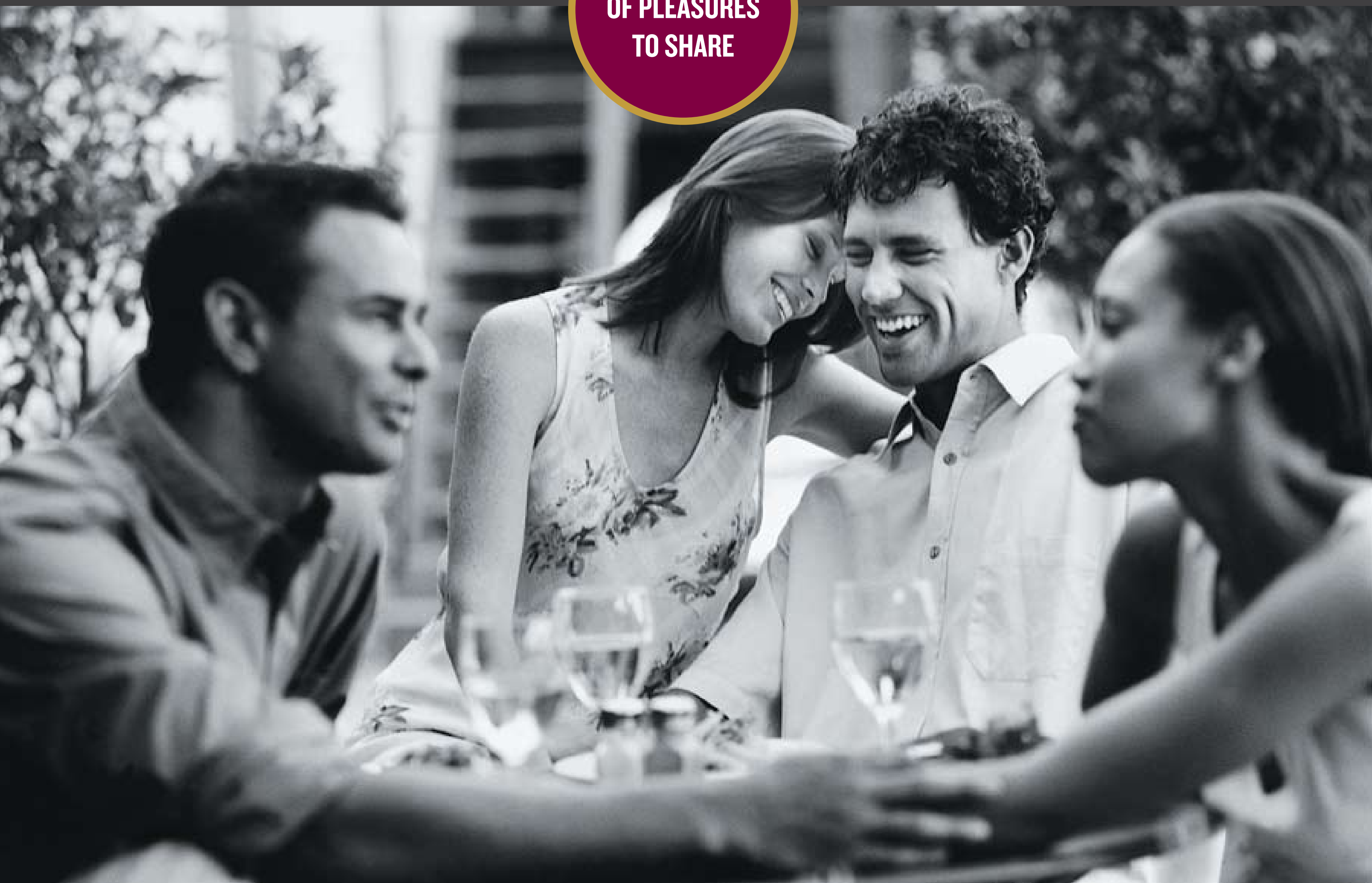
SAQ

ANNUAL REPORT 2009

A WORLD OF PLEASURES TO SHARE

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HIGHLIGHTS

Fiscal years ended the last Saturday in March
(in millions of dollars and in millions of litres for volume sales)

	2009	2008	Percentage increase (decrease)
Operating results			
Net sales	**2,419.1**	2,293.9	5.5
Gross margin[1]	**1,275.9**	1,239.1	3.0
Net operating expenses[1, 2]	**469.2**	478.2	(1.9)
Net earnings	**806.7**	760.9	6.0
Financial position			
Total assets	**590.3**	592.5	(0.4)
Capital assets	**209.6**	214.4	(2.2)
Net working capital	**(140.5)**	(146.2)	3.9
Long-term liabilities	**24.3**	25.1	(3.2)
Shareholder’s equity	**44.8**	43.1	3.9
Net sales by network			
Outlets and specialized centres	**2,142.2**	2,029.5	5.6
Wholesale grocers	**276.9**	264.4	4.7
Total	**2,419.1**	2,293.9	5.5
Net sales by product category			
Spirits	**529.4**	513.6	3.1
	19.6 L	19.4 L	1.0
Wines	**1,801.2**	1,700.4	5.9
	137.0 L	131.9 L	3.9
Imported and microbrewery beers, ciders and coolers[3]	**88.5**	79.9	10.8
	11.5 L	11.2 L	2.7
Total	**2,419.1**	2,293.9	5.5
	168.1 L	162.5 L	3.4
Additional financial data			
Government revenue from operations	**1,534.4**	1,475.8	4.0
Total net sales to brewers and beer distributors[4]	**229.9**	209.3	9.8

1. Due to the adoption of a new accounting standard on inventories, direct shipping costs of $14.8 million were deducted from the operating expenses and charged to the cost of sales for fiscal 2008-2009.
2. After deduction of other revenue.
3. Also known as RTDs (ready-to-drinks), FABs (flavoured alcoholic beverages) and alcopops.
4. Sales made as an agent; not included in the sales figures.

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

NORMAN HÉBERT JR. CHAIRMAN OF THE BOARD OF DIRECTORS

Quebecers' interest in the SAQ's products and their satisfaction with its services is, for us, a source of constant pleasure. Last year was no exception, with sales figures and customer satisfaction reaching record heights.

A New Destination

The year was marked by the successful completion of the 2004–2009 Strategic Plan. We were thus in a position to see the results of several years' effort aimed at controlling costs and making the SAQ more effective as a retailer and a socially responsible company.

Since 2004, the SAQ's net sales have risen 32.1% and its net earnings 41.3%. In addition, the company's substantial reduction in operating expenses as a percentage of net sales has contributed significantly to its profitability.

From a societal standpoint, completing the strategic plan provided us with the opportunity to, among other things, review our environmental policy and adopt a corporate sustainable development plan and governance structure. The Board of Directors also approved a gradual five-year increase in the donation and sponsorship budget in order to reach the goal of its equalling 1% of net earnings in the 2013–2014 fiscal year.

During the year just ended, the Board took part in the deliberations leading to the development of the 2010–2012 Strategic Plan. This provided an opportunity to highlight the strategic issues faced by the company and to examine its organizational challenges and the changing market. The plan will be finalized and adopted by the Board during the 2009–2010 fiscal year.

An Optimized Organization Structure

All the company's activities in fiscal 2008–2009 were in compliance with the new rules established by the *Act respecting the governance of state-owned enterprises*. It was also under this framework that the Board of Directors led the process to recruit and select a Chief Executive Officer, which concluded with the recommendation to the Quebec government to appoint Philippe Duval in June 2008.

The Board of Directors also approved the appointment of Alain Brunet to the strategic position of Vice-President and Chief Operating Officer. Reporting to the Chief Executive Officer, Mr. Brunet oversees Logistics and Distribution, Procurement and Merchandising, and Sales Network Operation.

Composed of 12 members, the Board met regularly to ensure that the SAQ's business was well conducted. The four Board committees—Governance and Ethics, Audit, Business Practices and Human Resources—brilliantly carried out their respective mandates.

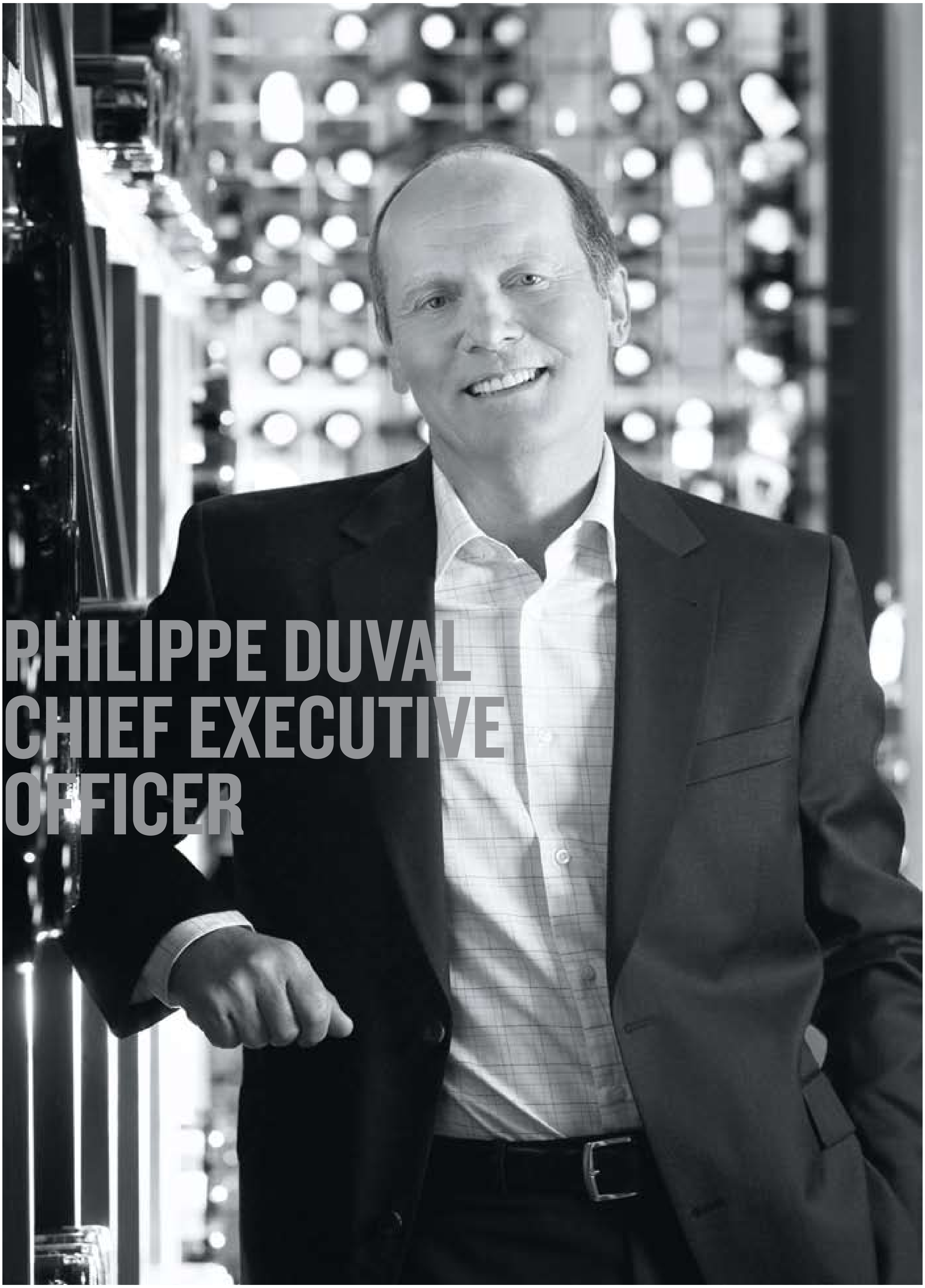
In 2008, Monique Leroux left the Board to devote herself to a task of considerable strategic importance for Quebec: to head the Mouvement Desjardins. I want to thank her for her contribution.

Encouraging Prospects

The prospects for the coming years are most positive. To realize them, the organization will once again demonstrate innovation, know-how and enthusiasm. It will continue improving its customers' experience in its outlets, striving to reach even higher standards, reconfirming its reputation as a responsible company and exploring new growth paths.

I want to thank the directors and all the members of the Management Committee for their diligence, discipline, dedication and, above all, great humanity and professionalism.

Norman Hébert Jr.
Chairman of the Board of Directors


PHILIPPE DUVAL
CHIEF EXECUTIVE
OFFICER

In fiscal 2008–2009, the SAQ had net sales of $2.4 billion and net earnings of $806.7 million. These record results represent an increase of 5.5% in sales and 6% in net earnings over the preceding year.

Pleasure and Discovery

At the SAQ, we take nothing for granted, especially not our customers. We have given ourselves a clear mandate: to provide opportunities for pleasure and discovery. We are retailers, in competition with all the retail channels that are also vying for a share of the consumer's budget.

