

ANNUAL REPORT 2019



SAQ

LE GOÛT DE PARTAGER



CONTENTS



1	Highlights
2	Message from the Chair of the Board
3	Message from the President and Chief Executive Officer
4	Management Committee
5	Our Mission and Values
6	REVIEW OF ACTIVITIES
8	Excellence of the Customer Experience
13	Operational Excellence and Organizational Transformation
20	TRENDS
25	FINANCE
26	Accountability Report
27	Commercial Data
28	Performance Data
30	Financial Review
38	Quarterly Data
40	Ten-year Historical Review

2019 HIGHLIGHTS

Fiscal year ended March 30, 2019
(in millions of Canadian dollars and in millions of litres for volume sales)

	2019	2018 ¹	Change %
FINANCIAL RESULTS			
Sales	3,293.9	3,251.7	1.3
Gross margin	1,670.8	1,652.9	1.1
Net expenses ²	524.9	539.2	(2.7)
Profit	1,145.9	1,113.7	2.9
Comprehensive income	1,144.5	1,113.6	2.8
FINANCIAL POSITION			
Total assets	913.8	813.1	12.4
Property, plant and equipment and intangible assets	193.8	201.9	(4.0)
Net working capital	(118.4)	(129.6)	8.6
Long-term liabilities	35.8	33.0	8.5
Shareholder's equity	39.7	41.1	(3.4)
SALES BY NETWORK			
Stores and specialized centres	2,947.0	2,909.0	1.3
Wholesale grocers	346.9	342.7	1.2
Total	3,293.9	3,251.7	1.3
NET SALES BY PRODUCT CATEGORY			
Wines	2,393.8	2,387.9	0.2
	169.6 L	173.1 L	(2.0)
Spirits	816.6	787.3	3.7
	25.5 L	25.1 L	1.6
Beers, ciders and coolers ³	83.5	76.5	9.2
	13.6 L	12.1 L	12.4
	3,293.9	3,251.7	1.3
Total	208.7 L	210.3 L	(0.8)
ADDITIONAL FINANCIAL DATA			
Government revenue ⁴	2,234.1	2,191.5	1.9

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



Fiscal 2018-2019 was a year in which the Société des alcools du Québec (SAQ) was involved more than ever in large projects. In both information technology and customer experience, the company focused ingenuity and effort on recasting the fundamentals crucial to its business. When completed, these promising projects will better position the SAQ and enable it to continue responsibly increasing sales while pursuing the objectives of its Strategic Plan.

Over the last fiscal year, the company also took on a major challenge: setting up the Société québécoise du cannabis in under 12 months. This entailed, among other things, opening 12 stores and launching a transactional website on October 17, 2018, the day non-medical cannabis became legal in Canada.

The coming year looks set to be equally rich in projects and challenges. It will also surely be coloured by the start of work on the SAQ's 2021-2023 Strategic Plan.

I want to thank the members of the Board of Directors for their dedication to the company. Their enormous experience and sound advice were instrumental in guiding the company to carry out its mandates and keep its sights set on its strategic objectives. I want to take advantage of this opportunity to acknowledge the work of Nicole Diamond-Gélinas, who held a seat on the Board since 2011, and that of Michael Stephen Pesner; both left the Board of Directors this year. Which is why, in March 2019, the Board welcomed Patrice Attanasio, president of AGO Communications, Alain Brunet, an actuary by profession, and Christian Leblanc, senior partner at Fasken Martineau, who round out the directors' collective skill set.

I also want to note the departure of Alain Brunet, who made a significant contribution to the success of the Société des alcools du Québec over 37 years, the last five as President and Chief Executive Officer. At the same time, I offer my sincere congratulations to Catherine Dagenais, who, at the end of a rigorous recruitment and selection process, was chosen as his successor. Her remarkable achievements at the SAQ are a guarantee of the company's future success.

In closing, I want to acknowledge the excellent work of the Management Committee and of SAQ employees, who have enabled the company to remain relevant and to increase its profits year after year.

A handwritten signature in dark ink, appearing to read 'Johanne Brunet'.

Johanne Brunet
Chair of the Board of Directors

MESSAGE FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER



For the seventh year running, the Société des alcools du Québec (SAQ) will remit a dividend of more than \$1 billion to the Quebec government. For its 2018-2019 fiscal year, the dividend will total \$1.146 billion. This record result, a source of pride for the SAQ, is in no small part due to the government corporation's constant efforts to improve its business processes, train its employees and enhance the customer experience. I want to thank outgoing President and Chief Executive Officer Alain Brunet for leaving to Quebecers a dynamic, healthy SAQ whose solid foundation allows it to adapt to the rapidly evolving retail industry.

This year, besides being fully aligned with its strategic objectives and widely recognized as one of Quebec's leading retailers, the SAQ succeeded yet again in pleasing customers by offering them increasingly personalized service. These accomplishments took place alongside other actions that have made the company a key player in the community. I am thinking specifically of the many social responsibility initiatives taken, such as the SAQ's impending acquisition of the first Quebec-made electric delivery truck, its \$1.2 million contribution to Food Banks of Quebec and its showcasing of Quebec products, enabling customers to discover the impressive talent of local producers and the advantages of buying local, which include stimulating Quebec's economy. I am also thinking of the agreement signed with the SEMB, the SAQ store and office employees' union, and approved by 93% of employee members. This means the company can adapt to the new realities of retailing while providing good working conditions to its employees. All these achievements are the result of the daily effort made by 7,000 women and men dedicated to working for the common good and continuing to build an SAQ we can be proud of. I want to thank them for their contribution, which makes all the difference. I also offer my thanks to the members of the Management Committee and to the Board of Directors for their indispensable contribution to the company's orderly development.

This year, once again, the Société des alcools du Québec pursued excellence by inspiring its customers and remaining open to the world.

A handwritten signature in black ink that reads "Catherine Dagenais". The script is elegant and cursive.

Catherine Dagenais
President and Chief Executive Officer

MANAGEMENT COMMITTEE



Catherine Dagenais
President and
Chief Executive Officer



Carl Boucher
Vice-President
Information Technology



Sandrine Bourlet
Vice-President
Marketing and Merchandising



Martine Comtois
Vice-President
Corporate Affairs and
Secretary General



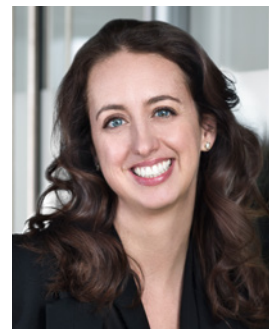
Jacques Farcy
Vice-President
Sales Network Operations



Édith Fillion
Vice-President and
Chief Financial Officer



Madeleine Gagnon
Vice-President
Human Resources



Marie-Hélène Lagacé
Vice-President
Public Affairs and
Communications

OUR MISSION

The SAQ's mission is to sell beverage alcohol products. Accordingly, the company makes every effort to offer a wide range of quality products priced identically throughout Quebec. All profits from its sales are remitted to the government, to the benefit of all Quebecers.

OUR VISION

Inspired by our customers. Open to the world.

OUR VALUES

**In managing its business, the SAQ abides by three core values.
They inspire the company's culture and guide employees' decision-making.**

PASSION

Passion drives us to excel so we can offer even more to customers. It is the enthusiasm, shared by our employees, for the world of wines and spirits, for advising customers and for working efficiently every day, whatever of the task. Passion is also apparent in the dynamism and entrepreneurial spirit that inform all our business practices. It is what makes us proud to be part of the larger SAQ team.

COURAGE

Courage is the foundation of our success. In courage resides our commitment to reinventing ourselves, showing initiative and leaving the beaten path so as to be able to offer the best possible customer experience. Courage is also the confidence to take risks and venture into the unknown. It gives us the tools and manoeuvring room necessary to improve how we work. Courage should inspire all SAQ employees so all feel justified in acting as initiators and ambassadors of change.

RESPONSIBILITY

Responsibility means fully assuming our professional role, in particular by soundly managing public funds, staying focused on our sustainable development goals and applying our sales ethic. Responsibility commits SAQ employees to fully assuming the consequences of the actions they take and the decisions they make and maintaining the excellence of the customer experience. Responsibility and accountability require that information be shared and a climate of trust maintained in the company.

REVIEW OF ACTIVITIES



SAQ



NET EARNINGS OF

\$1.146 BILLION

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

Excellence: the SAQ hopes it is the only word that springs to customers' and partners' minds when they interact with it. Be it the quality of its customer experience, the performance of its supply chain, the relevance of its sustainable development initiatives or prudent management of its finances, the SAQ targets excellence at every level. Ambitious? At the SAQ, passion for a job well done is part of our DNA, much like the courage to question ourselves and the responsibility to advance and develop for the common good. We are inspired by our customers and open to the world.



22.7 MILLION

CASES DELIVERED
TO ITS POINTS OF SALE



7,023
EMPLOYEES



409
STORES

428
AGENCY STORES



14,350
PRODUCTS
OFFERED FOR SALE IN 2019-2020



2.1 MILLION
INSPIRE MEMBERS

EXCELLENCE OF THE CUSTOMER EXPERIENCE

A source of inspiration and motivation, customers are the focus of the Société des alcools du Québec (SAQ). Every day, some 7,000 team members work hand in hand to find, evaluate, import, deliver and sell thousands of products sourced around the globe with the sole purpose of providing pleasure. Whether customers are looking to share a Maréchal Foch from the Eastern Townships, a Sauvignon Blanc from the Loire or a single malt from the Highlands, they enjoy access to the right product in the right price range across Quebec. In keeping with its customer promise, the SAQ always delivers an optimal experience with regard to new products, accessibility and price while also remaining a socially responsible organization.

