal data and raising employees' awareness of data security.

### **Social responsibility**

Society's expectations of the SAQ are high with regard to its environmental, social and economic responsibilities. Failing to meet its obligations could expose the company to criticism, admonishments, demands and even lawsuits.

Social responsibility is one of the SAQ's key concerns, as can be seen in its strategic planning, which sets forth the company's vision and commitment to sustainable development, in particular its efforts to develop new uses for and adding value to recovered glass.

The SAQ also plays an active role in community life by contributing to the economic and social well-being of Quebec society, be it through its Donation and Sponsorship Program, its campaign for the benefit of Food Banks of Quebec or its contribution—along with that of its employees—to the Entraide fundraising campaign.

Lastly, the SAQ faces various claims and lawsuits. In management's opinion, any settlement that might arise from these claims would not have a significant impact on the company's financial position. Should the company be required to pay any amount as a result of these lawsuits, the amount would be expensed in the period in which it became payable.

### **OUTLOOK**

In the coming year, the SAQ will continue improving its advisory service by using innovative tools and encouraging the development of a special relationship between customers and their advisor. The SAQ intends to express its spirit of sharing through advice and discovery through a new in-store tasting offer adapted to customers' profile. The ongoing improvement of the company's performance will also remain a key priority in fiscal 2018-2019.

Management is confident that its business strategies designed to deliver a personalized and integrated customer experience across all its sales channels combined with its commitment to constantly improve performance through sound cost management will ensure sales growth and higher net income in the coming year.

### Sales by network

(in millions of Canadian dollars)

	2014	2015	2016	2017	2018 <sup>1</sup>
Stores and specialized centres	2,621.9	2,683.8	2,746.2	2,776.6	2,909.0
Wholesale grocers	313.0	322.5	327.4	346.0	342.7
Total	2,934.9	3,006.3	3,073.6	3,122.6	3,251.7

### Sales by product category

(in millions of Canadian dollars)

	2014	2015	2016	2017	2018 <sup>1</sup>
Wines	2,213.6	2,264.2	2,300.9	2,320.1	2,387.9
Spirits	639.0	664.7	697.7	726.9	787.3
Beers, ciders and coolers	82.3	77.4	75.0	75.6	76.5
Total	2,934.9	3,006.3	3,073.6	3,122.6	3,251.7

### Financial results

(in millions of Canadian dollars)

	2014	2015	2016	2017	2018 <sup>1</sup>
Sales	2,934.9	3,006.3	3,073.6	3,122.6	3,251.7
Cost of sales	1,380.4	1,406.0	1,435.8	1,468.5	1,598.8
Net expenses <sup>2</sup>	551.5	566.6	570.8	568.4	539.2
Net income	1,003.0	1,033.7	1,067.0	1,085.7	1,113.7
Comprehensive income	1,002.0	1,032.7	1,067.1	1,085.4	1,113.6

### Government revenues from operations

(in millions of Canadian dollars)

	2014	2015	2016	2017	2018 <sup>1</sup>
Declared dividend	1,003.0	1,033.7	1,067.0	1,085.7	1,113.7
Taxes and duties paid to governments	952.9	994.7	1,026.1	1,046.7	1,077.8
Total	1,955.9	2,028.4	2,093.1	2,132.4	2,191.5

### Asset mix

(in millions of Canadian dollars)

	2014	2015	2016	2017	2018 <sup>1</sup>
Inventories	361.2	335.9	325.4	358.9	386.9
Property, plant and equipment and intangible assets	259.8	246.5	241.5	222.4	201.9
Other assets	112.8	125.6	212.9	246.4	224.3
Total	733.8	708.0	779.8	827.7	813.1

1. 53-week fiscal year.

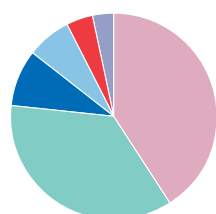
2. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income, the write-down of an interest in a joint venture and the share in profit or loss of equity-accounted interests.

Certain comparative figures have been reclassified to conform to the current year's presentation.