Several years ago, the SAQ clearly stated its desire to become one of Quebec's best retailers. This year we again took steps to achieve this goal. And the latest satisfaction surveys show that our customers noticed and appreciated our efforts.

In every respect, fiscal 2008–2009 was marked by disciplined management and harmonious relations. We like to believe that these two building blocks contributed significantly to our achieving exceptional results despite the outlook for slower sales in the retail sector.

During the year, some 1,500 new products were introduced under our various banners, resulting in the most diverse product line in the SAQ's history. The lead time for restocking specialty products—much sought after by our Enthusiast and Connoisseur customer segments—was cut from six months to four months. This is quite an achievement, as selecting these products requires intricate procurement planning and logistical acrobatics.

The SAQ intends to give its customers an ever richer shopping experience. It continued rolling out its new outlet concept designed to offer customers a welcoming ambiance, help them make enlightened choices and encourage discovery. By the end of fiscal 2008–2009, the concept had been implemented in 33 outlets.

As part of its efforts to further increase customer satisfaction, the company continued enhancing its advisory service program, notably by certifying 96 outlets, 14 of which were awarded Gold Level status. This certification aims to ensure that the best advisory service practices endure.

Today the SAQ is thriving in a climate of harmonious relations with its industry partners. Collaborating with our agents and suppliers matters greatly to us, which is why we devote so much energy to it. The joint review of our business policies, training sessions on cooperation, follow-ups with the executives of agency associations and strategic meetings are just a few examples of a partnership that has generated extremely positive results.

Sustainable Development: Going Even Farther

The SAQ aims to stand out as one of Quebec's leading retailers in the area of sustainable development. Released in the fall of 2008, the company's Sustainable Development Plan combines ambition with pragmatism. It sets out 19 actions and practical solutions while leaving the door open to the innovation and creativity that are the hallmark of the SAQ's various divisions. For the company and all its employees, the plan constitutes an excellent opportunity to go even farther.

In January 2009, the SAQ successfully completed its project to eliminate single-use bags from its outlets. Not only has this initiative reduced the number of bags in circulation by some 80 million a year—approximately 4% of all single-use bags in Quebec—it has also sparked a major trend in the retail industry.

Rallying around this tangible action in support of the environment, SAQ employees became its ambassadors to the public. For their part, Quebecers were very receptive to the change; according to a recent survey, 88% said they were in favour of the SAQ's initiative.

Because Quebecers Are, First and Foremost, Enthusiasts

Pleasure is to be found in discovery and definitely not in excess. Quebec consumers are aware of this, as their consumption patterns prove. Their overall per capita consumption of alcohol remains below the Canadian average. We are thus justified in claiming that Quebecers' alcohol consumption habits continue to be among the healthiest in the world.

Determined to be above reproach in this area, the SAQ launched a new awareness campaign to promote responsible sales. Among other things, the company developed a strict internal control process, updated its employee training program, revised its work tools and hired a mystery-customer service.

Sustained Commitment from All Our Teams

Attaining exceptional sales results makes us proud as retailers. But as managers, we have another reason to be proud, namely the ongoing reduction in our operating expenses.

To achieve this result, we launched a thorough review of our processes and procedures, which in turn has had a strongly positive impact on our operating expenses. We analyzed our processes in procurement and distribution as well as in inventory, human resources and customer service management.

In the last five years, this reduction in operating expenses as a percentage of our net sales has made a marked contribution to improving the company's profitability. The ratio of operating expenses to net sales was 24.4% five years ago; today it is 19.4%.

One sign that disciplined management has not affected our customer service is that our share of the retail market has grown steadily over the last five years.

Outlook

Fiscal 2008–2009 saw the completion of our 2004–2009 Strategic Plan. From every standpoint, the SAQ has reached and even exceeded the targets set out in the plan.

In the strategic plan being prepared for the 2010–2012 time horizon, we want to go even farther and build on the expertise we have developed. This plan will make the SAQ more agile, better able to move quickly, and more ready to seize opportunities, all while maintaining a harmonious relationship with its customers and partners. With the support of its Board of Directors, its senior management team and all employees, the SAQ will demonstrate ambition, display innovativeness and be a recognized leader in the global wine and spirits industry.

In closing, I want to thank the members of the SAQ's Board of Directors for their trust and dedication. I would also like to offer my sincere thanks and congratulations to the members of the Management Committee and to all SAQ employees, who, day after day, show their determination, commitment and, above all, enthusiasm. The results of fiscal 2008–2009 are attributable entirely to them, a fact of which they can be proud.

Philippe Duval
Chief Executive Officer

MANAGEMENT COMMITTEE

From left to right:

Richard Genest, Vice-President and Chief Financial Officer; Alain Brunet, Vice-President and Chief Operating Officer; Suzanne Paquin, Secretary General and Vice-President – Legal Department; Luc Vachon, Vice-President – Logistics and Distribution; Madeleine Gagnon, Vice-President – Human Resources; Daniel Simard, Vice-President – Procurement and Marketing; Alain Bolduc, Vice-President – Public Affairs and Communications, Executive Assistant to the President; Catherine Dagenais, Vice-President – Sales Network Operations; Philippe Duval, Chief Executive Officer; Benoit Durand, Vice-President – Informational Resources.

THE PLEASURE OF DISCOVERING

At the SAQ, the notions of pleasure and discovery underpin our vision and actions. Ensuring the variety, quality and availability of the products in our 414 outlets is one of our top priorities as well as a clear undertaking that we have made to our customers. Always on the lookout for the best products from the worldwide alcoholic beverage industry, the SAQ carried more than 11,700 wines, beers and spirits from some 60 countries in its 2008–2009 fiscal year. Selected with the greatest care, these products were rigorously analyzed to ensure that their quality meets Quebecers' ever higher requirements and is in line with their ever more sophisticated tastes.

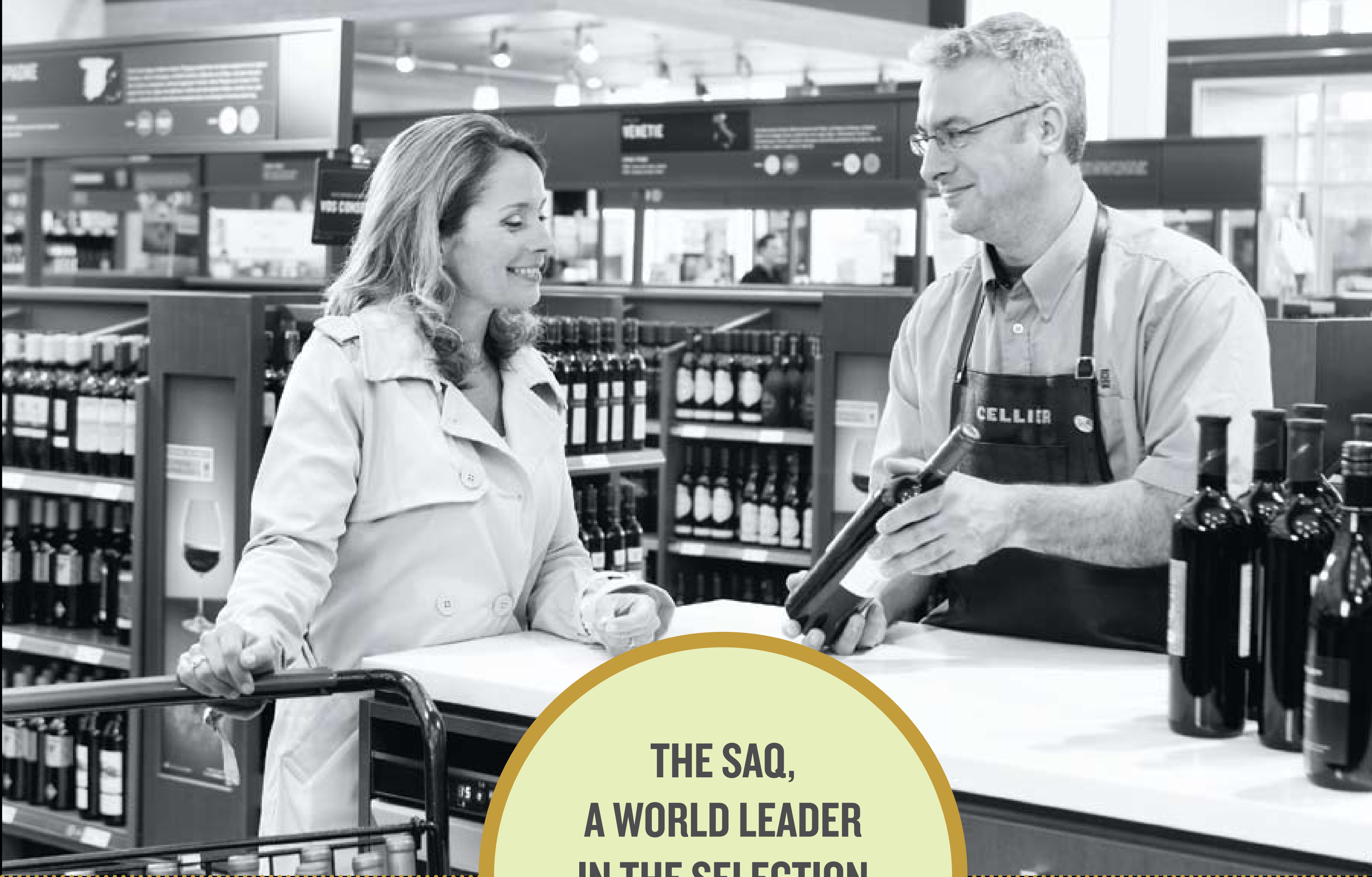
During the most recent fiscal year, wine lovers had many opportunities to appreciate the renewal of the product line. In concrete terms, some 900 new regular and specialty products and 650 new Signature products were made available on the shelves of the outlet network. An interesting statistic: the lead time for restocking specialty products was cut from six months to four months, even as the quality standards for laboratory analysis were maintained.

New products and promotional activities go hand in hand, and the SAQ carried out several successful promotions. Both the French Wine Fair and Holiday Bargains promotions saw new sales records being established.

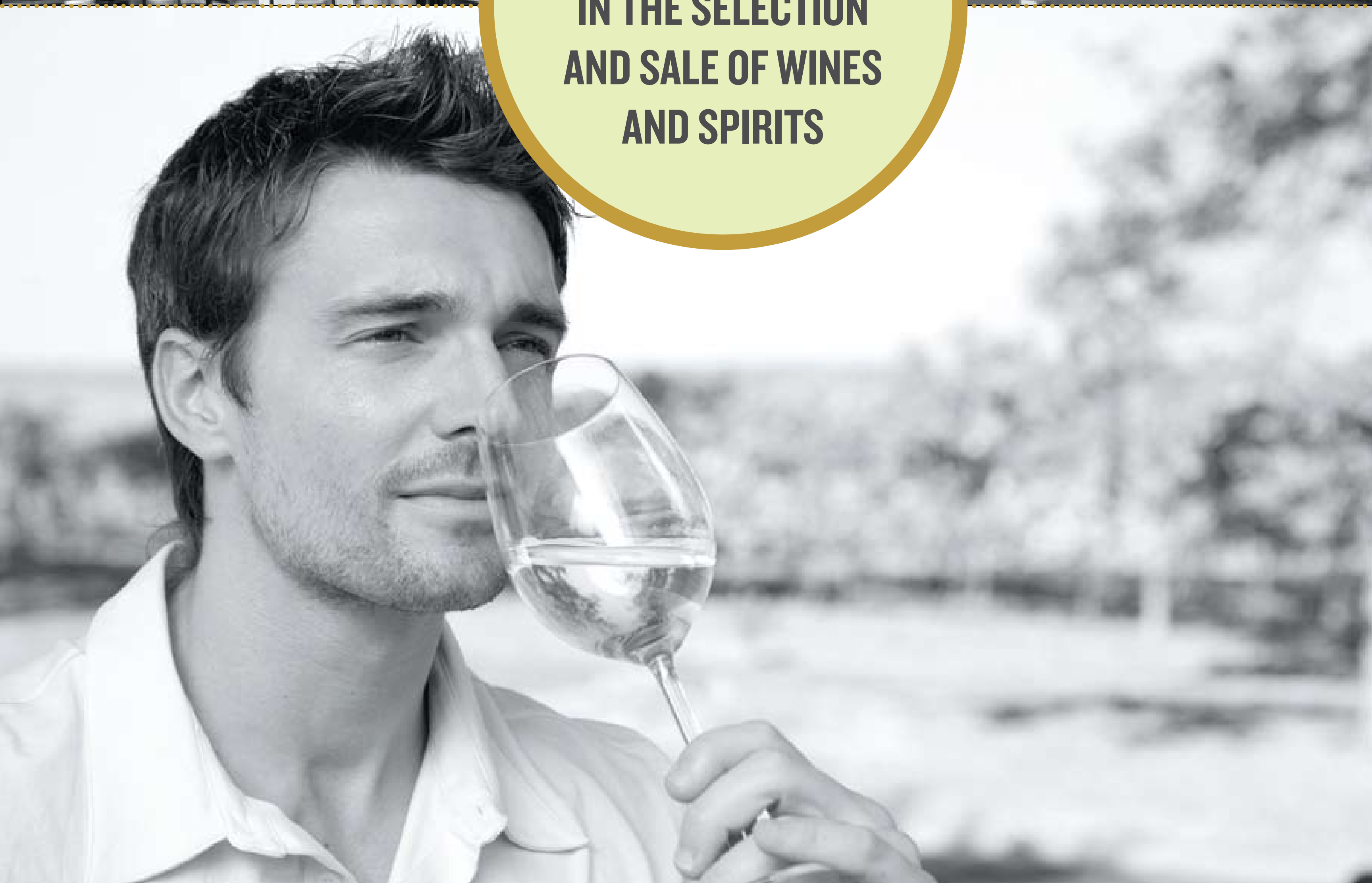
In July, the SAQ launched espacecocktail.com, its new online magazine targeting the Young Trendsetter, Social Drinker and Discoverer customer segments. The ultimate reference for cocktail lovers, this website features easy recipes, all the basics for a home bar and a Lifestyles section packed with ideas for hosting.