A RANGE THAT AIMS TO PLEASE

The breadth of the SAQ's product catalogue is a source of envy worldwide; diversity, quality and accessibility of wines and spirits are all things for which it earns praise. In fiscal 2018–2019, not only did it offer 14,350 products from 81 countries through its relationships with 3,100 suppliers, it once again renewed nearly 20% of the offer. The wide variety of products undoubtedly pleased customers, who spontaneously acknowledged the quality of the product catalogue in a recent marketing survey. The range of products offered by the SAQ is even more impressive when the some 20,000 products imported through its Private Order Department are included.

OPEN TO OUR WORLD

Being open to the world begins with exploring our own world, and a growing number of SAQ customers have developed a taste for local products. They taste wines, ciders, spirits, beers and other locally made beverage alcohol products to discover our terroir, its flavours and its special qualities. This awakening of the senses tends to grow at the same rate as local artisans and producers explore, tinker with and release products. It was with no small amount of pride that, in the year just ended, the SAQ showcased more than 650 Quebec products.

The category that saw a surge in consumer interest last year was spirits, due, at least in part, to the introduction of some 40 new products. Among them were canned products, liqueurs, an amaretto, vodkas and several gins. In fiscal 2018–2019, no fewer than 24 new Quebec gins appeared on SAQ shelves. What's more, Quebec gins experienced a boom. With volume sales up 47.6% to 739,153 litres last year, Quebec is now the Canadian province with the highest gin sales.

Volume sales of Quebec wines also reached a new high. Specifically, 460,330 litres of white, red and rosé were given a place of honour on Quebecers' tables. Sparkling ciders and coolers also saw growth, resulting in a slight expansion of the cider category.

ORGANIC PRODUCTS FOR A HEALTHIER PLANET

Having set itself the objective of promoting eco-responsible products and aware that customers' interest in such products continues to grow, the SAQ once again increased the number of organic products it sells. A total of 1,286 eco-responsible products were offered to customers in fiscal 2018–2019, an 11.2% increase from the preceding year. Combined with the "10 x the base points when you buy an organic product" promotions, the expanded portfolio let customers further explore the category and clearly express their appetite for these products. With litre sales jumping 10.7%, organic beverage alcohol products now account for 3.3% of volume sales at the SAQ.

FAIR PRICES

The SAQ is committed to offering fair and competitive prices on the products it sells. It works closely with suppliers to have the lowest prices in Canada. Its constant efforts have, for the second year running, made it the price leader among Canadian liquor control boards. SAQ customers also appreciate the effort, as indicated by their increasing satisfaction with the company's fair price policy.

NEARBY AND APPRECIATED FOR IT

Because nothing can replace the human connection, a smile or sincere advice, the SAQ firmly believes in the importance of its store network for serving customers. That is why the company invested \$5.9 million in its network of 409 stores and continues to redouble its efforts to provide welcoming, ergonomic and accessible sales environments.

Fiscal 2018-2019 saw the company inaugurating its new flagship store in downtown Montreal. With its modern design, the SAQ Sélection on De la Montagne Street has become the standard bearer for the SAQ brand, The Spirit of Sharing. In addition to its peerless selection of products, including a wide range of Signature products, and employees dedicated to providing a highly personalized customer experience, the store offers theme workshops and activities featuring famous producers.

Last year, the SAQ also renovated 25 of its stores and moved another seven to more optimal locations. Among them, the SAQ Sélection store in Terrebonne was given a complete makeover, which included the addition of a Bières et cie walk-in cooler dedicated to beers and coolers, the first in the network. The community of Malartic also saw the opening of a new store on its territory.

Although our stores remain customers' preferred place to shop for wines and spirits, a growing number are making their purchases on SAQ.com and taking advantage of the promotions and exclusive offers available on it. No fewer than 43,442 more customers shopped on SAQ.com this year for a total of 82,173 unique customers. Last year, SAQ.com recorded \$45.6 million in sales¹, a 17.3% increase from fiscal 2017-2018. Meanwhile, the number of Quebec-based visitors to the website rose 4.5% to 34.5 million sessions. Interestingly, more than 88% of customers who order products online opted for their order to be delivered to an SAQ store.



A natural complement to the SAQ.com website, the SAQ's mobile app also proved popular with customers. Nearly 1 million unique users connected to it, giving an average of 389,000 visits a month. Many new features were added to the app during the year, among them allowing users to view the shopping profile they belong to, sign up for SAQ Inspire and even see the complete product listing for their favourite store.

The SAQ's sales network would not be complete without the 428 SAQ Agency stores, which are grocery and convenience stores licensed to sell SAQ products. The stores contribute to the company's development and make its products available in municipalities and villages far from densely populated areas. With the help of these preferred partners, the SAQ can offer wines and spirits at the same price to consumers throughout Quebec.

1. Sales made on SAQ.com are shown before deduction of promotional discounts and include consumer taxes and the specific tax.

SAQ INSPIRE: EVEN MORE PERSONALIZED AND RELEVANT

Providing increasingly personalized advice, announcing made-to-measure events and suggesting products aligned with customers' expectations are all things that the SAQ now does thanks to its SAQ Inspire experience. Membership in the program, with some 2.1 million customers having signed up, allows the SAQ to constantly improve its interactions with members and to understand and even anticipate market trends by offering the right product to the right person at the right time.

Last fiscal year, 72% of the sales made at the government corporation were linked to an SAQ Inspire account. More than 247 million personalized offers were sent to SAQ Inspire members. Nearly 873,000 member customers redeemed their accumulated Inspire points, earning price reductions worth some \$42.1 million. Equivalent to that offered in previous years when mass market promotions were the norm, the Inspire program's reward rate continues to promote responsible drinking and increases satisfaction among customers, who can redeem their points for any product they choose. Unsurprisingly, SAQ Inspire enjoys a member satisfaction rate of 81%.

Nearly 60% of SAQ customers have signed up for the program and nearly 90% of those who have say the offers they receive as members are aligned with their taste.

Contests and events for SAQ Inspire members have been organized in partnership with suppliers. In fiscal 2018-2019, the SAQ held 37 events that 654 customers had the good fortune to attend. Ranging from tasting new products to meeting famous producers and taking part in Quebec's cultural life, the events received an appreciation rating of 92%.



BECAUSE CUSTOMER SATISFACTION AND ADVISORY SERVICE ARE CLOSELY RELATED

Last year, more than 225,000 SAQ customers expressed an opinion about the in-store shopping experience, and 93% said they were satisfied with it. This satisfaction rate, virtually unchanged for years, has much to do with the SAQ's efforts to provide continuous training to its personnel.

To ensure customers feel welcome and important, the SAQ constantly surveys their satisfaction after store visits. A polite greeting, personalized assistance and a friendly farewell are key elements of this excellent customer service. Employees' knowledge is also a source of satisfaction for customers, who, as a group, are increasingly better informed and keen to explore.

Accordingly, the SAQ offered numerous training programs to its employees, who are already known for their expertise. In fiscal 2018-2019, the company worked with the beverage alcohol industry to provide training to some 1,600 employees on subjects as varied as Quebec products, wines from Chile, Argentina and Spain and sparkling wines.

COUPS DE ♥

To offer the best possible service to customers, the SAQ also equipped its points of sale with state-of-the-art technological tools. For example, it outfitted all company stores with large touch-screen monitors that help employees optimize the personalized advice they provide by letting them consult the customer's taste profile, point balance, exclusive offers and purchase history as well as all the Inspire promotions and benefits available in the store.

A CONSTANT STREAM OF QUESTIONS... AND ANSWERS!

The professionalism of SAQ employees extends beyond the company's stores, which is why the staff of the Customer Relations Centre (CRC) made every effort to track down information and promptly reply to the 174,000 queries and comments they received. Answering by telephone and email and covering topics as varied as the SAQ Inspire program, online orders and private imports, CRC employees made it a point of honour to provide the best possible customer experience, like their in-store colleagues.



174,000
QUESTIONS AND
COMMENTS



YOUR FAVOURITES, SIR?

Customers sometimes need to find a bottle for dinner in the blink of an eye. To simplify their hasty treasure hunts and, time constraints notwithstanding, establish a connection between them and the in-store advisors, the SAQ introduced Top Pick shelf-talkers across the network. These let employees flag products in their store that they're particularly fond of, making them easy for customers to pick out. Other picks are publicized in the circulars and magazine and on SAQ.com.

ENGAGING CONTENT

Whether from Italy or Australia or 100% local, every product sold at the SAQ has a story. And, however different they may be, all the stories are fascinating and pique customers' interest. It is to respond to this thirst for knowledge and to give customers the opportunity to fully appreciate the product they are drinking that the company expends so much energy and enthusiasm to create captivating content to offer them.

In fiscal 2018-2019, the SAQ published four issues of its *The Spirit of Sharing* magazine, which contains articles, recipes and useful advice for amplifying the gastronomic delight of its readers. The publication's recognition rate reached 55% of SAQ customers and its reading rate exceeded 50% among SAQ Inspire members and 40% for customers as a whole.

The company also generated exclusive and engaging content daily for its social media accounts. This enabled its 450,900 Facebook followers, 15,500 Twitter followers and 55,600 Instagram followers to track, almost as they happened, the adventures of the two Quebec competitors for the title of world's best sommelier at the world finals in Belgium.

The SAQ also launched *Vins minutes*, a new Facebook Live activity in which an SAQ product expert invites various personalities to taste wines double-blind. Followers are also able to ask questions and make comments in real time. The first two editions proved very popular, with more than 117,000 views.