## Breakdown of the Sales Price

### Imported wine<sup>1</sup>, 750 ml format

(in dollars and percentages)  
March 31, 2018



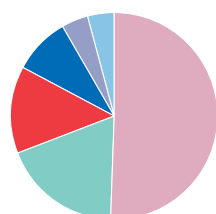
Markup <sup>2</sup>	\$6.17	41.1 %
Supplier price, in Canadian dollars, including shipping	5.36	35.8
Provincial sales tax	1.30	8.7
Specific tax paid to the Government of Quebec	1.05	7.0
Federal goods and services tax	0.65	4.3
Excise taxes and customs duties paid to the Government of Canada	0.47	3.1
<b>Retail price (per bottle)</b>	<b>\$15.00</b>	<b>100.0 %</b>

1. Continuous replenishment products.

2. The markup covers selling, merchandising, distribution and administrative expenses and generates net income.

### Local spirits, 750 ml format

(in dollars and percentages)  
March 31, 2018



Markup <sup>1</sup>	\$13.21	50.8 %
Supplier price, in Canadian dollars, including shipping	4.77	18.4
Provincial sales tax	3.58	13.8
Specific tax paid to the Government of Quebec	2.26	8.7
Federal goods and services tax	1.13	4.3
Excise taxes and customs duties paid to the Government of Canada	1.05	4.0
<b>Retail price (per bottle)</b>	<b>\$26.00</b>	<b>100.0 %</b>

1. The markup covers selling, merchandising, distribution and administrative expenses and generates net income.



## QUARTERLY RESULTS

Fiscal years ended March 31, 2018, and March 25, 2017  
(unaudited figures)

	2018 <sup>1</sup>				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	53	13	16	12	12

## FINANCIAL RESULTS

(in millions of Canadian dollars)

Sales	3,251.7	674.2	1,126.5	752.2	698.8
Gross margin	1,652.9	345.4	571.2	380.6	355.7
Net expenses <sup>2</sup>	539.2	142.9	158.3	114.4	123.6
Net income	1,113.7	202.5	412.9	266.2	232.1
Comprehensive income	1,113.6	202.4	412.9	266.2	232.1
Dividend paid	1,097.7	340.0	272.0	184.7	301.0

## SALES BY NETWORK

(in millions of Canadian dollars)

Stores and specialized centres	2,909.0	608.4	1,011.5	673.3	615.8
Wholesale grocers	342.7	65.8	115.0	78.9	83.0
Total	3,251.7	674.2	1,126.5	752.2	698.8

## VOLUME SALES BY NETWORK

(in millions of litres)

Stores and specialized centres	169.0	35.1	56.1	40.9	36.9
Wholesale grocers	41.3	8.4	13.7	9.3	9.9
Total	210.3	43.5	69.8	50.2	46.8

## VOLUME SALES BY PRODUCT CATEGORY

(in millions of litres)

Wines	173.1	36.3	58.1	40.4	38.3
Spirits	25.1	5.2	8.8	5.8	5.3
Beers, ciders and coolers	12.1	2.0	2.9	4.0	3.2
Total	210.3	43.5	69.8	50.2	46.8

1. 53-week fiscal year.

2. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

# QUARTERLY RESULTS

Fiscal years ended March 31, 2018, and March 25, 2017  
(unaudited figures)

	2017				
	Fiscal year	Q4	Q3	Q2	Q1
	52	12	16	12	12

Number of weeks

## FINANCIAL RESULTS

(in millions of Canadian dollars)

Sales	3,122.6	571.4	1,121.1	739.3	690.8
Gross margin	1,654.1	298.6	587.3	399.7	368.5
Net expenses <sup>2</sup>	568.4	142.6	175.8	121.0	129.0
Net income	1,085.7	156.0	411.5	278.7	239.5
Comprehensive income	1,085.4	155.7	411.5	278.7	239.5
Dividend paid	1,097.0	335.0	265.0	197.0	300.0

## SALES BY NETWORK

(in millions of Canadian dollars)

Stores and specialized centres	2,776.6	509.5	998.4	660.3	608.4
Wholesale grocers	346.0	61.9	122.7	79.0	82.4
Total	3,122.6	571.4	1,121.1	739.3	690.8

## VOLUME SALES BY NETWORK

(in millions of litres)

Stores and specialized centres	155.7	29.7	53.3	38.1	34.6
Wholesale grocers	42.3	7.9	14.8	9.5	10.1
Total	198.0	37.6	68.1	47.6	44.7

## VOLUME SALES BY PRODUCT CATEGORY

(in millions of litres)

Wines	163.8	31.4	57.0	38.7	36.7
Spirits	23.7	4.4	8.6	5.6	5.1
Beers, ciders and coolers	10.5	1.8	2.5	3.3	2.9
Total	198.0	37.6	68.1	47.6	44.7

## TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March  
(unaudited figures)

	2018 <sup>1</sup>	2017	2016
<b>FINANCIAL RESULTS</b>			
(in millions of Canadian dollars)			
Sales <sup>3</sup>	3,251.7	3,122.6	3,073.6
Gross margin <sup>3</sup>	1,652.9	1,654.1	1,637.8
Next expenses <sup>3,4</sup>	539.2	568.4	570.8
Net income	1,113.7	1,085.7	1,067.0
Comprehensive income	1,113.6	1,085.4	1,067.1
<b>FINANCIAL POSITION</b>			
(in millions of Canadian dollars)			
Total assets	813.1	827.7	779.8
Property, plant and equipment and intangible assets	201.9	222.4	241.5
Net working capital	(129.6)	(150.8)	(164.1)
Long-term liabilities	33.0	32.4	36.3
Shareholder's equity	41.1	41.2	41.5
<b>CASH FLOWS</b>			
(in millions of Canadian dollars)			
Cash flows related to operating activities	1,095.5	1,135.4	1,157.1
Acquisitions of property, plant and equipment and intangible assets	23.4	22.3	33.7
Dividend paid	1,097.7	1,097.0	1,038.7

1. 53-week fiscal year.

2. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly \$0.4 million on net earnings and of more than \$0.1 million on the consolidated statement of comprehensive income for fiscal 2013.

3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Éco Entreprises Fund deductions are not included in net expenses. In 2018, these deductions totalled \$23.8 million compared with \$23.2 million for the preceding fiscal year.

4. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income, the write-down of an interest in a joint venture and the share in profit or loss of equity-accounted interests.

The financial information for fiscal years 2011 to 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during those fiscal years.

Certain comparative figures have been reclassified to conform to the current year's presentation.

TEN-YEAR HISTORICAL REVIEW  
Fiscal years ended the last Saturday in March  
(unaudited figures)

2015	2014	2013 <sup>2</sup>	2012 <sup>1</sup>	2011	2010	2009
3,006.3	2,934.9	2,907.0	2,837.1	2,657.8	2,549.1	2,424.5
1,600.3	1,554.5	1,552.8	1,509.3	1,417.1	1,350.9	1,282.6
566.6	551.5	522.0	509.6	506.6	483.7	475.9
1,033.7	1,003.0	1,030.8	999.7	910.5	867.2	806.7
1,032.7	1,002.0	1 030.3	999.7	910.5	867.2	N/A
708.0	733.8	759.6	700.4	651.1	627.8	590.3
246.5	259.8	259.8	250.9	247.4	225.8	209.6
(169.5)	(186.9)	(191.6)	(186.7)	(179.3)	(157.7)	(140.5)
36.1	31.3	32.1	29.4	32.4	23.2	24.3
41.4	42.3	43.4	44.9	44.9	44.8	44.8
1,126.2	1,061.4	1,075.7	947.3	959.6	915.0	834.6
26.2	30.7	41.1	35.3	43.1	43.3	26.6
971.0	1 058.4	1 047.7	962.7	926.2	817.0	802.0

TEN-YEAR HISTORICAL REVIEW  
Fiscal years ended the last Saturday in March  
(unaudited figures)

	2018 <sup>1</sup>	2017	2016
<b>SALES BY NETWORK<sup>2</sup></b>			
(in millions of Canadian dollars and in millions of litres)			
Stores and specialized centres	2,909.0 169.0 L	2,776.6 155.7	2,746.2 155.1
Wholesale grocers	342.7 41.3 L	346.0 42.3	327.4 41.0
Total	3,251.7 210.3 L	3,122.6 198.0	3,073.6 196.1

**SALES BY PRODUCT CATEGORY<sup>2</sup>**  
(in millions of Canadian dollars and in millions of litres)

Wines	2,387.9 173.1 L	2,320.1 163.8	2,300.9 162.9
Spirits	787.3 25.1 L	726.9 23.7	697.7 23.0
Beers, ciders and coolers	76.5 12.1 L	75.6 10.5	75.0 10.2
Total	3,251.7 210.3 L	3,122.6 198.0	3,073.6 196.1

1. 53-week fiscal year.

2. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Éco Entreprises Québec Fund deductions are included in net expenses. In 2018, these deductions totalled \$23.8 million compared with \$23.2 million for the preceding fiscal year.

The financial information for fiscal years 2011 to 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during those fiscal years.