To provide a shopping experience that's more pleasant and better adapted to its customers, the SAQ reviewed its rules for arranging and displaying products in its outlets. It is now much easier for each outlet to feature the products most popular with its customers and to adjust the outlet's offering to local demand.

Consumers also saw the introduction of the Organic, Eco-practical, Quebec Ciders and South Africa categories in SAQ outlets. The new sections make it easy for customers to locate regular products in these categories in their favourite outlet.



THE SAQ,
A WORLD LEADER
IN THE SELECTION
AND SALE OF WINES
AND SPIRITS



THE PLEASURE OF EXCELLING

The mandate of the Société des alcools du Québec is to sell alcoholic beverages. Its mission is to provide good service to Quebecers in every region of the province by offering a broad range of quality products. It strives to meet and even exceed the expectations of its main shareholder and customers in all its lines of business with transparency, efficiency and openness.

To satisfy the requirements of the *Act respecting the governance of state-owned enterprises*, the company adopted the Code of Ethics for SAQ Employees. Developed in collaboration with the company's various departments and implemented on December 1, 2008, the code is an essential reference that enables all employees to act in accordance with the sound business practices promoted by the SAQ.

It was also with an eye to sound management that the SAQ developed its first business continuity plan. With more than 400 outlets, some 7,000 employees and several thousand suppliers at its service, the company has a duty to ensure its business operations will be maintained in the event of a disaster. Divided into four sections, the plan covers business continuity, crisis management, emergency response and IT contingency planning.

Always seeking to improve its performance and increase its know-how, the SAQ carried out a quantitative and qualitative survey of the best marketing practices. Similar surveys of quality assurance and laboratory practices were also conducted.

Key to the SAQ's success, the company's employees are one of its primary focuses. To maintain a high level of talent in its teams, the SAQ places great value on the training, involvement and motivation of its resources. Accordingly, in 2008, 97 of the company's employees were recruited to take part in the Outlet Management Succession Program. Building on the success of the preceding edition, the program was relaunched to meet the specific needs of 30 outlets. Nearly 300 applications were received, 31 of which were selected following interviews.

To highlight its employees' performance, the SAQ held the second edition of its *Millésime* recognition activity. This year, 71 employees were recognized at an official ceremony for the excellence of their achievements and the quality of their commitment to the company.

In addition, the SAQ and the Syndicat du personnel technique et professionnel signed a five-year labour agreement for this group of unionized white-collar workers. Adopted by a 97.5% majority, the agreement meets the SAQ's requirements as well as the employees' demands. A fair and equitable agreement for all concerned!

Partnership is also the theme for the SAQ's dealings with its agents and suppliers. Deeply committed to building trusting relationships and two-way communication, the company has encouraged its business partners to become more involved, the goal being to help it make better-informed decisions. To date, the SAQ has organized joint reviews of its business policies, held training sessions on cooperating in partnerships, performed follow-up with the heads of various agent associations and increased the number of strategic meetings between its executives and partners. These initiatives have proved to be extremely positive for the company: 73% of its partners say they are satisfied with their relations with the government corporation, an 11-point increase from the preceding year.

IN FISCAL 2008–2009, 71 EMPLOYEES RECEIVED THE *MILLÉSIME* AWARD

THE PLEASURE OF SUCCEEDING

Selling alcoholic beverages is one thing. Doing so in a way that increases profits while promoting responsible consumption is another. Guided and motivated by its social responsibility and its duty to deliver acceptable performance, the SAQ is a past master in the art of marketing its wares while complying with the principles of healthy consumption.

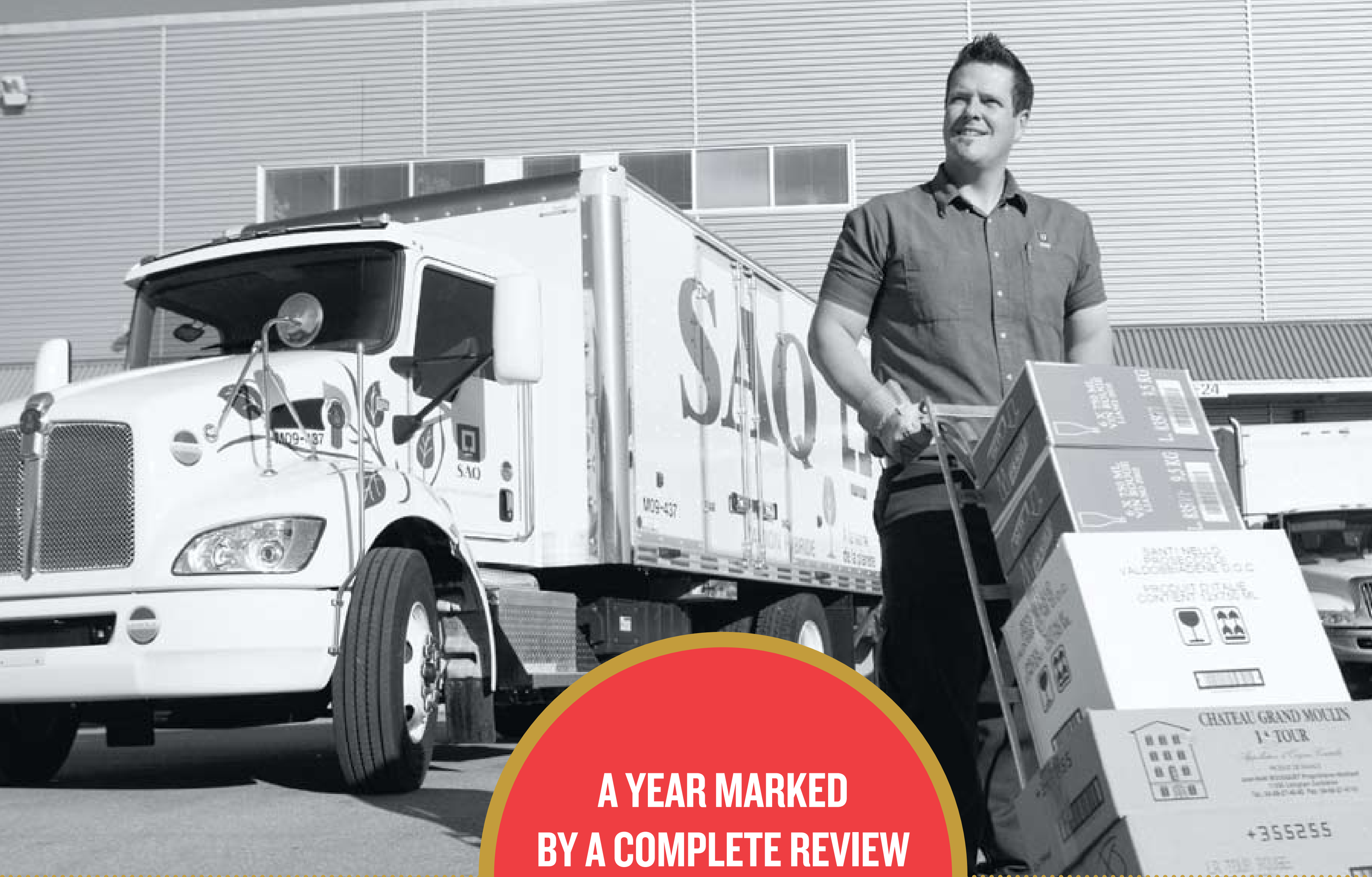
The purchases made by Quebec consumers validate this claim. For example, wine sales totalled $1.8 billion, a 5.9% increase from fiscal 2007–2008. Yet the number of litres sold rose only 3.9%. The conclusion is clear: Quebecers are choosing to drink more upscale products rather than simply to drink more.

As regards finances, for several years now the SAQ has recorded steady growth in its overall sales. The trend continued in fiscal 2008–2009, with net sales in excess of $2.4 billion, an increase of $125 million or 5.5% from the preceding year. Net earnings totalled $806.7 million, up 6%, nearly all of which—$806 million, to be precise—was paid directly to the Quebec government in the form of a dividend. In all, the SAQ produced revenues of the order of $1.197 billion for the Government of Quebec. With the amounts paid to the Government of Canada added in, a total of $1.534 billion in government revenues were generated by the company's operations, a 4% increase from fiscal 2007–2008.

In fiscal 2008–2009, a complete review of the company's procurement activities was launched with an eye to streamlining the process. The benefits are already apparent: an outlet service rate of 96.5% and a 6.4% improvement in the average inventory turnover crowned the fiscal year.

Delivery frequency, another performance indicator, rose 2% in the outlet network as a whole. In addition, the percentage of deliveries made during peak periods on Fridays dropped from 60% in 2007–2008 to 5% in 2008–2009, an improvement very much in tune with the outlets' reality. Outlets now also enjoy shorter delivery lead times, with 73% of Montreal deliveries being made in less than 48 hours, compared with 12% in fiscal 2006–2007. Similarly, in the last two years, the proportion of deliveries made within 72 hours in Quebec City outlets has gone from 28% to 77%, an achievement of which the SAQ is more than a little proud!

The year also saw the renovation of the receiving docks and the addition of gates at the Montreal Distribution Centre. This project, along with several other initiatives by various operations-related departments, enabled the company to improve its cases-per-hour performance by more than 5% compared with the preceding year.



A YEAR MARKED BY A COMPLETE REVIEW OF PROCUREMENT ACTIVITIES

THE PLEASURE OF SERVING

While the pleasure of alcoholic beverages lies in tasting them, the SAQ remains convinced that knowledge both feeds the spirit and encourages discovery. With that in mind, the company made every effort to improve its practices, make information about its products accessible and provide unmatched customer service.

Last year, to help customers understand their preferences and easily find excellent food and wine pairings, the SAQ continued introducing its new outlet concept based on eight coloured taste tags, each corresponding to a specific taste profile. Tags are assigned to all the SAQ's regular wines. As at March 28, 2009, this innovative and educational concept had been implemented in 33 outlets.

To be better able to advise customers and provide them with an even more enjoyable shopping experience, the SAQ continued its advisory service training program across its network. All outlet teams are now able to apply the program's four principles: greeting, approach, support and taking leave. To maintain good practices and ensure quality customer service, a certification process was introduced. In fiscal 2008–2009, 127 outlets were certified across Quebec, 20 of them at the Gold Level.

Seeking to support the efforts of local producers, the Société des alcools du Québec transformed its Signature outlet in the Château Frontenac into a Terroirs d'ici outlet. The outlet now carries some 700 items, including 280 Quebec products, such as wines, meads, ciders and other fine spirits. Tourists from around the globe as well as the Old City's regular clientele now have access to a broad range of Quebec products under a single roof. The store is the second Terroirs d'ici outlet, the first being located at Montreal's Atwater Market.

Attentive to its various customer segments and eager to provide superior personalized service, the SAQ is receptive to feedback. Its Customer Service handled more than 56,000 information requests and comments, up 11% from the preceding year. The subjects that generated the largest volume of calls and e-mails were the elimination of single-use bags and the various contests run by the company.

According to a survey carried out in February 2009 by the Ipsos firm, 97% of SAQ customers said they were quite satisfied or very satisfied with the services they receive from the government corporation. This laudable level of performance has held steady for the last five years.

TASTE TAGS: AN INNOVATIVE AND EDUCATIONAL CONCEPT

THE PLEASURE OF SHARING

Sharing is a word with great meaning for the SAQ. It is with pleasure that the company puts the concept into practice every day, not only by investing in the community, but also by striving to share its values, convictions, vision and enthusiasm.

Acutely aware of the issue of sustainable development, the SAQ was one of the first public bodies to unveil a sustainable development action plan. Seven organizational objectives were established and translated into 19 actions that the government corporation rigorously applies in all its lines of activity. The ultimate goal? Nothing less than to stand out as one of Quebec's top retailers in the area of sustainable development.