PERSONALIZED STORES

Is there anything better than showing up at a store and finding your favourite products front and centre? That's what SAQ customers were able to do last fiscal year. How? The company used data collected through the SAQ Inspire program to personalize stores' sales floors based on customer preferences. The initiative allowed the SAQ to determine, for each of its stores and dynamically throughout the year, which products should be featured in the promotional plan. Besides making customers' shopping easier, the introduction of the personalized sales floor helped lighten in-store tasks and gave employees more time to concentrate on advisory service.

RECOGNITION FOR THE SAQ

In October 2018, French wine magazine *La Revue du vin de France* (RVF) awarded first place to the SAQ's President and Chief Executive Officer, Catherine Dagenais, in its ranking of the top 200 wine personalities. Our chief executive was named "the most influential ambassador of French wine-making" alongside Emmanuel Macron, president of the French Republic. According to the RVF's chief editor, "as head of the Société des alcools du Québec, she is the biggest buyer of French wine in the world. Through her office, Quebecers, who are connoisseurs of Burgundies, Bordeaux and the wines of the Loire, surely deserve this place at the top of our list of the 200 most influential people in wine."

No. 1
of the top 200 wine personalities



Last year, the SAQ also came second in the Wow Index of 200 retailers offering the best in-store experience. Produced by Léger, the same study ranked it first among specialized retailers.

The SAQ Inspire program continued to attract industry attention, both inside and outside Quebec. *StateWays Control State* magazine gave its Best Technology Innovation award to the SAQ. The company also received two honours at the Gala Flèche d'Or, namely top honours in the Loyalty – Retail Business category and the award for customer experience of the year.

R3 Marketing and Léger's LoyauT study put SAQ Inspire 13th in its ranking of the country's best-performing loyalty programs. The SAQ's expertise was also praised in *L'actualité* magazine and on the itbusiness.ca and itworldcanada.com websites.



OPERATIONAL EXCELLENCE AND ORGANIZATIONAL TRANSFORMATION

All Quebecers are SAQ shareholders through the Minister of Finance. Collectively, they have decided to mandate the Société des alcools du Québec to sell beverage alcohol and offer a broad range of quality products. In constant pursuit of excellence, the SAQ strives not only to provide the best possible service but also to rigorously manage its operations and continuously improve its sustainable development practices. The goal? To be a vector for growth, to remain beneficial for society and to inspire pride.

\$1.146 BILLION FOR QUEBEC'S COFFERS

The SAQ has seen steady sales growth for many years now. The trend continued in fiscal 2018-2019, with the company recording sales of nearly \$3.294 billion, up \$42.2 million or 1.3% from the preceding fiscal year. This gave net earnings of \$1.146 billion, a 2.9% increase, all of which was remitted in the form of a dividend to the Government of Quebec. All told, the SAQ will pay some \$1.803 billion to the provincial government. Adding in the amounts paid to the federal government, a total of \$2.234 billion in government revenues was generated by the government corporation's operations, a 1.9% increase from fiscal 2017-2018. These improving results exceed the objectives set out in the company's Strategic Plan and were achieved despite there being no Easter holiday last fiscal year versus two in the preceding fiscal year. Moreover, fiscal 2018-2019 had one less week of operation. For its part, the month of December 2018 undoubtedly contributed to these excellent results, with consumer sales December 22 alone reaching nearly \$32 million. That said, the busiest day of the year was on December 24, with nearly 473,000 in-store transactions. The day with the highest average shopping cart was December 8, which happened to coincide with the Flash Sale promotion featuring eight products.

Besides growing sales responsibly, the SAQ continued reviewing its operations and optimizing its business processes. This enabled it to lower expenses and achieve a ratio of net expenses to sales of 15.9%, an improvement for the fourth time in as many years.

LOGISTICS PROFESSIONAL

The SAQ also maintained efforts to gradually improve its procurement-related processes. After implementing a new warehouse management system in fiscal 2017-2018, the company spent last year exploiting the new tool. It also began implementing operational and technological improvements aimed at streamlining its processes. In fiscal 2018-2019, the SAQ delivered some 22.7 million cases—the equivalent of 9,618 containers or 2,607 truck trailers—to SAQ stores and specialized centres and to the wholesale grocer network.

The SAQ's collaborative relationship with its various suppliers led to an increase in the number of products palletized at the production site, facilitating direct storage. In fiscal 2018-2019, some 9.5 million cases of products were moved directly from the shipping containers onto the warehouses' pallet racks with no further manual or mechanical intervention required. Made possible by the use of pallets compliant with international standards, the process produced significant efficiency gains. Last fiscal year, the company received 55% more standard pallets than it did in the preceding fiscal year.

As part of the same drive to optimize its business processes, the SAQ took several initiatives to reduce the costs related to maintenance and use of its physical assets. For example, it updated its work order processing and began work on transforming its preventive maintenance programs for equipment.

The SAQ also optimized its delivery routes. This entailed, for example, scheduling Sunday deliveries when desirable. The changes generated a 1.7% gain in performance last fiscal year.

On a different front, the SAQ signed new storage agreements with Quebec bottlers. These will enable it to optimize the storage capacity of its distribution centres, particularly as regards inventory turnover, and the income generated by these business relationships.

Combined, these initiatives resulted in a 0.8% improvement in the number of cases handled per hour worked compared with the preceding fiscal year.

THE SAQ.COM WAREHOUSE: TRANSFORMING TO IMPROVE PERFORMANCE

In fiscal 2018-2019, the SAQ transformed its online order fulfillment process, the goal being to optimize activities. The transformation allowed it to achieve 9.4% better operational performance and a 95% on-time delivery rate for online orders delivered to stores for pick-up.

The SAQ also continued expanding the use of its own truck fleet instead of relying on an outside firm to deliver customer orders to stores. In fiscal 2018-2019, a total of 124 stores were included in the service, meaning that nearly 60% of online orders are part of the stores' regular product deliveries. This change in delivery methods not only generated savings on the order of \$1.2 million but also improved the company's environmental performance and expedited receipt of goods in the stores concerned.

MORE EFFICIENT TRANSPORT

Because even small actions count when it comes to reducing one's environmental footprint, the SAQ maintained its focus on improving the energy efficiency of its transport operations. Over the last fiscal year, the company added longer trailers (53-feet long) to its truck fleet to optimize deliveries. It also provided training on fuel-efficient driving to its drivers, saving some 13,600 litres of fuel compared with fiscal 2017-2018.



The SAQ took another step forward when it announced the acquisition of Quebec's first all-electric delivery truck. Starting in the fall of 2019, the LION 8 will significantly reduce the company's fuel and maintenance costs, while also allowing it to deliver some 100,000 cases a year silently and with zero greenhouse gas emissions.



1st all-electric
delivery truck

The SAQ also made a point of adopting best environmental practices and complying with the strict environmental standards in its garages. Employees constantly seek ways to improve their work methods and are committed to recovering, recycling and sanitizing residual and hazardous materials produced in the company's shops and to meeting the requirements of the Clé Verte program, which centre on environmental compliance, equipment maintenance and employee skills. Last year, the garage staff at the Quebec City distribution centre earned a platinum award, Clé Verte®'s highest. Meanwhile, the Montreal distribution centre team received the gold Clé Verte award. Both awards are sources of pride for the company.

CREATION OF THE SOCIÉTÉ QUÉBÉCOISE DU CANNABIS: A MAJOR CHALLENGE



Last year, the SAQ was given a challenging mandate by the Quebec government: to create the Société québécoise du cannabis (SQDC) and have it running by a very tight deadline. The company invested significant time, energy and money in negotiating cannabis supply agreements, setting up a distribution network including a transactional website and hiring and training hundreds of employees. In less than six months, the SAQ succeeded in establishing a province-wide distribution network for non-medical cannabis. As a result, the SQDC was able to begin selling cannabis products on October 17, 2018, while also complying fully with its given mission: to sell non-medical cannabis with a focus on health protection, the goal being to attract and retrain customers from the black market without actually encouraging cannabis use. In August 2018, the SAQ Board of Directors appointed the members of the Board of the SQDC. In March 2019, the latter board appointed Jean-François Bergeron as the new subsidiary's President and Chief Executive Officer.

To minimize start-up and operating costs, the Société des alcools du Québec shares a number of services with the SQDC, in particular ones related to information technology, procurement of goods and services, the design and construction of stores and head office and the Customer Service Centre. The contractual relationship between the SAQ and the SQDC allows the former to maximize use of its infrastructures and take full advantage of employees' talent.

OCCUPATIONAL HEALTH AND SAFETY: A CONSTANT PRIORITY

At all times, the SAQ ensures it is able to provide a healthy, stimulating and safe work environment to its employees. In fiscal 2018-2019, the company increased its occupational health and safety outreach and organized a range of prevention activities relating to, among others, the work environment, the supplied equipment, work organization and warehouse safety, including the mandatory wearing of high-visibility vests and restrictions on the use of smart devices. Employees' and managers' response was equal to the task, with 213 of the network's stores reporting a full fiscal year without a time-loss injury.



213 stores
without a time-loss injury

To ensure it can rely on a stable, present and motivated team, the SAQ expended considerable effort to encourage employees' attendance at work. For example, it made improvements to the employee assistance program, trained managers to recognize the signs of impending absence among employees and promoted exercise and healthy lifestyle habits to all employees.

QUALITY ASSURANCE: MAINTAINING CONSUMER CONFIDENCE

The quality of the products sold at the Société des alcools du Québec is such that they could be sold almost anywhere else in the world. Actually, several countries use the results of the analyses carried out by the SAQ to determine whether a product will be allowed to enter their marketplace. Being carried by the SAQ is a guarantee of quality.

The international reputation of the SAQ laboratory has more than a little to do with the company's efforts to remain a leader in the field. Unsurprisingly, in fiscal 2018-2019, the SAQ again retained ISO 17025 accreditation for its laboratory and ISO 9001 certification for its quality management.