TEN-YEAR HISTORICAL REVIEW  
Fiscal years ended the last Saturday in March  
(unaudited figures)

2015	2014	2013	2012 <sup>1</sup>	2011	2010	2009
2,683.8	2,621.9	2,585.2	2,524.4	2,362.5	2,260.1	2,146.5
152.2	150.4	150.8	149.1	142.8	137.4	132.1
322.5	313.0	321.8	312.7	295.3	289.0	278.0
40.5	39.0	40.4	39.8	37.7	36.6	36.0
3,006.3	2,934.9	2,907.0	2,837.1	2,657.8	2,549.1	2,424.5
192.7	189.4	191.2	188.9	180.5	174.0	168.1
2,264.2	2,213.6	2,183.1	2,124.7	1,987.0	1,905.5	1,804.9
160.2	156.5	157.3	155.2	148.3	142.3	137.0
664.7	639.0	633.8	621.8	581.8	552.9	530.9
22.1	21.8	22.0	21.8	20.8	20.3	19.6
77.4	82.3	90.1	90.6	89.0	90.7	88.7
10.4	11.1	11.9	11.9	11.4	11.4	11.5
3,006.3	2,934.9	2,907.0	2,837.1	2,657.8	2,549.1	2,424.5
192.7	189.4	191.2	188.9	180.5	174.0	168.1



TEN-YEAR HISTORICAL REVIEW  
Fiscal years ended the last Saturday in March  
(unaudited figures)

	2018 <sup>1</sup>	2017	2016
<b>NET EXPENSES<sup>3,4</sup></b>			
(in millions of Canadian dollars)			
Employee compensation <sup>5</sup>	380.9	392.3	388.2
Building occupancy expenses <sup>6</sup>	99.2	98.6	97.8
Equipment use and supply expenses <sup>6</sup>	42.1	48.8	47.6
Freight out and communications	2.8	7.0	7.5
Other expenses	14.2	21.7	29.7
Total	539.2	568.4	570.8
<b>OPERATING RATIOS</b>			
(as a percentage of sales)			
Gross margin <sup>3</sup>	50.8 %	53.0 %	53.3 %
Net income	34.2 %	34.8 %	34.7 %
Net expenses <sup>3,4</sup>	16.6 %	18.2 %	18.6 %
<b>OTHER INFORMATION</b>			
(at fiscal year-end)			
Number of employees <sup>7</sup>	5,159	5,277	5,456
Number of stores	407	405	406
Number of agency stores	432	436	438
Number of products offered for sale <sup>8</sup>	13,300	13,200	13,500
<b>SURFACE AREA OF BUSINESS PREMISES</b>			
(in thousands of square feet)			
Stores	1,947.8	1,969.7	1,980.2
Distribution centres and warehouses	1,464.4	1,464.4	1,464.4

1. 53-week fiscal year.
2. The fiscal 2013 results have been restated to retroactively apply the changes to IAS 19 concerning employee benefits in accordance with the transition provisions. These changes had an impact of nearly \$0.4 million on net earnings and of more than \$0.1 million on the consolidated statement of comprehensive income for fiscal 2013.
3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Éco Entreprises Fund deductions are not included in net expenses. In 2018, these deductions totalled \$23.8 million compared with \$23.2 million for the preceding fiscal year.
4. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income, the write-down of an interest in a joint venture and the share in profit or loss of equity-accounted interests.
5. Employee compensation includes payroll, employee benefits, pension plan-related costs and other employee benefit-related charges.
6. Including amortization expenses.
7. The number of employees is determined on a full-time equivalent basis.
8. Excluding the effect of the price reduction and restructuring costs.

The financial information for fiscal years 2011 to 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP), which were in effect during those fiscal years.

TEN-YEAR HISTORICAL REVIEW  
Fiscal years ended the last Saturday in March  
(unaudited figures)

2015	2014	2013 <sup>2</sup>	2012 <sup>1</sup>	2011	2010	2009
389.5	369.1	358.4	344.3	341.9	332.5	319.2
94.6	93.6	89.9	89.0	83.4	79.6	76.9
45.7	42.5	40.6	39.6	41.1	37.1	43.9
7.7	7.5	7.4	8.3	8.8	8.3	8.8
29.1	38.8	25.7	28.4	31.4	26.2	27.1
566.6	551.5	522.0	509.6	506.6	483.7	475.9
53.2 %	53.0 %	53.4 %	53.2 %	53.3 %	53.0 %	52.9 %
34.4 %	34.2 %	35.5 %	35.2 %	34.3 %	34.0 %	33.3 %
18.8 %	18.8 %	18.0 %	18.0 %	19.0 %	19.0 %	19.6 %
5 499	5,526	5,584	5,489	5,369	5,265	5,260
402	401	405	408	414	416	414
439	437	396	398	396	395	398
12,500	12,500	11,500	11,000	11,000	10,500	11,700
1,921.0	1,912.7	1,915.1	1,880.6	1,827.2	1,822.1	1,759.0
1,467.1	1,467.1	1,462.6	1,461.7	1,458.7	1,349.7	1,215.4