To encourage the integration of the sustainable development objectives into its activities and ensure the continuity of the process, the company developed a governance structure that provides a framework for the strategic management of sustainable development in all sectors of the company as well as for performance monitoring.

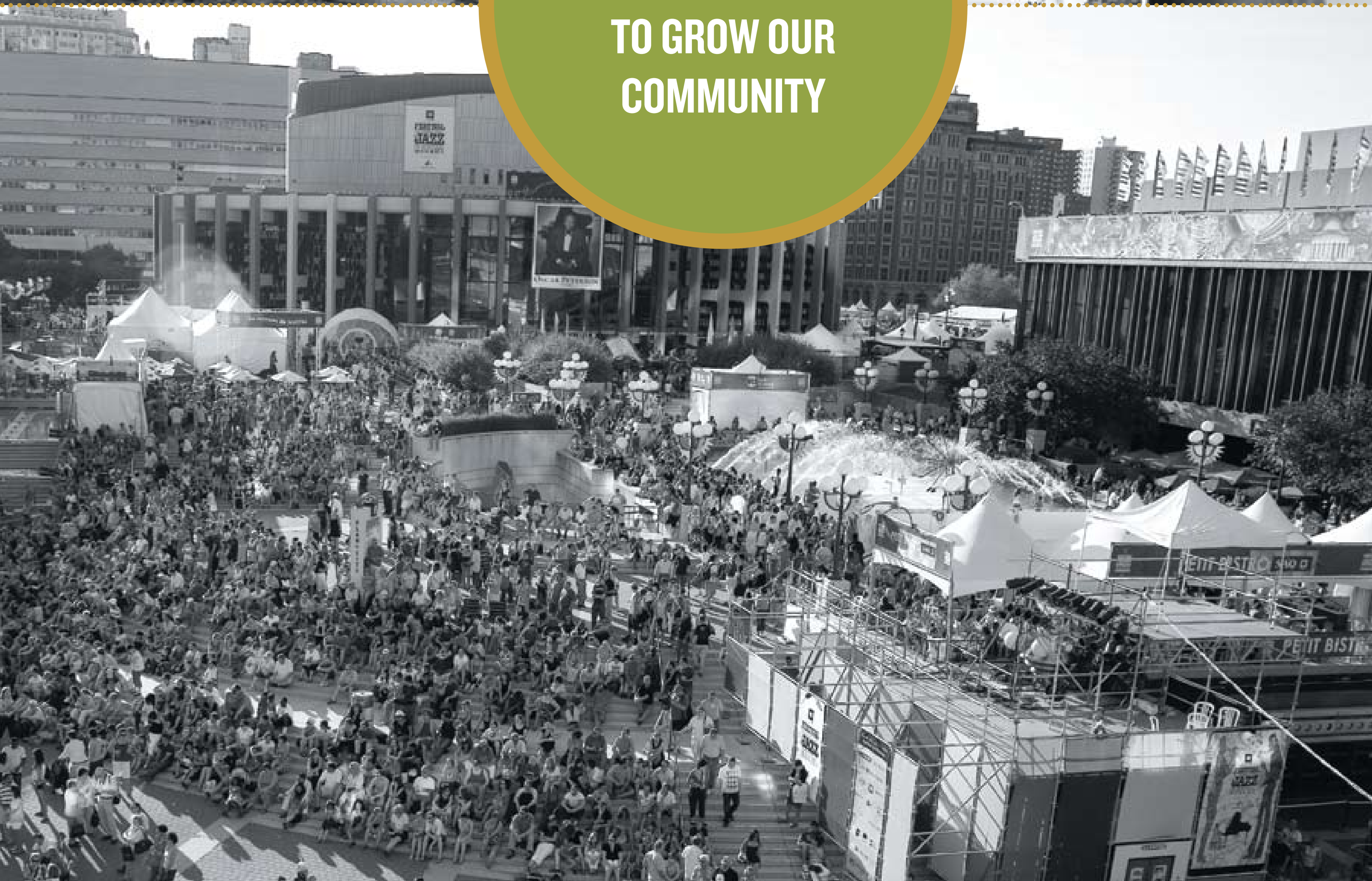
Focused on tangible actions and results, on January 1, 2009, the SAQ successfully completed its project to eliminate single-use bags, which it had launched in February 2006. After conducting a customer awareness campaign and orchestrating a transition period, it stopped providing single-use bags in its outlets. During the transition period, customers paid a token fee for plastic and paper bags, and the amounts raised—around $200,000 in all—were donated to the Centre for Sustainable Development sponsored by Équiterre and to the Regroupement national des conseils régionaux de l'environnement du Québec. In addition, undertaking to contribute 50 cents for each reusable bag sold enabled the SAQ to donate a total of $500,000 to the biodiversity and habitat fund of the Fondation de la faune du Québec. Lastly, eliminating single-use bags from its outlets—an initiative well received by its customers and employees—will enable the SAQ to reduce the number of single-use bags in circulation by more than 80 million a year, approximately 4% of all such bags used in Quebec.

The SAQ is also active in community support and contributes to some 500 festivals, events and charities across Quebec. In its latest fiscal year, it disbursed a total of $6 million through its donation and sponsorship program.

Aware that alcohol abuse is a potential source of hazard and could have a harmful impact on Quebec society, the SAQ encourages responsible consumption habits. It therefore raised and donated a cumulative $2.6 million to Éduc'alcool, an organization that develops and sets up prevention, education and information programs to help young people and adults make informed, responsible decisions regarding alcohol consumption.

Along the same lines, the SAQ launched a new awareness campaign aimed at promoting its sales ethic: *18 years and over, by law*. To ensure this basic rule is complied with at all times by all its employees, the company developed an internal control process, updated its employee training program, formed a joint committee and reviewed its work tools, in addition to hiring a mystery-customer service to evaluate its outlets' performance in putting its sales ethic into practice.

SHARING: STILL THE BEST WAY TO GROW OUR COMMUNITY



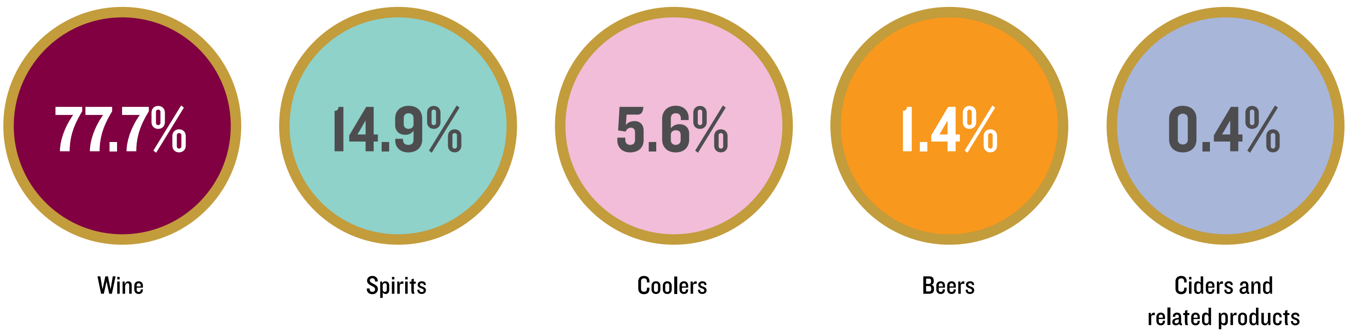
TRENDS

WHAT DO QUEBECERS DRINK?
HOW MUCH DO THEY CONSUME?
WHAT DO THEY PAY?

Year after year, the SAQ tracks their alcohol consumption, analyzes their behaviour and reports on significant developments.

Volume Sales by Product Category

(outlets and specialized centres)



ONCE IN LOVE, ALWAYS IN LOVE

Ever faithful to their favourite indulgences, Quebecers continue to prefer wine over all other products sold in the SAQ's outlets. While the volume of alcoholic beverages consumed by Quebecers increased an average 6.9% during the last five years, that of wine rose 8.2%, garnering a nearly 78% share of the market in 2008–2009. Spirits, coolers, beers and other products accounted for 14.9%, 5.6%, 1.4% and 0.4% of sales respectively.

It's a similar story for the colour of the wines Quebecers drink. Changing little if at all in the last five years, red wines still account for 73% of sales and white wines 23%, with rosé wines making up the remaining 4%. Clearly, Quebecers are a loyal bunch!

A TASTE FOR LOCAL PRODUCTS

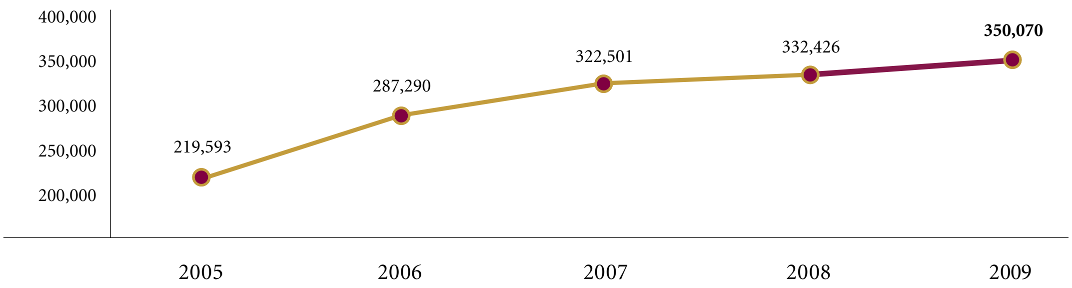
The days when Quebec products on the SAQ's shelves were of secondary importance are long past. In recent years, Quebecers have developed an enthusiasm and even a growing fondness for local products. And it's clear why! Quebec artisans make a wide range of truly appealing, high-quality alcoholic beverages.

Quebec products now enjoy growing recognition, even beyond our borders. In particular, Quebec ice ciders have caused a sensation at prestigious international competitions and won several gold and silver medals. The excitement around these products is palpable! They have experienced average annual sales growth of 12.4% over the last five years—a figure all the more impressive when one considers that the sales increase for all products carried by the SAQ was 6.9% during the same period. And it's a safe bet that the lively interest in Quebec products will only increase with the introduction of a Quebec Ciders section in all SAQ outlets.

Sales of Quebec Products

In litres

(outlets and specialized centres)



QUEBECERS ARE BECOMING CONNOISSEURS

Quebecers like wine. They're getting to know it better and discovering its countless aromas and flavours. The more they drink it, the more they appreciate it and the more they tend to consume higher-end products. As a result, the average price[1] of a 750-ml bottle sold in the SAQ's outlet network this year rose to $13.87.

More and more Quebecers are discovering specialty products and consequently increasing the diversity of their purchases. In the last five years, this category has grown a remarkable 12.3%. During the same period, sales of regular products have increased a not insignificant 9.6%.

1. Regular price still wines

QUEBECERS DARE TO EXPLORE

Despite staying true to their habits, Quebecers are very open to exploring wines of different origins. While the still wines of France and Italy continue to hold the two top spots in terms of volume consumed (54%), those from other countries now contribute more to sales growth.

Taking fiscal 2007–2008 as a basis for comparison, it is the wines of South Africa that have seen the largest increase in volume sales, specifically 36.4%. Not far behind are Portugal, New Zealand, Chile and the United States, with sales increases of 22.3%, 19.8%, 17.8% and 16.9% respectively.

Although Romanian wines remain a minor player in terms of volume sales, it is interesting to note their rising popularity. The annual growth rate for the last five years is 15.6%, a figure that speaks loudly to Quebecers' taste for discovery and their openness to the world.

Sales of Still Wines in Thousands of Litres by Country of Origin

(outlets and specialized centres)

Fiscal year	2005	2006	2007	2008	**2009**	**2009 vs. 2008**
France	25,992	28,720	31,191	30,436	30,204	(0.8)%
Italy	16,039	18,044	20,148	21,259	22,127	4.1 %
Argentina	3,157	4,271	5,955	7,675	8,508	10.9 %
Spain	5,366	6,613	7,593	7,618	7,773	2.0 %
United States	2,999	4,019	4,907	5,877	6,872	16.9 %
Australia	3,470	4,690	5,066	5,706	5,738	0.6 %
Canada	6,198	6,121	5,827	5,076	4,729	(6.8)%
Chile	2,375	2,657	2,605	2,751	3,242	17.8 %
Portugal	1,053	1,486	1,703	2,248	2,749	22.3 %
South Africa	315	508	977	1,618	2,207	36.4 %
New Zealand	25	176	360	550	659	19.8 %
Germany	488	592	591	568	575	1.2 %
Japan	230	260	272	259	254	(1.9)%
Romania	126	157	231	213	226	6.1 %
Greece	180	167	175	237	220	(7.2)%
Bulgaria	161	180	143	178	140	(2.1)%
Other	601	291	629	572	535	(6.5) %
Total	**68,775**	**78,952**	**88,373**	**92,841**	**96,758**	4.2 %

WHAT DO QUEBECERS DRINK?