In the fiscal year just ended, the SAQ processed 46,600 product samples, 18,000 of which were analyzed.

AGREEMENT WITH THE STORE AND OFFICE EMPLOYEES' UNION

The SAQ and the SEMB, the store and office employees' union, had been bargaining since March 2017 to renew their collective agreement. Although the SEMB availed itself of the right to strike on a few days between July and November 2018, the agreement reached in December 2018 allows the government corporation to look forward with optimism. Specifically, the new agreement will allow the SAQ to adapt to the new realities of retailing while also providing good working conditions to its employees. Lasting six years (2017-2023), the agreement was approved by 93% of voting members.

ENGAGED EMPLOYEES

To deliver exceptional service requires engaged employees motivated by shared goals. In fiscal 2018-2019, the SAQ continuously surveyed its employees to gauge whether they supported the company's vision and values. Strictly confidential, the surveys were also a preferred source of information for the company's managers, who were able to track, week by week, employees' appreciation of the initiatives taken as well as employees' concerns. In fiscal 2018-2019, the engagement rate of SAQ employees was 6.9/10.

To underscore the contribution of employees who excel and make a notable contribution to the attainment of the company's objectives, the SAQ each year organizes the Millésimes recognition activity.

46,600
SAMPLES
ANALYZED



REDOUBLING EFFORTS TO END HUNGER

For the ninth year running, the SAQ embraced the cause of food assistance. Because hunger pays no heed to age, gender or borders, the cause has enjoyed the wholehearted support of SAQ employees and customers, mobilizing them around a common goal: to do good. That is why, from May 4 to 6, 2018, the SAQ donated to the cause one dollar for each bottle of white wine sold. To do even more, customer donations were collected during a 10-day period—May 4 to 13—that included Mothers' Day weekend. The fundraising activity enabled the SAQ and its customers to contribute \$905,108 to the food assistance network. The company also provided an additional \$325,000 from donations made by customers at checkout during October and from regular sales of gift boxes. Thanks in no small part to the involvement of its employees and the generosity of its customers, the SAQ is proud to have remitted to Food Banks of Quebec (FBQ) a record \$1.23 million in fiscal 2018-2019.



\$1.23 million given to
Food Banks of Quebec

The SAQ's involvement in the food assistance cause goes beyond its association with the FBQ. For example, the company is now in its 16th year of collaborating on the Semaine des écoles hôtelières du Québec, an event that brings together more than 600 professional cooking students from 15 Quebec hotel schools each year. For the occasion, the SAQ annually donates \$100,000 for the foodstuffs necessary to make meals to be distributed through the FBQ network. The activity aims to make the next generation of hospitality professionals aware of hunger in Quebec before they enter the job market.

As part of its ongoing partnership with the Tablée des Chefs, the SAQ, through nearly 100 employees, joined an activity to prepare some 200 portions of food for distribution to people in need. The company also gave the organization leftover food from the SAQ Campus cafeteria, enough to provide 800 food portions over six months.

On a smaller scale, the SAQ maintained the solidarity kitchen garden at its Montreal distribution centre. The garden is tended by the Y'a Quelqu'un l'Autr'Bord du Mur community organization. As a result of this partnership, more than 200 kg of fresh fruits and vegetables were offered for free or at very low cost to residents of Mercier-Hochelaga-Maisonneuve Borough, considered something of a food desert.

Similarly, because bees play an crucial role in agriculture and in producing quality harvests to feed Quebecers, the SAQ continued its partnership with Alvéoles. Besides promoting urban agriculture and raising employees' awareness of the importance of biodiversity, the initiative allowed the SAQ to harvest 45 kg of honey, which was sold to administrative centre employees and distributed to urban agriculture organizations. The funds raised were given to FBQ, the SAQ's corporate cause.

SUPPORTING THE COMMUNITY

Deeply involved in its community, the SAQ supports some 300 organizations active in health, education and culture in every region of Quebec. In fiscal 2018-2019, through its donation and sponsorship program, the SAQ invested the equivalent of \$5 million in 246 organizations and nearly 60 Quebec festivals and events.



Support for 303
organizations and festivals

To continue providing an inspiring experience, the company reviewed and updated the branding for its sponsorship activities, including the SAQ Bistros found at festivals across Quebec. New pop-up patios also made appearances at several festivals, allowing the company to be part of the foodie experiences they offer. The SAQ's participation in community events is viewed as very appropriate by Quebecers.

As a government corporation, the SAQ contributes to the annual Entraide fundraising campaign. In fiscal 2018-2019, the company remitted more than \$380,000, half of which was employee contributions. The government employee campaign provides support to Centraide du Québec, PartenaireSanté-Québec and the Quebec Division of the Canadian Red Cross, which in turn help thousands of Quebecers in need.

RESPONSIBLE SALES TO ENCOURAGE RESPONSIBLE DRINKING

18+

Sales ethic applied in
94.7% of cases

Aware that the products it sells are unlike any other and that it is expected to act as a model citizen, the SAQ makes every effort to sell its products responsibly. This awareness, inherent to its status as a government corporation, prompts it to constantly question itself and review its practices to ensure it continues being a responsible retailer. This is why, before promotions are launched, the company ensures that, while aimed at satisfying customers, they also comply with responsible drinking recommendations. Its perfect report card from the Ethics Council of the Alcoholic Beverage Industry in Québec attests to this constant preoccupation in its business activities.

In stores, the SAQ applies a strict sales ethic, refusing to sell beverage alcohol to minors, the obviously intoxicated or anyone attempting to buy alcohol on their behalf. To ensure its employees comply with the sales ethic, the SAQ provides training on hiring as well as refresher sessions. It also trains store managers to be good guides in the process. In the fiscal year ended March 30, 2018, underage mystery customers were prevented from buying or tasting beverage alcohol products in stores in 94.7% of cases.

The responsible drinking advocated by Éduc'alcool, an organization that aims to impress upon young people and adults the importance of making responsible, informed decisions about alcohol consumption, is an excellent complement to the SAQ's sales ethic. Keen to contribute to this awareness raising, the company collected and paid \$3.5 million to support the organization and its activities in fiscal 2018-2019.

ADDING VALUE TO GLASS

Because the glass many of its products come in remains a major challenge for the SAQ, the company is keen to find a second life for the material, the better to keep it out of landfill sites. For nearly 15 years now, the company has funded the Chaire SAQ de valorisation du verre dans les matériaux at the Université de Sherbrooke, which has found an ingenious use for mixed glass recovered through selective collection: transformed into glass powder, it becomes an additive for concrete, increasing the product's strength and water resistance. Each ton of cement replaced by glass powder reduces greenhouse gas emissions by one ton. In fiscal 2018, after thorough testing, glass powder was recognized as a cement replacement in the new CSA-A3000 standard. This accreditation could make recycled glass a sought-after material. All in all, an appealing prospect for the SAQ's coloured glass bottles.

Also with the goal of finding a second life for recovered glass, the SAQ joined the Vignes en ville project, which studies the growth of hardy grape vines in urban settings and looks at the potential opportunities for glass as a potting soil additive or as mulch for plantings. As part of the project, around 100 grape vines were planted on the grounds of the SAQ's head office in the summer of 2018.

In February, the SAQ heralded the results of Innovative Glass Works plan of Éco Entreprises Québec (ÉEQ), which confirmed that, following the addition of suitable equipment at Quebec storing centres, it is now possible to recover 100% of the glass from selective collection for eventual recycling.

\$50,000 ANNUAL INVESTMENT



vignes
en ville



EIGHT LEED-CI CERTIFICATIONS FOR STORES AND A BOMA BEST CERTIFICATION FOR AN ADMINISTRATIVE CENTRE

In fiscal 2018-2019, eight SAQ stores received LEED-CI certification, bringing the number of certified stores to 41. In Quebec, the SAQ is proud to be among the companies with the most stores meeting these strict environmental standards. In addition, one of the company's administrative buildings, the Tellier building in Montreal, received BOMA BEST 3.0 certification for eco-responsible management last year. BOMA BEST (BEST for "building environmental standards") is a national program that establishes common standards, assessment tools and independent data audits that allow buildings' energy efficiency and environmental performance to be measured. This latest certification brings to four the number of SAQ buildings that have received the certification.