According to the latest Statistics Canada data, Quebecers consume some 20 litres of wine a year, up 7.5% from 2006, the year of the preceding data set. Quebecers' consumption of beer and spirits remains stable. Specifically, volume beer sales increased only 0.2% to 94 litres per capita while volume sales of spirits were unchanged at 4 litres per capita. These data show that while Quebecers are continuing to develop an interest in wine, beer remains the most consumed alcoholic beverage.

Canada-wide, Quebec ranks fifth among the 12 provinces and territories in terms of consumption of absolute alcohol, at 8.2 litres per capita—neck and neck with British Columbia and behind the Yukon, Alberta, Newfoundland and Labrador, and the Northwest Territories and Nunavut.

In contrast to the rest of Canada, Quebecers stand out through their love for the fruit of the vine. They come in second place nationwide with respect to the volume of wine consumed but in last place when respect to spirits.

Per Capita Consumption in Quebec by Persons Age 15 and Over[1]

Fiscal years 1998–1999 to 2006–2007

	1999	2000	2001	2002	2003	2004	2005[2]	2006	2007
Wines									
in litres	14.2	15.3	16.3	16.7	17.4	18.0	17.5	18.7	20.1
in dollars	143.0	164.2	181.8	194.5	215.5	230.8	228.9	251.1	269.8
Beers									
in litres	94.4	95.3	93.3	94.0	93.9	93.6	92.2	93.8	94.0
in dollars	322.1	327.6	318.2	336.0	368.7	369.4	362.8	365.1	358.8
Spirits									
in litres	2.6	2.7	2.9	3.6	4.1	4.0	3.7	4.0	4.0
in dollars	62.5	64.8	69.8	75.3	80.8	81.8	74.3	82.8	88.6
Total									
in litres	**111.1**	**113.3**	**112.6**	**114.2**	**115.4**	**115.5**	**113.4**	**116.5**	**118.1**
in dollars	**527.7**	**556.6**	**569.7**	**605.8**	**665.0**	**682.1**	**666.0**	**699.0**	**717.2**

1. Source: Statistics Canada
2. The fiscal year was disrupted by a labour dispute at the SAQ

Due to rounding, totals may differ from the sums of the individual amounts.

Per Capita Canadian Consumption by Persons Age 15 and Over[1]

2006–2007 fiscal year

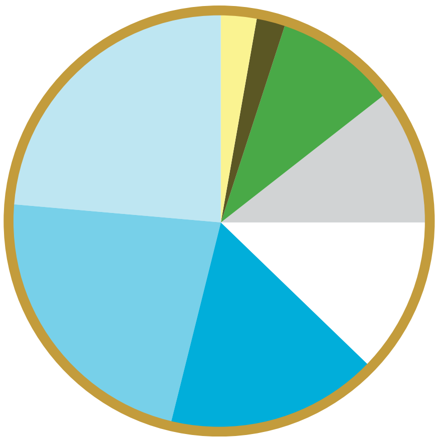
Provinces	Wines (in litres)	Rank	Beers (in litres)	Rank	Spirits (in litres)	Rank	Total (in litres of absolute alcohol)	Rank	Amount (in dollars)	Rank
Yukon Territory	21.0	1	139.1	1	14.5	1	13.1	1	1,158.8	1
Alberta	15.9	4	96.9	2	8.9	9	9.2	2	709.2	6
Newfoundland and Labrador	6.1	12	95.7	3	10.7	2	8.4	3	757.3	3
Northwest Territories and Nunavut	8.8	10	79.4	9	10.3	4	8.3	4	895.0	2
British Columbia	17.3	3	77.4	12	9.6	7	8.2	5	732.7	4
Quebec	**20.1**	**2**	**94.0**	**4**	**4.0**	**12**	**8.2**	**5**	**717.2**	**5**
Nova Scotia	10.1	6	83.2	5	9.8	5	8.0	7	694.3	7
Prince Edward Island	9.0	9	80.4	8	10.6	3	7.9	8	616.8	8
Manitoba	9.1	8	82.1	6	9.3	8	7.8	9	583.2	12
Ontario	13.2	5	77.9	11	8.2	10	7.6	10	612.6	9
Saskatchewan	7.3	11	78.2	10	9.7	6	7.4	11	589.2	11
New Brunswick	9.6	7	81.4	7	7.1	11	7.0	12	605.8	10
Canada	**15.0**		**84.3**		**7.6**		**8.1**		**667.3**	

1. Source: Statistics Canada.

WILL THE COCKTAIL FAD CATCH ON IN QUEBEC?

Whether in the form of aperitifs, cocktails or digestifs, Quebecers drink an average of four litres of spirits a year, an amount well below the Canadian average. At the SAQ, spirits account for 14.9% of the outlet network's total sales. Despite steadily rising sales, this category has seen its overall market share decline in the last five years, since its average sales growth (4.5%) is less strong than that of all listed products taken together (6.9%).

It is interesting to note that rum and vodka posted sales increases of 6.4% and 4.1% respectively compared with the preceding year. Is this the start of a slowly emerging trend? Beyond Quebec's borders, cocktails are very much in fashion. Will Quebecers join the crowd? Hard to say, but the launch of the espacecocktail.com website, which is dedicated exclusively to these drinks, could have an influence on their behaviour.



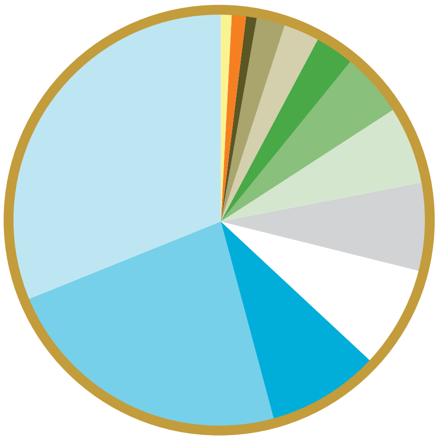
Sales in Thousands of Litres by Type of Spirits

(outlets and specialized centres)

Liqueur	4,605 L	23.4%
Vodka	4,423 L	22.5%
Rum	3,253 L	16.6%
Whisky	2,418 L	12.3%
Gin	2,069 L	10.5%
Brandy	1,876 L	9.5%
Alcohol	433 L	2.2%
Other spirits	582 L	3.0%
Total	**19,659 L**	**100%**

BEST SELLERS

Still the sales leader in SAQ outlets, French wines claim a 31% share of the market. Enticing Quebec consumers with the quality of its products, Italy comes in second place at 23%. Continuing its slow but steady rise, Argentina ranks third with a 9% market share. These three front-runners are followed by Spain, the United States, Australia, Canada and Chile, which held on to exactly the same market share as last year: 8%, 7%, 6%, 5% and 3% respectively.



Percentage of Volume Sales of Still Wines in Fiscal 2008–2009 by Country of Origin
(outlets and specialized centres)

France	31%
Italy	23%
Argentina	9%
Spain	8%
United States	7%
Australia	6%
Canada	5%
Chile	3%
Portugal	3%
South Africa	2%
New Zealand	1%
Germany	1%
Other	1%
Total	**100%**

TASTING AT HOME

The trend is clear and the figures prove it: Quebecers prefer to consume alcoholic beverages in the privacy of their home with family members and friends. Sales to individuals rose 4.4% in fiscal 2008–2009, while sales to permit holders (establishments holding a permit to sell alcoholic beverages issued by the Régie des alcools, des courses et des jeux du Québec) dropped a slight 1.1%. These two categories respectively account for 78.3% and 16.6% of total volume sales in the SAQ's outlet and specialized centre network.

The SAQ's third customer segment—comprised mainly of SAQ agencies, diplomatic missions, ship chandlers, airlines and duty-free shops—recorded a slight 0.5% increase and now accounts for 5.1% of total volume sales.

Sales in Thousands of Litres by Customer Category
(outlets and specialized centres)

Fiscal year	2005[1]	2006	2007[2]	2008	2009	Share in 2009
Individuals	70,684	85,652	94,350	99,114	**103,438**	**78.3%**
Permit holders	23,100	23,002	22,806	22,107	**21,864**	**16.6%**
Agencies and other customers	7,425	6,247	6,443	6,731	**6,765**	**5.1%**
Total	**101,209**	**114,901**	**123,599**	**127,952**	**132,067**	**100%**

1. The fiscal year was disrupted by a labour dispute.
2. 53-week fiscal year.

FINANCES

ACCOUNTABILITY REPORT

The SAQ is a government corporation mandated to sell alcoholic beverages, a mandate that involves importing, warehousing, distributing, marketing and selling several thousand types of products. Its goal is to be an integral part of the daily lives of Quebecers, and its mission is to serve people in every region of Quebec by offering a wide variety of quality alcoholic beverages. To satisfy the need for government agencies and public corporations to be transparent about business plans and earnings, the SAQ shares its projections for the coming fiscal year. The Accountability Report section outlines the SAQ's forecasts and financial performance over a five-year period.

Operating results

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

	2010	2009		2008		2007[1]		2006	
	Forecast	Actual[2]	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
Net sales	**2,450.4**	2,419.1	2,370.8	2,293.9	2,241.8	2,173.8	2,142.0	2,013.6	2,047.3
Gross margin	**1,291.9**	1,275.9	1,274.6	1,239.1	1,216.7	1,180.8	1,180.7	1,114.2	1,133.8
Net operating expenses[3]	**480.4**	469.2	477.5	478.2	471.7	472.8	478.5	457.3	476.7
Net earnings	**811.5**	806.7	797.1	760.9	745.0	708.0	702.2	656.9	657.1

1. 53-week fiscal year.
2. Due to the adoption of a new accounting standard on inventories, $14.8 million in direct shipping costs were deducted from operating expenses and charged to cost of sales for fiscal 2008-2009.
3. After deduction of other revenue and other income.

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

Investments in capital assets

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

	2010 Forecast	2009 Actual	2008 Actual	2007[1] Actual	2006 Actual
Capital projects - Distribution and administrative centres	**7,210.5**	6,362.0	8,239.5	8,662.7	6,340.4
Outlet network development	**16,497.4**	8,880.7	5,058.1	4,051.5	3,710.3
Information systems development	**27,291.7**	9,380.5	5,863.5	3,946.4	11,972.5
Rolling stock and mobile equipment	**2,413.0**	3,127.1	1,204.0	1,300.1	1,025.1
Specific equipment	**1,633.6**	1,289.4	720.0	1,012.9	1,814.7
Total	**55,046.2**	29,039.7	21,085.1	18,973.6	24,863.0

1. 53-week fiscal year.

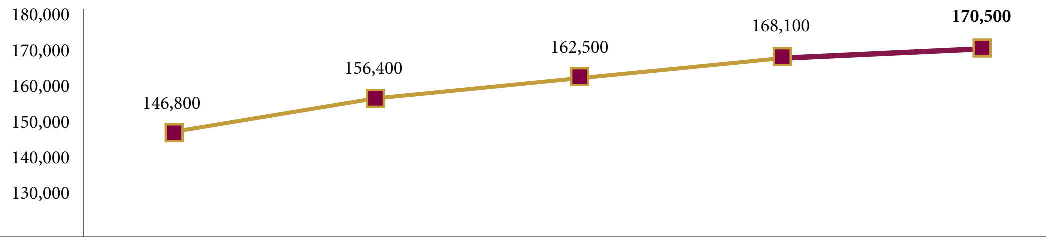
Certain comparative figures have been reclassified to conform to the current year's presentation.

COMMERCIAL DATA

The following four tables show certain performance indicators over a five-year period.

Sales growth by volume

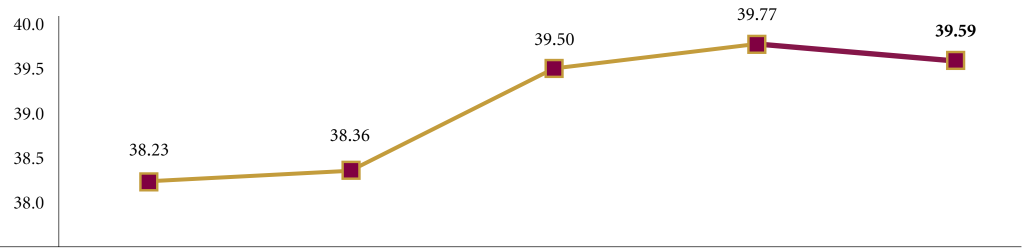
Sales by volume
(in thousands of litres)



	2006 Actual	2007[1] Actual	2008 Actual	2009 Actual	**2010 Forecast**
Percentage increase (decrease)	7.9	6.5	3.9	3.4	**1.4**

Growth in average purchase per outlet[2]

Average purchase per outlet
(in dollars)



	2006 Actual	2007[1] Actual	2008 Actual	2009 Actual	**2010 Forecast**
Percentage increase (decrease)	(3.4)	0.3	3.0	0.7	**(0.5)**

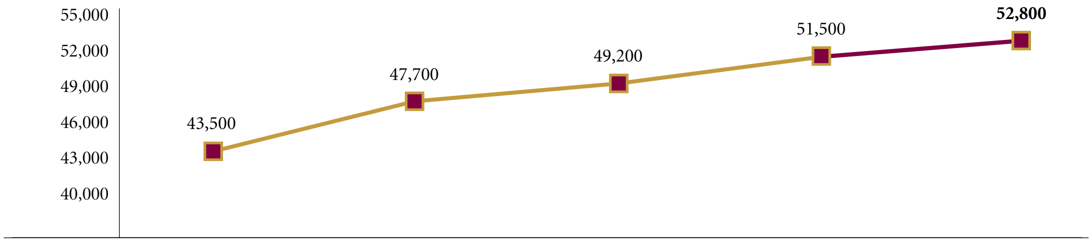
1. 53-week fiscal year.
2. Average expenditure by consumers only (including consumer taxes).