41 stores certified LEED-CI

TRENDS

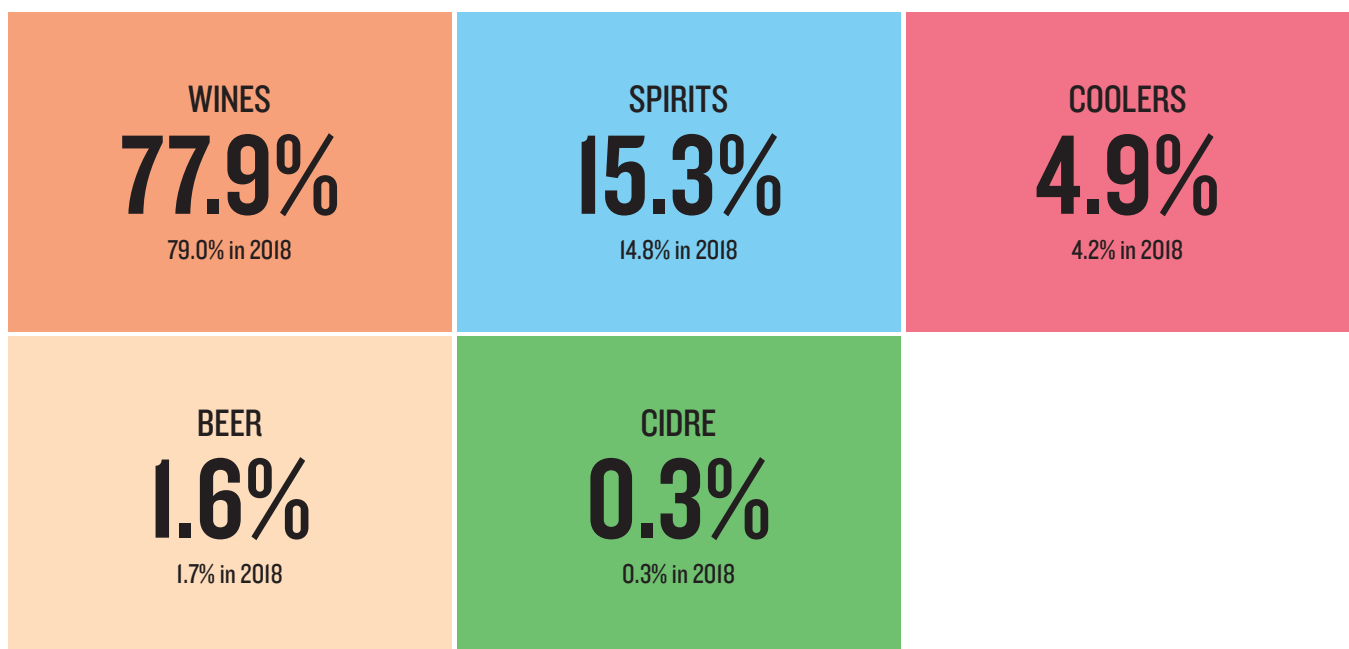


SAQ

THE SPIRITS CATEGORY HAS THE WIND IN ITS SAILS

Wine remains the most purchased beverage alcohol product in SAQ stores, accounting for 77.9% of litre sales. In fiscal 2018-2019, however, coolers and spirits began claiming market shares long denied them. With 25.5 million litres sold or 15.3% of litre sales, the spirits category saw growth of 1.6%. For their part, coolers recorded growth of 16.3% to reach 4.9% of the SAQ's litre sales. While the changes in the category's market share may appear minor, the SAQ perceives a clear uptick in Quebecers' interest in cocktails and coolers with their constantly diversifying but always charming product lines.

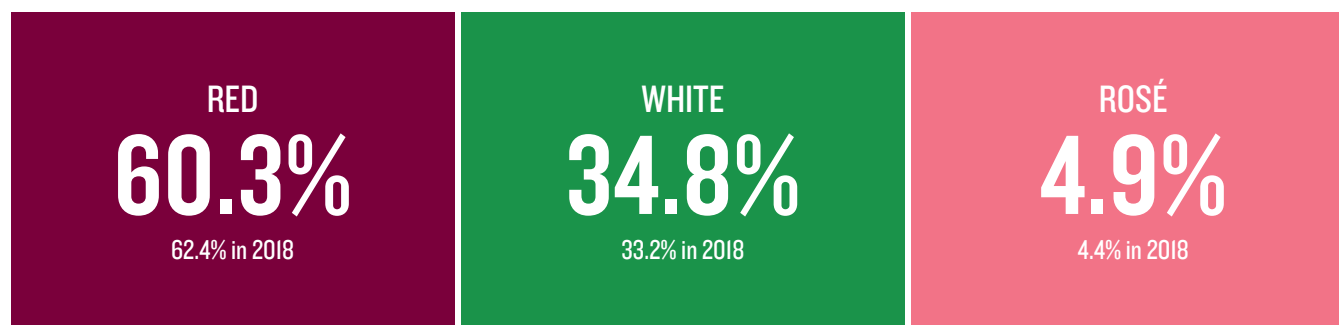
Litre Sales by Product Category
(stores and specialized centres)



YOU LOOK GOOD IN WHITE

Quebecers' love for white wine continues to grow. This year once again, litre sales increased 2.1% and now account for 34.8% of the SAQ's still wine sales. Rosé wine isn't lagging behind either; with litre sales rising 7%, the category now claims 4.9% of the market. Ever the darling of Quebecers, red wine is gradually having to share the spotlight, much like it did 20 years ago.

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



QUEBEC: CANADA'S TOP GIN RETAILER

While vodka, liqueurs and rum unsurprisingly remain the best-selling spirits at the SAQ, it was gin that garnered most of the attention this year. With some 354 different gins on SAQ shelves, including 24 new gins from Quebec distilleries, spirits lovers were able to delve into the category and let themselves be tempted by the myriad flavours. This is proved by the growth in litre sales, which reached 10.6% in fiscal 2018-2019. The newfound popularity made Quebec the biggest gin retailer in Canada, with more than 3.2 million litres sold last year.

Sales by Type of Spirits

(in millions of litres)
(stores and specialized centres)

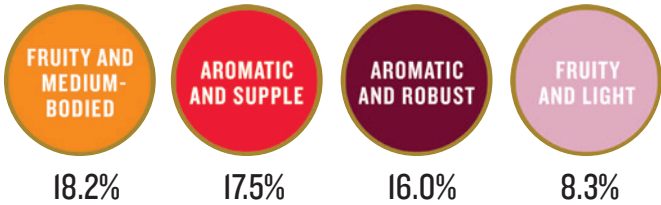
	2019	Market share	Growth
Vodka	5.5 L	21.7%	+ 1.0%
Liqueurs	5.4 L	21.3%	+ 1.0%
Rum	5.1 L	20.0%	- 0.2%
Whisky	3.7 L	14.3%	+ 0.5%
Gin	3.2 L	12.6%	+ 10.6%
Brandy	1.5 L	6.0%	- 3.7%
Other spirits	1.1 L	4.1%	+ 5.7%

PREFERENCES REMAIN THE SAME

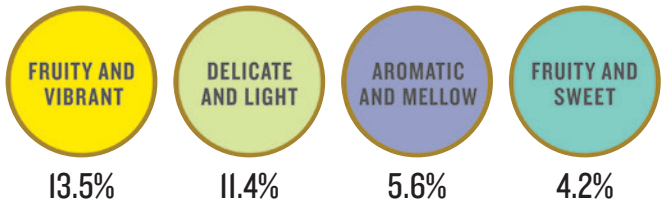
Simple and clear guides to the flavours, aromas and textures of various products sold at the SAQ, Taste Tags help customers find wines and spirits aligned with their preferences. The popularity award for fiscal 2018-2019 goes to predominantly fruity wines and spirits, as has been the case since Taste Tags were introduced 10 years ago. Be that as it may, the SAQ makes a point of maintaining a diversified product offer to satisfy the desires of all its customers.

Litre Sales by Taste Tag
(stores and specialized centres)

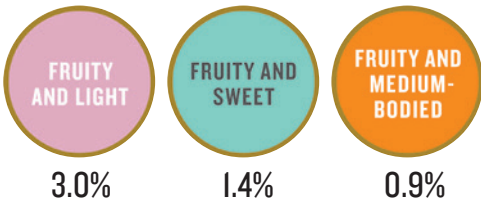
RED WINE



WHITE WINE



ROSÉ WINE



SPIRITS



RAISING A GLASS TO CABERNET SAUVIGNON, CHARDONNAY AND GRENACHE

Quebecers' favourite grape variety, Cabernet Sauvignon, is found in 26% of the red wines bought by SAQ customers. Chardonnay, on the other hand, is included in 29% of the white wines sold, followed by Sauvignon Blanc, used in 18% of white wines. As for rosés, the most popular are made with at least some Grenache or Zinfandel. To no one's surprise and much like the situation with Taste Tags, Quebecers' favourite grape varieties have remained unchanged for years.

Most Popular Grape Varieties

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

Red wine grape varieties	2019	White wine grape varieties	2019	Rosé wine grape varieties	2019
Cabernet-sauvignon	26%	Chardonnay	29%	Grenache	32%
Merlot	12%	Sauvignon blanc	18%	Zinfandel	28%
Syrah	8%	Pinot gris	16%	Merlot	8%
Sangiovese	8%	Chenin blanc	6%	Syrah	6%
Pinot noir	8%	Aligoté	3%	Cinsault	4%
Tempranillo	6%	Riesling	2%	Pinot gris	4%
Other	32%	Other	26%	Other	18%

QUEBECERS APPRECIATE ANCESTRAL KNOW-HOW

Quebec wine lovers have traditionally focused on products from countries with a long history of wine-making. The proof? Of all the bottles of wine sold at the SAQ this year, nearly one-third came from France and close to a quarter from Italy. In fact, between themselves, the two countries hold more than 54% of the still wine market in Quebec.

That said, Canadian wines—12% of which are Quebec wines—now claim a 3% market share. Thanks to the increasingly recognized know-how of local vintners, wines from Canada and Quebec continue to attract buyers, as is demonstrated by the annual growth in their litre sales, now at 4%.

Still Wines by Country of Origin

(volume sales)
(stores and specialized centres)

	2019
France	30%
Italy	24%
United States	10%
Spain	9%
Australia	6%
Portugal	5%
Chile	3%
Canada	3%
South Africa	3%
Argentina	2%
Other	5%

FINANCE



SAQ

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)

	2019		2018 ¹		2017		2016	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
Sales	3,293.9	3,244.0	3,251.7	3,252.0	3,122.6	3,112.0	3,073.6	3,078.0
Gross margin	1,670.8	1,647.0	1,652.9	1,663.0	1,654.1	1,650.0	1,637.8	1,625.0
Net expenses ²	524.9	535.0	539.2	574.0	568.4	580.0	570.8	585.0
Net income	1,145.9	1,112.0	1,113.7	1,089.0	1,085.7	1,070.0	1,067.0	1,040.0
Comprehensive income	1,144.5	1,112.0	1,113.6	1,089.0	1,085.4	1,070.0	1,067.1	1,040.0

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.

Investments in property, plant and equipment and intangible assets

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

	2019	2018 ¹	2017	2016
	Actual	Actual	Actual	Actual
Capital projects – distribution and administrative centres	2,587.9	5,077.5	2,791.1	4,526.7
Outlet network development	5,900.2	6,872.4	6,528.7	10,193.3
Information systems development	9,710.0	9,219.7	9,903.5	15,405.1
Rolling stock and mobile equipment	3,573.0	1,479.3	2,167.3	2,977.2
Specific equipment	361.1	870.5	477.8	472.3
Total	22,132.2	23,519.4	21,868.4	33,574.6

1. 53-week fiscal year.

COMMERCIAL DATA

Management indicators for the last five fiscal years

Sales growth by volume (in thousands of litres)					
	192,700	196,100	198,000	210,300	208,700
	2015	2016	2017	2018 ¹	2019 ²
	Actual	Actual	Actual	Actual	Actual
Change (%)	1.7	1.8	1.0	6.2	(0.8)

Growth in average in-store purchase³ (in dollars)					
	47.48	47.95	48.35	47.83	49.84
	2015	2016	2017	2018 ^{1,4}	2019
	Actual	Actual	Actual	Actual	Actual
Change (%)	2.9	1.0	0.8	(1.1)	4.2

Growth in customer traffic in stores⁵ (in thousands of transactions)					
	58,400	59,600	59,400	62,500	60,300
	2015	2016	2017	2018 ¹	2019
	Actual	Actual	Actual	Actual	Actual
Change (%)	0.3	2.1	(0.3)	5.2	(3.5)

Growth in average sales price per litre in stores^{5,6} (in dollars)					
	19.67	19.81	19.85	18.92	19.34
	2015	2016	2017	2018 ^{1,4}	2019
	Actual	Actual	Actual	Actual	Actual
Change (%)	2.0	0.7	0.2	(4.7)	2.2

1. 53-week fiscal year.

2. The decrease is due mainly to fiscal 2019 having one less week of sales.

3. Average expenditure by consumers (including sales taxes).

4. The decrease is mainly attributable to price reductions made on some 1,600 wines and coolers.

5. Consumers.

6. 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 2018-2019 HIGHLIGHTS

Implementing strategies aimed at achieving excellence in the customer experience as well as operational excellence allowed the SAQ to exceed the targets for 11 of the dashboard’s 22 indicators.

- › The company’s financial performance enabled it to exceed the targets for four out of five financial indicators. Sales as a percentage of net expenses were 15.9%, a result under the target 16.8% as well as last year’s 16.6%. This performance is comparable to the industry median of 15.8%. Sales as a percentage of net earnings reached 34.8%, a result better not only than target but also than both last year’s actual 34.2% and the industry median of 33.7%.
- › A higher-than-expected increase in sales of products handled as single bottles in the warehouse resulted in a productivity level below that targeted for the cases-shipped-per-hour-worked operational indicator. Productivity nonetheless improved from last year.
- › As regards the customer promise in stores, the satisfaction level expressed in a customer survey was over target for two of the four indicators. The pressure tactics used in connection with the renewal of the collective agreement may have had an impact on some indicators.
- › Sales of Origine Québec products continued to grow but failed to reach target, largely due to the slow growth in cider sales last year.
- › The SAQ expended considerable effort to encourage employee attendance. While the absenteeism rate ended the year under target, the cumulative total showed a 6% improvement from the 2015-2016 reference year.

SAQ DASHBOARD INDICATORS

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

Dashboard	Actual 2018-2019	Target 2018-2019	Actual 2017-2018 ¹	Comparable metrics ²
Financial indicators				
Sales growth	1.3%	0.6%	4.1%	3.0%
Sales per square foot ³	\$2,123	\$2,089	\$2,096	
Gross margin over sales	50.7%	51.0%	50.8%	46.0%
Net expenses over sales	15.9%	16.8%	16.6%	15.8%
Net earnings over sales	34.8%	34.2%	34.2%	33.7%
Operational indicators				
Cases shipped per hour worked in the distribution centres	26.8	28.0	26.6	
Distribution centre inventory turnover rate	11.4	11.6	12.1	
Number of store inventory weeks	4.02	3.96	4.01	
Customer indicators³				
Overall satisfaction rate	93.4%	94.0%	94.1%	
Satisfaction rate – discovery and advice	76.2%	74.0%	77.0%	
Satisfaction rate – product accessibility	79.8%	84.0%	84.1%	
Satisfaction rate – fair prices	62.2%	53.0%	60.6%	
Increase in traffic	(3.5)%	(0.8)%	5.2%	
Average purchase per transaction	\$49.84	\$48.07	\$47.83	
Average bottle price	\$16.57	\$16.34	\$16.28	
Human resources indicators				
Employee engagement rate (out of 10)	6.9	7.4	7.0	
Reduction in the absenteeism rate	3.5%	(7.0)%	(8.1)%	
Social responsibility indicators				
Satisfaction with emphasis on sustainable development	69.8%	59.0%	65.7%	
Sales growth of Origine Québec products ⁴	2.1%	5.0%	14.2%	
Sales Ethic – mystery customer detection rate	94.7%	95.0%	93.9%	
Achievement of the actions of the Social Responsibility Action Plan ⁵	100.0%	90.0%	100.0%	
Reduction in kilograms of CO ₂ per litre from 2015-2016 levels	(3.4)%	(1.5)%	(6.8)%	

1. 53-week fiscal year.

2. The comparable metrics are based on the median of the most recent financial results for 11 government corporations and a private-sector company that sell beverage alcohol in Canada and the United States.

3. Store customers.

4. The data for Quebec products made by suppliers that hold a small-scale production permit and for products eligible for the Origine Québec trademark. In addition, depending on the permit type (small-scale or industrial), some product must be excluded or included. The growth in this category does not include products introduced this year, as a moratorium has been imposed until the term Origine Québec is defined in collaboration with the government and the industry.

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

FINANCIAL REVIEW

This financial report reviews the operations of the Société des alcools du Québec (SAQ) for the fiscal year ended March 30, 2019, 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 2019 annual report. The information contained in this analysis includes all significant events that have occurred up to May 30, 2019¹.

OVERVIEW OF RESULTS

For the fiscal year ended March 30, 2019, the SAQ declared net income of \$1.146 billion, an increase of \$32.2 million or 2.9% compared with the preceding fiscal year. The entire amount was remitted to the company's sole shareholder, the Quebec Minister of Finance. Government revenues from operations (in the form of federal duties, consumer taxes and dividends) rose \$42.6 million to \$2.234 billion.

SALES

Sales from all the SAQ's sales and distribution networks totalled \$3.294 billion, a \$42.2 million or 1.3% increase. This result was achieved despite the fiscal year having no Easter holiday and one less week of operation than the preceding fiscal year, which also had two Easter holidays. The corresponding volume sales dropped 1.6 million litres or 0.8% to 208.7 million litres in fiscal 2018-2019.

By sales network

The sales performance achieved in fiscal 2018-2019 is attributable mainly to the store and specialized centre network, which reported sales of \$2.947 billion, up \$38 million or 1.3% despite there being 10 non-consecutive strike days. Volume sales ended the year at 167 million litres, compared with 169 litres in fiscal 2017-2018, a 1.2% decrease.

The average value of consumers' in-store purchases was \$49.84 versus \$47.83 in the preceding fiscal year. The average per-litre sales price in the SAQ network rose to \$19.34 from \$18.92 in fiscal 2017-2018.

Sales in the wholesale grocer network grew \$4.2 million or 1.2% to \$346.9 million. Volume sales for this network increased 0.4 million litres or 1% to 41.7 million litres.

By product category

The wine category sales rose \$5.9 million or 0.2% to total \$2.394 billion in fiscal 2018-2019. Volume sales for the category fell 3.5 million litres or 2% to 169.6 million litres. More specifically, wine sales in the store and specialized centre network increased \$4 million or 0.2% from the preceding fiscal year. The corresponding volume sales for the same network totalled 130.1 million litres, down 3.4 million litres from fiscal 2017-2018.

As for spirits, which are sold only in the store and specialized centre network, sales grew a conspicuous \$29.3 million or 3.7% to end the year at \$816.6 million. Volume sales for this category reached 25.5 million litres, a 0.4 million litre or 1.6% increase. The promotional initiatives taken in recent years to encourage exploration of cocktails and fine spirits contributed to this increase.

Lastly, sales of beers, ciders and coolers grew \$7 million or 9.2% to \$83.5 million. The corresponding volume sales totalled 13.6 million litres, compared with 12.1 million litres for the preceding fiscal year, a 12.4% increase.

1. The fiscal year ended March 30, 2019, had 52 weeks of operation, one week less than the fiscal year ended March 31, 2018, which had 53 weeks of operation.

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 \$1.623 billion, compared with \$1.599 billion in the preceding fiscal year. The resulting gross margin totalled \$1.671 billion versus \$1.653 billion in fiscal 2017-2018, a \$17.9 million or 1.1% decrease. The gross margin was 50.7% in fiscal 2018-2019 as opposed to 50.8% in the preceding fiscal year.

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 2018-2019, net expenses totalled \$524.9 million, compared with \$539.2 million in the preceding fiscal year, a \$14.3 million or 2.7% decrease. It should be noted that fiscal 2018-2019 had one less week of operation than the preceding fiscal year. Expressed as a percentage of sales, net expenses made progress, going from 16.6% in fiscal 2017-2018 to 15.9% last year. This performance reflects the ongoing efforts made to improve the organization's efficiency while maintaining the advisory service much appreciated by customers.

Employee compensation, which is the SAQ's largest net expense category, totalled \$371.7 million versus \$380.9 million in fiscal 2017-2018, a 2.4% decrease.