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

COMMERCIAL DATA (CONT.)

Growth in customer traffic in SAQ outlets[1]

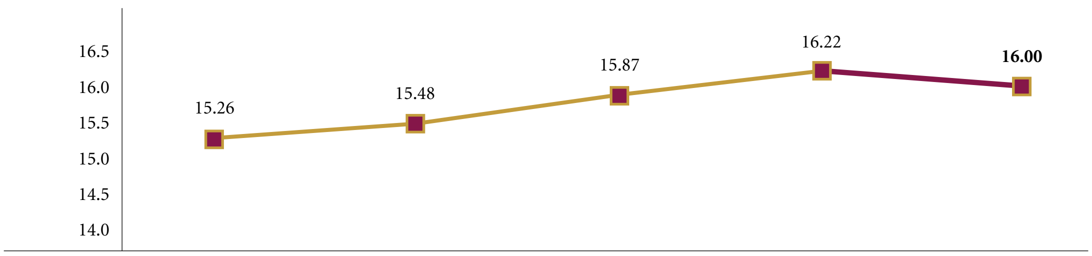
Number of transactions
(in thousands of transactions)



	2006 Actual	2007[2] Actual	2008 Actual	2009 Actual	**2010 Forecast**
Percentage increase (decrease)	27.6	9.7	3.1	4.7	**2.5**

Average sales price per litre[3]

Average sales price per litre
(in dollars)



	2006[1] Actual	2007[2] Actual	2008 Actual	2009 Actual	**2010 Forecast**
Percentage increase (decrease)	2.5	1.5	2.5	2.2	**(1.3)**

1. Consumer traffic only.
2. 53-week fiscal year.
3. Net sales price in the outlet and specialized centre network.

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

FINANCIAL REVIEW

Management's Discussion and Analysis (MD&A) should be read in conjunction with the consolidated financial statements and accompanying notes presented hereafter. Certain financial and operating figures from previous years have been reclassified to conform to the presentation adopted for the current year. The information contained herein reflects all significant events that have occurred up to May 15, 2009.

Overview

The SAQ (the company) presents a positive portrait of its performance for the past fiscal year, which is evident in the strength of its results. The company closed fiscal 2008-2009 with consolidated net sales of $2.4 billion, a 5.5% increase from the preceding year. Consolidated net earnings jumped to $806.7 million, a 6% increase. Government revenue from operations in the form of duties, consumer taxes, and dividends grew by almost $59 million to total $1.534 billion. At the end of fiscal 2008-2009, the SAQ's sole shareholder, the Quebec Minister of Finance, declared a dividend of $806 million.

Consolidated financial statements

The consolidated financial statements for the fiscal years ended March 28, 2009 and March 29, 2008 include the accounts of the SAQ and its prorata share in the assets and liabilities and revenues and expenses of the Société d'investissement M.-S., S.E.C., a joint venture in which the SAQ holds a 50% interest. This share is accounted for using the proportionate consolidation method. For fiscal 2008-2009, the SAQ's portion of the joint venture's net earnings was $0.04 million.

Net sales

Last year, the consolidated net sales of the SAQ's entire sales and distribution network totalled $2.419 billion compared to $2.294 billion reported for the preceding year. This represents an increase of $125 million or 5.5%. The volume sales of all the categories of products grew from 162.5 million litres to 168.1 million litres, up 5.6 million litres or 3.4%.

By sales network

Net sales for the outlet and specialized centre network totalled $2.142 billion, an increase of $113 million or 5.6%. Volume sales grew 3.3%, from 127.9 million litres in 2007-2008 to 132.1 million litres. These results reflect the company's ability to capitalize on the large network it has built over the years in order to offer quality products, a highly appreciated service and advice approach, and attractive discounts tied to interesting promotional campaigns tailored to various customer groups.

In the last fiscal year, the average in-store purchase by consumers was $39.77 compared to $39.50 in 2007-2008. Overall, the average net sales price per litre in the SAQ network rose to $16.22 compared to $15.87 for 2007-2008.

Furthermore, net sales in the wholesale grocer network grew 4.7% to $276.9 million, while volume sales were up 4% to 36 million litres.

Over the last decade, net sales in the outlet and specialized centre network more than doubled, posting average annual growth of 7.9%. During the same period, net sales from wholesale grocers grew 42%.

FINANCIAL REVIEW (CONT.)

By product category

The diversified wines category performed particularly well in fiscal 2008-2009, with net sales of $1.801 billion, an increase of $101 million or 5.9% from the preceding year. Wine sales accounted for over 80% of the total increase in consolidated net sales in 2008-2009, with volume sales up nearly 4% to 137 million litres at fiscal year-end. These results are in line with the trends we have seen in this product category over the last several years. Specifically, net wine sales have grown at an average annual rate of 8.6% over the last 10 years, reflecting the ever-growing appeal of these beverages to consumers.

Net sales of spirits, which are sold solely in the outlet and specialized centre network, grew $15.8 million or 3.1% to total $529.4 million, while volume sales grew 1% year-over-year to 19.6 million litres.

As for the imported beer, cider, and cooler category, net sales increased from $79.9 million to $88.5 million, representing 10.8% growth. The corresponding volume sales were 11.5 million litres compared to 11.2 million litres in 2007-2008. This was the first increase in four years. Volume sales of these products declined slightly over this period, as demand shifted gradually toward the wine category and also to imported beer sold in the grocery and convenience store network, which continues to generate growing consumer interest.

Cost of sales and gross margin

Cost of sales includes the acquisition cost of products, the land and sea freight expenses incurred to ship goods to the SAQ's various distribution centres and points of sale, and the related federal taxes and duties. Cost of sales for fiscal 2008-2009 was $1.143 billion compared to $1.055 billion in 2007-2008. As a result, gross margin for the year was $1.276 billion, as compared to $1.239 billion in 2007-2008, for an increase of $37 million.

The gross margin ratio was 52.7% in 2008-2009 compared to 54% in the preceding year. The change was mainly the result of a new accounting standard on inventories. If not for this accounting change, the gross margin ratio would have been 53.4%.

Operating expenses

Consolidated net operating expenses consist of selling, marketing, distribution, and administrative expenses as well as financial and amortization expenses, from which is deducted other revenue. Thus defined, consolidated net operating expenses totalled $469.2 million compared to $478.2 million in the preceding fiscal year. Excluding the impact of the new accounting standard on inventories, consolidated net operating expenses for 2008-2009 would have been $484 million, for a moderate increase of 1.2%.

Compensation and employee social benefits, which is the organization's largest category of operating expenses, totalled $327.1 million (excluding the impact of the new accounting standard on inventories) compared to $316.9 million in 2007-2008. This represents 13.5% of consolidated net sales compared to 13.8% in 2007-2008. This expense item accounted for 67.6% of the organization's consolidated net operating expense (excluding the impact of the new accounting standard on inventories) compared to 66.3% in 2007-2008. The main factors underlying this increase in expense are the use of additional resources in the outlet network (as a result of growing customer traffic and the level of service demanded by consumers) as well as statutory salary increases granted to employees under the provisions of the various collective agreements in force.

Building occupancy expense (and the related amortization expense) is the second largest category of operating expense. It grew from $73.6 million last year to $76.9 million in 2008-2009, an increase due mainly to the cost of renting outlets. Over the last few fiscal years, the company's strategies and actions to make the most of its commercial, administrative, and distribution spaces have contained these rising costs.

Consolidated net operating expenses represented 19.4% of net sales in 2008-2009 (20% excluding the impact of the new accounting standard on inventories) compared to 20.8% in 2007-2008. This is the lowest rate posted in the last 10 years.

FINANCIAL REVIEW (CONT.)

Compensation and employee social benefits
(in millions of dollars)

	2009	2008
Compensation		
Salaries and wages	**$ 250.0**	$ 250.1
Overtime	**5.0**	6.1
Other human resources expenses	**11.8**	11.4
	266.8	267.6
Employee social benefits	**52.9**	49.3
Total[1]	**$ 319.7**	$ 316.9

1. Due to the adoption of a new accounting standard on inventories, $7.4 million was deducted from "Compensation and employee social benefits" and charged to cost of sales for fiscal 2008-2009

Net earnings and comprehensive income
The SAQ closed the fiscal year with consolidated net earnings of $806.7 million, a $45.8 million or 6% increase over 2007-2008. The net margin was 33.3%, representing the company's best performance since the end of fiscal 2000.

Over the last two fiscal years, the SAQ has not carried out any transactions affecting comprehensive income.

Government revenue
As a government corporation, the SAQ pays substantial amounts to two levels of government in the form of consumer taxes, federal fees, and a dividend to its shareholder, the Quebec Minister of Finance. In fiscal 2008-2009, government revenue from operations reached a high of $1.534 billion compared to $1.476 billion in 2007-2008, an increase of $58 million or 4%.

Amounts paid to the Quebec treasury reached $1.197 billion, an increase of $60.3 million or 5.3%. This change was clearly tied to the dividend, which grew $44 million as a result of greater net earnings but also to the increase in consumer taxes collected (the provincial sales tax and the specific tax on alcoholic beverages) that resulted from greater net sales. Amounts paid to the federal government were $337.8 million in 2008-2009, down $1.7 million due to less goods and services tax collected, as the rate was reduced effective January 1, 2008.

Government revenue from operations
(in millions of dollars)

	2009	2008
Government of Quebec		
Dividend declared	**$ 806.0**	$ 762.0
Provincial sales tax	**218.5**	208.1
Specific tax	**129.5**	123.2
Specific permit holder tax	**42.6**	43.0
	1,196.6	1,136.3
Government of Canada		
Excise taxes and customs duties	**198.9**	187.2
Goods and services tax	**138.9**	152.3
	337.8	339.5
Total amount paid by the SAQ	**$1,534.4**	$ 1,475.8

Investments in capital assets
The SAQ invested $29 million in property, plant and equipment and intangible assets in fiscal 2008-2009. It committed $15.2 million to modernize its outlet network and its distribution and administrative centres. In addition, an amount of $9.4 million was invested in developing information systems, including a point-of-sale management system scheduled to be deployed in the outlet network in the next fiscal year. Finally, replacing and adding to the rolling stock and specific equipment in order to support distribution activities required $4.4 million. All investments in property, plant and equipment and intangible assets were funded from internally generated funds.

Financial position
As at March 28, 2009, the SAQ's total assets stood at $590.3 million compared to $592.5 million as at March 29, 2008. The net value of long-lived assets (property, plant, and equipment and intangible assets combined) fell $4.8 million, as the amortization expense exceeded the book value of the acquisitions. The value of inventories shown on the balance sheet was $294.9 million compared to $277.2 million at the end of the preceding year.

At fiscal year-end, the book values of inventories and long-lived assets had weightings of 50% and 36%, respectively, of total assets (47% and 36%, respectively, as at March 29, 2008). The working capital ratio as at March 28, 2009 was 0.73, which is comparable to the rate at the end of the preceding period.

FINANCIAL REVIEW (CONT.)

Current liabilities stood at $521.2 million at the end of the fiscal year compared to $524.3 million as at March 29, 2008. Outstanding loans were $6 million lower, and the balance of the dividend payable was $4 million higher than in fiscal 2008. Long-term liabilities did not change significantly when compared to the end of fiscal 2007-2008.

On the strength of significant, internally generated funds and a low level of long-term debt, the SAQ's financial position remained strong throughout the year. The company also had satisfactory management ratios with respect to collecting accounts receivable, settling trade accounts payable, and managing inventory turnover.

Cash flows

The SAQ's activities used $0.5 million in net cash in 2008-2009, whereas activities generated close to $6 million in net cash in 2007-2008.

For the year ended March 28, 2009, cash flows from operating activities rose $18.1 million from the preceding fiscal year, totalling $834.6 million. This change is due mainly to net earnings growth of approximately $45.8 million offset by a $13.7 million drop in the amortization expense and a $12.7 million reduction in non-cash working capital items.

Investing activities required $25.8 million in cash compared to $20.9 million in 2007-2008. This change is due mainly to greater disbursements to acquire property, plant, and equipment and intangible assets.

Finally, financing activities used $809.2 million in cash in 2008-2009 versus $789.6 million in the preceding fiscal year. This change of close to $20 million is explained by an additional $60 million distributed to the shareholder and a $40.5 million reduction in net debt repayments.

As at March 28, 2009, the SAQ's balance sheet showed $27.7 million in cash compared to $28.2 million at the end of the preceding year.

Financing of activities

The SAQ manages financing within the limits prescribed by the Government of Quebec and its Board of Directors, as specified in Note 18 to the financial statements.

In fiscal 2008-2009, the SAQ negotiated the issuance of debt securities on the money market at par values totalling $7.279 billion compared to $6.721 billion in 2007-2008. In addition, the company negotiated low-risk investments at par values totalling $467 million compared to $386.2 million in 2007-2008.

The average balance of loans for 2008-2009 was $76.4 million compared to $90 million in the preceding year. Loans reached a maximum of $194 million compared to $187.5 million in fiscal 2007-2008. At fiscal year-end, the balance sheet showed a loan balance of $37 million compared to $43 million as at March 29, 2008.

Financing of the company's activities on the money market resulted in net financial charges of $2 million, down $1.9 million from the preceding year. This change was due in part to a near 170-basis-point reduction in the average interest rate paid on loans in 2008-2009 and in part to an approximate $13.6 million lower net average balance of loans.

Changes in accounting policies

As discussed in Note 4 to the consolidated financial statements, the SAQ adopted new accounting standards at the start of fiscal 2008-2009.

The company applied the new recommendations of Section 3031, "Inventories," of the Canadian Institute of Chartered Accountants (CICA) Handbook. Given the more restrictive guidance on cost determination, the company changed its policy for allocating freight-out expense, such that direct shipping costs incurred to make inventories available at the various points of sale are now charged to the cost of inventories and, therefore, to the cost of sales. Previously, these costs were recorded as operating expenses. In fiscal 2008-2009, shipping costs charged to cost of sales totalled $14.8 million.

The adoption of other accounting standards on financial instruments and capital disclosures had no impact on the amounts in the company's consolidated financial statements. It did, however, lead to the disclosure of additional information.

International Financial Reporting Standards (IFRS)

In January 2006, Canada's Accounting Standards Board (AcSB) announced its decision to replace Canadian generally accepted accounting principles (GAAP) with International Financial Reporting Standards for all Canadian publicly accountable enterprises. The company will therefore be required to report under IFRS. IFRS will introduce significant changes with respect to the recognition, measurement, presentation and disclosure of several accounting items. In February 2008, the AcSB confirmed that affected companies will need to complete the changeover to IFRS for their interim and annual financial statements of fiscal periods commencing on or after January 1, 2011 (March 27, 2011 for the company).

FINANCIAL REVIEW (CONT.)

The company is monitoring this transition closely and analyzing the impact of these new accounting standards on its business activities, processes, financial and management systems, internal financial reporting controls, and consolidated financial statements.

Internal control framework
In the interest of aligning its financial governance rules with best practices, the SAQ has adopted a financial disclosure policy and implemented a control framework, the purposes of which are to ensure that the company fulfills its obligations and mitigates disclosure-related risks. To this end, the company has implemented a series of measures and introduced complete documentation in order to optimize its financial disclosure controls and procedures. This documentation was developed based on the recognized principles of the Treadway Commission's COSO (Committee of Sponsoring Organizations) framework, which is used by public companies. This new control is helping to ensure an even more structured approach to governance.

During the past fiscal year, the design and effectiveness of financial disclosure controls and procedures were evaluated. The evaluation showed that the SAQ's controls and procedures have been appropriately designed and effectively applied.

Risks and uncertainties
In the normal course of business, the SAQ is exposed to a variety of risks that can affect its profitability and financial position. Other than the financial risks described in Note 22 to the consolidated financial statements, the company also faces market risk.

In this respect, a prolonged slowdown in the Quebec economy could have negative impacts on the consumption of products sold by SAQ and, consequently, on its operating performance. Therefore, demand for the company's alcoholic beverages and the resulting profitability depend on, among other things, growth in the disposable income of customers.

To ensure growth, the SAQ must also respond to market competition coming from many offerings made to consumers that seek to capture a growing share of their discretionary spending. In response, the company organizes its strategies and actions around mitigating this business risk.

Responding to changing needs and satisfying diverse customer groups are constant priorities for the SAQ. Accordingly, the company's extensive distribution and sales network offers quality products and deploys knowledgeable and experienced employees who enjoy offering attentive service. A constantly changing product offering, well targeted merchandising, and friendly environments enhance the shopping experience for consumers and favour Quebecers' growing passion for wine and alcoholic beverages in general, in addition to mitigating the company's market risks.

Finally, it should be mentioned that 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 consolidated financial statements. Should the company be required to pay any amount as a result of these lawsuits, the amount would be carried to the expenses of the period in which it became payable.

Outlook
The SAQ's management is very proud of the operating results it has achieved for fiscal 2008-2009. This performance is due to the contributions of all employees, who rally together to further develop the organization across Quebec. In the coming months, the company will continue its efforts to further enhance the consumer buying experience in its establishments and thereby the overall satisfaction of its different customer groups, while updating its programs to improve financial performance. Skills development, an effective transfer of knowledge, and dynamic management of the succession staff will form the basis of the strategies to be implemented to build talented and committed teams.

The Quebec economy has recently shown signs of a slowdown. Despite an environment that could have a negative impact on retail business in the coming months, management remains confident in the SAQ's ability to attain its net earnings objective of $811 million for 2009-2010.

FINANCIAL REVIEW (CONT.)

Net sales by network
(in millions of dollars)

	2005[1]	2006	2007[2]	2008	**2009**
Outlets and specialized centres	1,506.0	1,753.2	1,913.3	2,029.5	**2,142.2**
Wholesale grocers	299.3	260.4	260.5	264.4	**276.9**
Total	1,805.3	2,013.6	2,173.8	2,293.9	**2,419.1**

Net sales by product category
(in millions of dollars)

	2005[1]	2006	2007[2]	2008	**2009**
Spirits	405.0	460.0	492.4	513.6	**529.4**
Wines	1,312.0	1,470.3	1,601.8	1,700.4	**1,801.2**
Imported and microbrewery beers, ciders and coolers	88.3	83.3	79.6	79.9	**88.5**
Total	1,805.3	2,013.6	2,173.8	2,293.9	**2,419.1**

1. The fiscal year was disrupted by a labour dispute.
2. 53-week fiscal year.

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

FINANCIAL REVIEW (CONT.)

Operating results
(in millions of dollars)

	2005[1]	2006	2007[2]	2008	**2009[3]**
Net sales	1,805.3	2,013.6	2,173.8	2,293.9	**2,419.1**
Cost of sales	809.8	899.4	993.0	1,054.8	**1,143.2**
Net earnings	545.8	656.9	708.0	760.9	**806.7**
Net operating expenses[4]	449.7	457.3	472.8	478.2	**469.2**

Government revenue from operations
(in millions of dollars)

	2005[1]	2006	2007[2]	2008	**2009**
Declared dividend	545.0	657.0	709.0	762.0	**806.0**
Taxes and duties paid to governments	598.2	647.7	687.7	713.8	**728.4**
Total	1,143.2	1,304.7	1,396.7	1,475.8	**1,534.4**

Asset mix
(in millions of dollars)

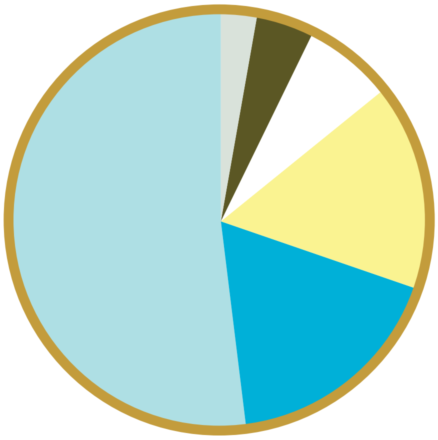
	2005[1]	2006	2007[2]	2008	**2009**
Inventories	250.0	265.2	238.0	277.2	**294.9**
Capital assets	295.4	272.4	240.2	214.4	**209.6**
Other assets	137.4	121.2	94.8	100.9	**85.8**
Total	682.8	658.8	573.0	592.5	**590.3**

1. The fiscal year was disrupted by a labour dispute.
2. 53-week fiscal year.
3. Due to the adoption of a new accounting standard on inventories, $14.8 million in direct shipping costs were deducted from operating expenses and charged to cost of sales for fiscal 2008-2009.
4. After deduction of other revenue and other income.

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

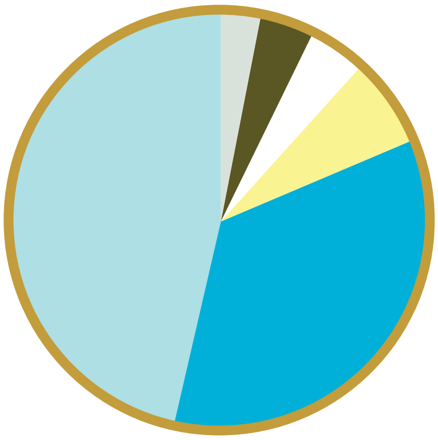
FINANCIAL REVIEW (CONT.)

Breakdown of the sales price



Local spirits, 750 ml format
(in dollars and percentages)
March 28, 2009

Markup[1]	$11.36	51.8%
Supplier price, in Canadian dollars, including shipping	$ 3.91	17.8%
Excise taxes paid to the Government of Canada	$ 3.51	16.0%
Provincial sales tax	$ 1.53	7.0%
Federal goods and services tax	$ 0.97	4.4%
Specific taxes paid to the Government of Quebec	$ 0.67	3.0%
Retail price *(per bottle)*	$21.95	100%



Imported wine, 750 ml format
(in dollars and percentages)
March 28, 2009

Markup[1]	$ 7.27	46.2%
Supplier price, in Canadian dollars, including shipping	$ 5.52	35.0%
Provincial sales tax	$ 1.10	7.0%
Federal goods and services tax	$ 0.70	4.4%
Specific taxes paid to the Government of Quebec	$ 0.67	4.3%
Customs duties paid to the Government of Canada	$ 0.49	3.1%
Retail price *(per bottle)*	$15.75	100%

1. The markup covers selling and marketing, distribution and administrative expenses and generates net earnings.

MANAGEMENT'S REPORT

The following consolidated financial statements have been prepared by the management of the Société des alcools du Québec (the SAQ) and approved by its Board of Directors. Management is responsible for the data and representations contained in these consolidated financial statements and in the other sections of the annual report. The consolidated financial statements have been prepared in accordance with the policies and procedures established by management and with Canadian generally accepted accounting principles. They reflect management's best judgement and estimates based on available information.

As part of its duties, the management of the SAQ maintains internal control designed to provide reasonable assurance that the company's assets are adequately safeguarded, that all transactions are duly authorized and that the accounting records constitute a reliable basis for the preparation of accurate and timely financial statements. Moreover, the internal audit department reviews accounting procedures and management systems on a selective basis. Its findings and recommendations are then submitted to management, which acts accordingly. Management acknowledges that it is responsible for managing its business in compliance with the laws and regulations that govern it.

The Board of Directors of the SAQ is responsible for ensuring that management fulfils its obligations for financial reporting and internal controls. The Board performs this function through its Audit Committee, which consists solely of independent directors. The Board periodically reviews the consolidated financial statements and studies the reports on the accounting policies and procedures and the internal control systems. The external auditors may, without restriction, meet the Audit Committee to discuss any audit-related issues.

The consolidated financial statements have been audited by the Auditor General of Quebec and by the firm Raymond Chabot Grant Thornton LLP, in accordance with Canadian generally accepted auditing standards. Their responsibility is to express a professional opinion on whether the financial statements are fairly presented. The Auditors' Report, shown opposite, specifies the nature and scope of their audit and presents their opinion on these financial statements.

Philippe Duval
President and Chief Executive Officer

Richard Genest
Vice-President and Chief Financial Officer

Montreal, May 15, 2009

AUDITORS' REPORT

To the Minister of Finance,

We have audited the consolidated balance sheet of the Société des alcools du Québec as at March 28, 2009, and the consolidated statements of earnings and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Société des alcools du Québec's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Société des alcools du Québec as at March 28, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act (R.S.Q. chapter. V-5.01)*, we report that, in our opinion, considering the adoption of the new accounting standards with respect to inventories as described in Note 4, these principles have been applied on a basis consistent with that of the preceding year.