Building occupancy expenses, including the related amortization, constitute the second largest net expense category. These went from \$99.2 million to \$96.5 million in fiscal 2018-2019, a \$2.7 million or 2.7% decrease mainly attributable to the sale of the Au-Pied-du-Courant building and a reduction in the square footage of certain SAQ stores.

Lastly, equipment use, supply, delivery, communication and other expenses totalled \$56.7 million, a \$2.4 million decrease from fiscal 2017-2018 related to advertising and promotion costs in particular.

NET INCOME AND COMPREHENSIVE INCOME

For the fiscal year ended March 30, 2019, the SAQ's net income totalled \$1.146 billion, up \$32.2 million or 2.9% from the preceding fiscal year. This increase occurred despite fiscal 2018-2019 having one less week of operation. Expressed as a percentage of sales, net income was 34.8% as opposed to 34.2% in fiscal 2017-2018.

For its part, comprehensive income rose \$30.9 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 2018-2019, government revenues from operations totalled \$2.234 billion, a \$42.6 million or 1.9% increase over the preceding fiscal year.

The amounts paid to the Quebec Treasury rose \$36.5 million or 2.1% to \$1.803 billion. This positive change is attributable to the \$32.2 million increase in the declared dividend and \$4.3 million increase in the consumer taxes collected (provincial sales tax and the specific tax on alcoholic beverages) due to higher sales.

The amounts remitted to the Canadian government totalled \$430.7 million, a \$6.1 million increase. This positive change is due to the increase in federal sales tax collected as a result of the growth in sales as well as in excise taxes and customs duties collected.

Government revenues from operations

(in millions of dollars)

	2019	2018 ¹
Government of Quebec		
Declared dividend	1,145.9	1,113.7
Provincial sales tax	370.2	363.8
Specific tax	259.4	261.4
Specific permit holder tax	27.9	28.0
	1,803.4	1,766.9
Government of Canada		
Excise taxes and customs duties	245.1	242.2
Goods and services tax	185.6	182.4
	430.7	424.6
Total	2,234.1	2,191.5

1. 53-week fiscal year.

INTEREST IN A JOINT VENTURE

On July 27, 2018, the Société d'investissement M.-S., Limited Partnership (L.P.), a joint venture in which the SAQ held a 50% interest, was dissolved. The residual value was distributed equally between the partners.

INVESTMENTS

Investments in capital assets totalled \$22.1 million in fiscal 2018-2019. A total of \$5.9 million was invested in modernizing the store network. The company also invested \$2.6 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. Another \$9.7 million was devoted to information systems development. Lastly, \$3.9 million was invested in upgrading rolling stock and equipment.

FINANCIAL POSITION

As at March 30, 2019, the SAQ had total assets of \$913.8 million, compared with \$813.1 million as at March 31, 2018, a \$100.7 million increase. Cash and cash equivalents rose \$84.7 million to \$219.5 million. The value of inventories rose \$30 million to end the year at \$417 million. Accounts receivable and other receivables grew \$8.8 million. The closing of the sale of the Au-Pied-du-Courant heritage building was completed during the year, explaining the \$12.2 million reduction in assets held for sale. The value of long-lived assets decreased \$9.8 million.

At fiscal year-end, current liabilities totalled \$838.3 million, compared with \$739 million at March 31, 2018, a \$99.3 million increase. This change is attributable to the increase of \$46.5 million in government taxes and duties payable, of \$25.3 million in accounts payable and other payables, of \$19.2 million in the dividend payable and of \$8.3 million in reserves. Long-term liabilities rose \$2.8 million to end the fiscal year at \$35.8 million.

CASH FLOWS

In fiscal 2018-2019, the SAQ's activities generated cash and cash equivalents of \$84.7 million, compared with \$2.7 million in the preceding fiscal year.

Cash flows related to operating activities increased \$132.8 million from the preceding fiscal year to \$1.228 billion. The rise is mainly due to the \$100.7 million net change in non-cash working capital items and the \$32.2 million increase in net income.

The company's investment activities entailed a cash outflow of \$16.9 million in the fiscal year, a \$21.7 million decrease from fiscal 2017-2018. The difference stems primarily from the disposal of a \$30 million investment that occurred in fiscal 2017-2018 and a \$10.9 million increase in advances to cover the start-up costs incurred on behalf of the SQDC, which were partially offset by the change in the income from the disposal of assets in view of the \$12.3 million sale of the Au-Pied-du-Courant building. The \$5.6 million decrease in additions to property, plant and equipment and to intangible assets also contributed to the decrease.

Financing activities required \$1.127 billion in cash in fiscal 2018-2019, compared with \$1.098 billion in the preceding fiscal year. This difference is due to the \$29 million increase in the dividend paid to the shareholder.

As at March 30, 2019, the consolidated statement of cash flows showed a cash and cash equivalent balance of \$219.5 million, compared with \$134.8 million at the end of the preceding fiscal year.

FINANCING OF OPERATIONS

As stated in note 21 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. Consequently, the company is authorized to take out short-term loans up to a maximum amount outstanding of \$300 million (\$400 million as at March 31, 2018). The company had no borrowings outstanding at March 30, 2019, or March 31, 2018.

Financing of the SAQ's money market activities resulted in net financial income of \$3 million, compared with \$1.5 million in the preceding fiscal year. The change is due partly to an increase in the average net surplus and partly to an increase in the average interest rate earned on positive bank balances in fiscal 2018-2019.

The net interest related to the liabilities and assets arising from employee benefit plans totalled \$1.1 million in fiscal 2018-2019, unchanged from the preceding fiscal year.

FUTURE STANDARDS, AMENDMENTS AND INTERPRETATIONS

Changes in accounting methods

Throughout the 2018-2019 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, 2018.

Changed standards that must be applied for the current fiscal year

IFRS 9 – Financial Instruments

The SAQ implemented the new IFRS 9 standard "Financial Instruments" for its fiscal year beginning April 1, 2018, the date of first application. The standard replaces IAS 39 "Financial Instruments: Recognition and Measurement." The new standard covers the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The SAQ applied the standard's provision retrospectively. As allowed by the standard the SAQ decided not to restate the financial information for comparative periods. Adopting IFRS 9 entailed making changes to the accounting methods for classification and impairment. The adoption of IFRS on April 1, 2018, had no impact on the book value of the financial instruments.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15 “Revenue from Contracts with Customers.” IFRS 15 applies to all contracts with customers except contracts covered by the standards for lease agreements, insurance policies and financial instruments. IFRS 15 replaces IAS 18 “Revenue.” The SAQ adopted the IFRS 15 standard on April 1, 2018, using the modified retrospective method, as allowed under IFRS 15.

Adopting IFRS 15 required no adjustments or changes in how the SAQ recognized revenue in preceding fiscal years. Consequently, no comparative figures were restated.

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 5 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 30, 2019, 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 30, 2019, 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 25 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 the company's 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 14,350 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-certified quality management process. 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.

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 add 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 the company's Donation and Sponsorship Program, its campaign in support 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 fiscal year, the SAQ will continue improving its customer support services by focusing on the quality of the in-store experience, a new website and increasingly personalized content in its communications with Inspire members.

The continuous improvement of the organization's performance and efficiency will also remain a priority in the coming year.

Management is confident that its business initiatives, personalized advice and improved performance will result in sales growth and increased net earnings in the fiscal 2019-2020.

Sales by network

(in millions of Canadian dollars)

	2015	2016	2017	2018 ¹	2019
Stores and specialized centres	2,683.8	2,746.2	2,776.6	2,909.0	2,947.0
Wholesale grocers	322.5	327.4	346.0	342.7	346.9
Total	3,006.3	3,073.6	3,122.6	3,251.7	3,293.9

Sales by product category

(in millions of Canadian dollars)

	2015	2016	2017	2018 ¹	2019
Wines	2,264.2	2,300.9	2,320.1	2,387.9	2,393.8
Spirits	664.7	697.7	726.9	787.3	816.6
Beers, ciders and coolers	77.4	75.0	75.6	76.5	83.5
Total	3,006.3	3,073.6	3,122.6	3,251.7	3,293.9

Financial results

(in millions of Canadian dollars)

	2015	2016	2017	2018 ¹	2019
Ventes	3,006.3	3,073.6	3,122.6	3,251.7	3,293.9
Coût des produits vendus	1,406.0	1,435.8	1,468.5	1,598.8	1,623.1
Charges nettes ²	566.6	570.8	568.4	539.2	524.9
Résultat net	1,033.7	1,067.0	1,085.7	1,113.7	1,145.9
Résultat global	1,032.7	1,067.1	1,085.4	1,113.6	1,144.5

Government revenues from operations

(in millions of Canadian dollars)

	2015	2016	2017	2018 ¹	2019
Declared dividend	1,033.7	1,067.0	1,085.7	1,113.7	1,145.9
Taxes and duties paid to governments	994.7	1,026.1	1,046.7	1,077.8	1,088.2
Total	2,028.4	2,093.1	2,132.4	2,191.5	2,234.1

Asset mix

(in millions of Canadian dollars)

	2015	2016	2017	2018 ¹	2019
Inventories	335.9	325.4	358.9	386.9	417.0
Property, plant and equipment and intangible assets	246.5	241.5	222.4	201.9	193.8
Other assets	125.6	212.9	246.4	224.3	303.0
Total	708.0	779.8	827.7	813.1	913.8

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, the write-down of an interest in a joint venture and the share in profit or loss of equity-accounted interests.

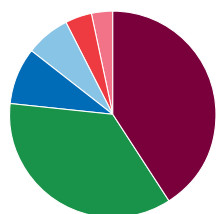
Certain comparative figures have been reclassified to conform to the current year's presentation.

Breakdown of the Sales Price

Imported wine¹, 750 ml format

(in dollars and percentages)

March 30, 2019



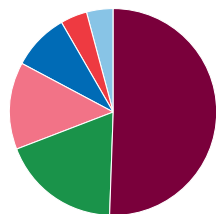
Markup ²	\$6.17	41.1%
Supplier price, in Canadian dollars, including shipping	5.35	35.7
Provincial sales tax	1.30	8.7
Specific tax paid to the Government of Quebec	1.05	7.0
Federal goods and services tax	0.65	4.3
Excise taxes and customs duties paid to the Government of Canada	0.48	3.2
Retail price (per bottle)	\$15.00	100.0%

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 30, 2019



Markup ¹	\$13.21	50.8%
Supplier price, in Canadian dollars, including shipping	4.72	18.2
Excise taxes and customs duties paid to the Government of Canada	3.63	14.0
Provincial sales tax	2.26	8.7
Federal goods and services tax	1.13	4.3
Specific tax paid to the Government of Quebec	1.05	4.0
Retail price (per bottle)	\$26.00	100.0%

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

QUARTERLY RESULTS

Fiscal years ended March 30, 2019, and March 31, 2018
(unaudited figures)

	2019				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12

FINANCIAL RESULTS

(in millions of Canadian dollars)

Sales	3,293.9	632.2	1,159.1	747.9	754.7
Gross margin	1,670.8	322.7	587.5	381.4	379.2
Net expenses ²	524.9	131.2	162.0	112.5	119.2
Net income	1,145.9	191.5	425.5	268.9	260.0
Comprehensive income	1,144.5	190.1	425.5	268.9	260.0
Dividend paid	1,126.7	345.0	280.0	186.7	315.0

SALES BY NETWORK

(in millions of Canadian dollars)

Stores and specialized centres	2,947.0	562.9	1,040.5	669.7	673.9
Wholesale grocers	346.9	69.3	118.6	78.2	80.8
Total	3,293.9	632.2	1,159.1	747.9	754.7

VOLUME SALES BY NETWORK

(in millions of litres)

Stores and specialized centres	167.0	31.6	55.6	40.1	39.7
Wholesale grocers	41.7	8.8	14.0	9.1	9.8
Total	208.7	40.4	69.6	49.2	49.5

VOLUME SALES BY PRODUCT CATEGORY

(in millions of litres)

Wines	169.6	33.4	57.7	39.1	39.4
Spirits	25.5	4.9	9.1	5.8	5.7
Beers, ciders and coolers	13.6	2.1	2.8	4.3	4.4
Total	208.7	40.4	69.6	49.2	49.5

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.

	2018 ⁽¹⁾				
	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 ²	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

TEN-YEAR HISTORICAL REVIEW

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

	2019	2018 ⁽¹⁾	2017
FINANCIAL RESULTS			
(in millions of Canadian dollars)			
Sales ³	3,293.9	3,251.7	3,122.6
Gross margin ³	1,670.8	1,652.9	1,654.1
Net expenses ^{3,4}	524.9	539.2	568.4
Net income	1,145.9	1,113.7	1,085.7
Comprehensive income	1,144.5	1,113.6	1,085.4
FINANCIAL POSITION			
(in millions of Canadian dollars)			
Total assets	913.8	813.1	827.7
Property, plant and equipment and intangible assets	193.8	201.9	222.4
Net working capital	(118.4)	(129.6)	(150.8)
Long-term liabilities	35.8	33.0	32.4
Shareholder's equity	39.7	41.1	41.2
CASH FLOWS			
(in millions of Canadian dollars)			
Cash flows related to operating activities	1,228.7	1,095.5	1,135.4
Acquisitions of property, plant and equipment and intangible assets	17.9	23.4	22.3
Dividend paid	1,126.7	1,097.7	1,097.0

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 fiscal 2018 and 2019, these deductions totalled \$23.8 million.
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 2019 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)

2016	2015	2014	2013 ⁽²⁾	2012 ⁽¹⁾	2011	2010
3,073.6	3,006.3	2,934.9	2,907.0	2,837.1	2,657.8	2,549.1
1,637.8	1,600.3	1,554.5	1,552.8	1,509.3	1 417.1	1,350.9
570.8	566.6	551.5	522.0	509.6	506.6	483.7
1,067.0	1,033.7	1,003.0	1,030.8	999.7	910.5	867.2
1,067.1	1,032.7	1,002.0	1,030.3	999.7	910.5	867.2
779.8	708.0	733.8	759.6	700.4	651.1	627.8
241.5	246.5	259.8	259.8	250.9	247.4	225.8
(164.1)	(169.5)	(186.9)	(191.6)	(186.7)	(179.3)	(157.7)
36.3	36.1	31.3	32.1	29.4	32.4	23.2
41.5	41.4	42.3	43.4	44.9	44.9	44.8
1,157.1	1,126.2	1,061.4	1,075.7	947.3	959.6	915.0
33.7	26.2	30.7	41.1	35.3	43.1	43.3
1,038.7	971.0	1,058.4	1,047.7	962.7	926.2	817.0

	2019	2018 ⁽¹⁾	2017
SALES BY NETWORK²			
(in millions of Canadian dollars and in millions of litres)			
Stores and specialized centres	2,947.0 167.0 L	2,909.0 169.0	2,776.6 155.7
Wholesale grocers	346.9 41.7 L	342.7 41.3	346.0 42.3
Total	3,293.9 208.7 L	3,251.7 210.3	3,122.6 198.0
SALES BY PRODUCT CATEGORY²			
(in millions of Canadian dollars and in millions of litres)			
Wines	2,393.8 169.6 L	2,387.9 173.1	2,320.1 163.8
Spirits	816.6 25.5 L	787.3 25.1	726.9 23.7
Beers, ciders and coolers	83.5 13.6 L	76.5 12.1	75.6 10.5
Total	3,293.9 208.7 L	3,251.7 210.3	3,122.6 198.0

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 fiscal 2018 and 2019, these deductions totalled \$23.8 million.

The financial information for fiscal years 2011 to 2019 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)

2016	2015	2014	2013	2012 ^(A)	2011	2010
2,746.2	2,683.8	2,621.9	2,585.2	2,524.4	2,362.5	2,260.1
155.1	152.2	150.4	150.8	149.1	142.8	137.4
327.4	322.5	313.0	321.8	312.7	295.3	289.0
41.0	40.5	39.0	40.4	39.8	37.7	36.6
3,073.6	3,006.3	2,934.9	2,907.0	2,837.1	2,657.8	2,549.1
196.1	192.7	189.4	191.2	188.9	180.5	174.0
2,300.9	2,264.2	2,213.6	2,183.1	2,124.7	1,987.0	1,905.5
162.9	160.2	156.5	157.3	155.2	148.3	142.3
697.7	664.7	639.0	633.8	621.8	581.8	552.9
23.0	22.1	21.8	22.0	21.8	20.8	20.3
75.0	77.4	82.3	90.1	90.6	89.0	90.7
10.2	10.4	11.1	11.9	11.9	11.4	11.4
3,073.6	3,006.3	2,934.9	2,907.0	2,837.1	2,657.8	2,549.1
196.1	192.7	189.4	191.2	188.9	180.5	174.0

	2019	2018 ⁽¹⁾	2017
NET EXPENSES^{3,4}			
(in millions of Canadian dollars)			
Employee compensation ⁵	371.7	380.9	392.3
Building occupancy expenses ⁶	96.5	99.2	98.6
Equipment use and supply expenses ⁶	39.8	42.1	48.8
Freight out and communications	3.2	2.8	7.0
Other expenses	13.7	14.2	21.7
Total	524.9	539.2	568.4
OPERATING RATIOS			
(as a percentage of sales)			
Gross margin ³	50.7 %	50.8 %	53.0 %
Net income	34.8 %	34.2 %	34.8 %
Net expenses ^{3,4}	15.9 %	16.6 %	18.2 %
OTHER INFORMATION			
(at fiscal year-end)			
Number of employees ⁷	5,044	5,159	5,277
Number of stores	409	407	405
Number of agency stores	428	432	436
Number of products offered for sale ⁸	14,350	13,300	13,200
SURFACE AREA OF BUSINESS PREMISES			
(in thousands of square feet)			
Stores	1,952.0	1,947.8	1,969.7
Distribution centres and warehouses	1,477.2	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 fiscal 2018 and 2019, these deductions totalled \$23.8 million.

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. The number of products available for purchase during the fiscal year.

The financial information for fiscal years 2011 to 2019 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)

2016	2015	2014	2013 ⁽²⁾	2012 ⁽¹⁾	2011	2010
388.2	389.5	369.1	358.4	344.3	341.9	332.5
97.8	94.6	93.6	89.9	89.0	83.4	79.6
47.6	45.7	42.5	40.6	39.6	41.1	37.1
7.5	7.7	7.5	7.4	8.3	8.8	8.3
29.7	29.1	38.8	25.7	28.4	31.4	26.2
570.8	566.6	551.5	522.0	509.6	506.6	483.7
53.3 %	53.2 %	53.0 %	53.4 %	53.2 %	53.3 %	53.0 %
34.7 %	34.4 %	34.2 %	35.5 %	35.2 %	34.3 %	34.0 %
18.6 %	18.8 %	18.8 %	18.0 %	18.0 %	19.0 %	19.0 %
5,456	5,499	5,526	5,584	5,489	5,369	5,265
406	402	401	405	408	414	416
438	439	437	396	398	396	395
13,500	12,500	12,500	11,500	11,000	11,000	10,500
1,980.2	1,921.0	1,912.7	1,915.1	1,880.6	1,827.2	1,822.1
1,464.4	1,467.1	1,467.1	1,462.6	1,461.7	1,458.7	1,349.7