The Auditor General of Québec,

Renaud Lachance CA auditor

Renaud Lachance, CA auditor

Montréal, May 15, 2009

Raymond Chabot Grant Thornton LLP

Raymond Chabot Grant Thornton LLP[1]

[1] Chartered accountant auditor permit nº 7023

CONSOLIDATED EARNINGS AND COMPREHENSIVE INCOME

Year ended March 28, 2009
(in thousands of dollars)

	2009	2008
Net sales (Note 5)	**$2,419,102**	$2,293,908
Cost of sales (Note 5)	**1,143,203**	1,054,799
Gross margin (Note 5)	**1,275,899**	1,239,109
Operating expenses		
Selling and marketing, distribution and administrative expenses (Note 6)	**482,254**	475,456
Financial expenses (Note 7)	**2,460**	4,333
Amortization of property, plant and equipment	**22,490**	23,675
Amortization of intangible assets	**10,484**	23,012
	517,688	526,476
Other revenue		
Advertising, promotional and other miscellaneous revenue	**48,503**	48,274
Net earnings and comprehensive income	**$ 806,714**	$ 760,907

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED RETAINED EARNINGS

Year ended March 28, 2009
(in thousands of dollars)

	2009	2008
Balance, beginning of year		
Balance as originally reported	**$ 13,114**	$ 14,207
Adjustment due to the adoption of a new accounting standard on inventories (Note 4)	**980**	–
Restated beginning balance	**14,094**	14,207
Net earnings	**806,714**	760,907
	820,808	775,114
Dividend	**(806,000)**	(762,000)
Balance, end of year	**$ 14,808**	$ 13,114

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

March 28, 2009
(in thousands of dollars)

	2009	2008
Assets		
Current assets		
Cash	**$ 27,722**	$ 28,176
Accounts receivable (Note 8)	**44,846**	46,678
Inventories (Note 9)	**294,900**	277,206
Deposits and prepaid expenses	**13,253**	26,076
	380,721	378,136
Property, plant and equipment (Note 10)	**190,213**	192,454
Intangible assets (Note 11)	**19,375**	21,913
	$590,309	$592,503
Liabilities		
Current liabilities		
Loans (Note 12)	**$ 36,998**	$ 42,989
Accounts payable and accrued liabilities (Note 13)	**301,190**	302,338
Dividend payable	**183,000**	179,000
	521,188	524,327
Capital lease obligation (Note 14)	**3,298**	4,672
Liability - cumulative sick leave credits (Note 16)	**17,759**	17,998
Accrued benefit liability - pension plan (Note 16)	**3,256**	2,392
	545,501	549,389
Shareholder's equity (Note 17)		
Share capital	**30,000**	30,000
Retained earnings	**14,808**	13,114
	44,808	43,114
	$590,309	$592,503

Contingencies and commitments (Note 19).
The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors

Norman Hébert Jr.
Chairman of the Board of Directors

Chantal Bélanger
Audit Committee Chair

CONSOLIDATED CASH FLOWS

Year ended March 28, 2009
(in thousands of dollars)

	2009	2008
Operating activities		
Net earnings	**$806,714**	$ 760,907
Items not affecting cash:		
Amortization of property, plant and equipment and intangible assets	**32,974**	46,687
Loss on disposal of property, plant and equipment	**59**	9
Sick leave credits expense	**3,554**	3,443
Pension plan expense	**892**	764
	844,193	811,810
Net change in non-cash working capital items (Note 20)	**(5,779)**	6,952
Benefits paid by cumulative sick leave credits plan and the pension plan	**(3,821)**	(2,285)
Cash flows from operating activities	**834,593**	816,477
Investing activities		
Acquisitions of property, plant and equipment and intangible assets	**(26,611)**	(21,085)
Proceeds from disposal of property, plant and equipment and intangible assets	**786**	207
Cash flows from investing activities	**(25,825)**	(20,878)
Financing activities		
Net change in loans	**(5,991)**	(46,511)
Reimbursement of the capital lease obligation	**(1,231)**	(1,104)
Dividend paid	**(802,000)**	(742,000)
Cash flows from financing activities	**(809,222)**	(789,615)
Net increase (decrease) in cash	**(454)**	5,984
Cash, beginning of year	**28,176**	22,192
Cash, end of year	**$ 27,722**	$ 28,176

The accompanying notes are an integral part of the consolidated financial statements.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009
(tabular amounts in thousands of dollars)

1. STATUTES AND NATURE OF ACTIVITIES

The Société des alcools du Québec (the SAQ) is constituted under the *Act respecting Société des alcools du Québec (R.S.Q., chapter S-13)*. Its mandate is to sell alcoholic beverages in the province of Quebec. As a government corporation, it is exempt from income tax.

2. FISCAL YEAR

The SAQ's fiscal year ends on the last Saturday in March. Accordingly, the fiscal years ended March 28, 2009 and March 29, 2008 each comprise 52 weeks of operation.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies used to prepare the consolidated financial statements are summarized below.

Principles of consolidation
The consolidated financial statements include the accounts of the SAQ and its prorata share in the assets and liabilities, revenues and expenses of Société d'investissement M.-S., S.E.C., a joint venture in which the SAQ holds a 50% interest. This interest is accounted for using the proportionate consolidation method.

Use of estimates
Preparing financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recognized during the fiscal year. The main items for which management made use of estimates and assumptions are inventories; the useful lives of property, plant and equipment and intangible assets; accrued liabilities; the actuarial liabilities related to cumulative sick leave credits; and accrued pension plan benefits. Actual results could differ from those estimates.

Revenue recognition
Sales of alcoholic beverages to consumers, agencies, permit holders (including licensed establishments and institutions), authorized distributors (wholesale grocers) as well as other revenues are recognized when earned, i.e., when the goods are delivered and the services are rendered, less discounts and returns, and when there is persuasive evidence that an arrangement exists, that the amounts are fixed or determinable, and that collection is reasonably assured. The SAQ acts as an agent for beer sales made to holders of a brewer's permit and to holders of a beer distributor's permit. Accordingly, these transactions are recognized on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Recognition of considerations received from suppliers
Cash considerations received from suppliers are considered adjustments to the price of the suppliers' products and, therefore, are recognized as a reduction to the cost of sales and inventories. Certain exceptions apply when the cash considerations received are either reimbursements of the incremental costs incurred by the SAQ to sell the suppliers' products or as payments for goods or services rendered to the suppliers. These latter considerations received from suppliers are recorded, depending on their nature, as a reduction to the related expenses or as other revenue.

Operating leases
The SAQ accounts for the rent expense resulting from its operating leases on a straight-line basis over the term of the lease.

Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the balance sheet date, whereas other assets are translated at the exchange rate in effect on the transaction date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in effect on the transaction date. Exchange gains and losses are recognized in earnings for the year. Exchange losses of $3.2 million have been included in the earnings for 2009 ($2.2 million in 2008).

Financial instruments
Financial instruments are measured at fair value upon initial recognition. Their measurement in subsequent periods and the recognition of changes in fair value depend on the category in which they are classified.

The SAQ has classified its financial instruments as follows:

- Cash is classified as "Assets held for trading" and measured at fair value.
- Accounts receivable are classified as "Loans and receivables." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method. For the SAQ, this measurement is usually equal to cost.
- Loans, accounts payable and accrued liabilities (except for government taxes and duties payable and the current portion of a capital lease obligation) as well as the dividend payable are classified as "Other financial liabilities." After their initial fair value measurement, they are subsequently recognized at amortized cost using the effective interest rate method. For the SAQ, this measurement is usually equal to cost. The interest expense and the transaction cost related to "Other financial liabilities" are presented in the consolidated statement of earnings under "Financial expenses."

The SAQ partially manages its exchange risk on the expected foreign currency outflows through the use of forward exchange contracts and other derivative financial instruments. However, the SAQ does not document its hedging relationship in accordance with Canadian GAAP and therefore these derivative financial instruments do not meet the hedge accounting criteria. Consequently, the SAQ recognizes its derivative financial instruments at their fair value, and the resulting gains and losses are included in operating expenses. These financial instruments are classified as assets and liabilities held for trading. While these derivative financial instruments fail to meet hedge accounting criteria, the SAQ believes that, from an operating and cash flow standpoint, these instruments enable it to reduce the potential negative effects of a drop in the Canadian dollar on foreign exchange markets. The SAQ does not use derivative financial instruments for speculative purposes.

Embedded derivatives
Derivatives embedded in financial instruments or contracts, other than those held or designated for trading, are separated from their host contract and accounted for as derivatives when their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract.

At March 29, 2008 and March 28, 2009, the SAQ did not have any financial instrument or contract with embedded derivatives that should be separated from the host contract.

Inventories
Inventories are valued at the lower of cost or net realizable value, with cost being established according to the first in, first out method. The cost of inventories of alcoholic beverages includes the cost of acquisition, freight in, related customs duties and excise taxes, as well as the direct shipping costs incurred to make products available at the different points of sale.

(tabular amounts in thousands of dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property, plant and equipment
Property, plant and equipment are recognized at cost and amortized over their estimated useful life. Amortization is calculated using the straight-line method. The following annual rates are used:

Buildings	2.5% and 10%
Furniture and equipment	Rate varying between 2.8% and 33%
Rolling stock	Rate varying between 10% and 30%
Leasehold improvements	According to the terms of the leases, which vary from 5 to 15 years
Paving and parking	8%

Building rented under a capital lease
The building rented under a capital lease is recognized at cost, which is the present value of the minimum payments required under the lease. Amortization on the building is calculated using the straight-line method at an annual rate of 2.5%.

Intangible assets
Intangible assets, consisting of software and user licences, are recorded at cost. Cost includes expenses related directly to the acquisition and development of software for internal use. These assets are amortized, starting on the date they are put into service, on a straight-line basis over their estimated useful lives. The amortization periods are as follows:

Software and acquired licences	3 to 5 years
Internally developed software	3 to 10 years

Impairment of long-lived assets
Long-lived assets are tested for recoverability when events or changes in circumstance indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the undiscounted cash flows resulting from their use and eventual disposal. The impairment loss is measured as the amount by which the asset's carrying value exceeds its fair value.

Employee benefit plans
Cumulative sick leave credits
The SAQ administers a defined benefit plan that guarantees most of its employees the payment of sick leave credits. The cost of future benefits in the form of payments of sick leave credits earned by SAQ employees participating in the plan is determined using actuarial calculations in accordance with the projected benefit method prorated on years of service and charged to the statement of earnings as employees render the service. These actuarial calculations take into account the most likely assumptions established by management with respect to compensation increase, the age of retirement and the rate at which sick leave credits are used.

The SAQ amortizes the unrecognized cumulative net actuarial gains and losses that are greater than 10% of the benefit obligation of cumulative sick leave credits over the average remaining service period of active employees participating in the plan. For the year ended March 28, 2009, this period was 14 years (16 years for fiscal 2008).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Pension plans
The employees of the SAQ participate in pension plans for government employees and public organizations. These plans, administered by the Commission administrative des régimes de retraite et d'assurances, are defined benefit plans that guarantee the payment of pension and death benefits that are indexed annually. Defined contribution plan accounting is applied to these plans because the SAQ does not have enough information to apply defined benefit plan accounting.

The SAQ also administers a supplemental pension plan for senior management. This plan takes into account the years of service and the average of the three highest annual salaries earned by the employee over the course of their career. It is a defined benefit pension plan that also guarantees the payment of pension and death benefits that are indexed annually. The actuarial valuation of the accrued benefit obligation related to the pension benefits is established using the projected benefit method prorated on the number of years of service. The valuation was carried out using management's best estimate of the future changes in salaries, retirement age and other actuarial factors.

The excess of net cumulative actuarial gains (net cumulative actuarial losses) over 10% of the accrued benefit obligation is amortized over the average remaining service period of the active employee group covered by the plan. For the year ended March 28, 2009, this period was 4.1 years (4.7 years for fiscal 2008).

4. CHANGES IN ACCOUNTING POLICIES

Year ended March 28, 2009

Capital disclosures
On March 30, 2008, in accordance with the transitional provisions, the SAQ applied the new recommendations of Section 1535, "Capital Disclosures," of the Canadian Institute of Chartered Accountants (CICA) Handbook. This section, effective for years beginning on or after October 1, 2007, establishes standards for disclosing information about an entity's capital and how it is managed. This information is provided in Note 18 – Capital Management. Application of the new accounting standard has had no impact on the SAQ's financial results.

Inventories
On March 30, 2008, in accordance with transitional provisions, the SAQ applied the new recommendations of Section 3031, "Inventories," of the CICA Handbook. This new section, effective for fiscal years beginning on or after January 1, 2008, replaces Section 3030 of the same name. This section provides guidance on the determination of the cost of inventories and the charging of overhead and other costs to inventories, including any write-down to net realizable value. The recording of a reversal of a previous write-down is required when the value of inventories increases. More detailed information about inventories and the cost of sales must also be provided. Given the more restrictive provisions concerning the determination of costs, the SAQ has changed its policy on how to allocate the cost of freight out, such that the direct shipping costs incurred to make inventories available at the different points of sale are now allocated to the cost of inventories and, as a result, to the cost of sales. Previously, these costs were recorded as operating expenses.

The transitional adjustments resulting from the application of Section 3031 required the recording, at the start of the year, of a $0.98 million increase in opening inventory and retained earnings balances on the SAQ's consolidated balance sheet. Figures from prior periods were not restated, as permitted upon application of this section. The direct shipping costs allocated to the cost of inventories held as at March 28, 2009 was $1.01 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009
(tabular amounts in thousands of dollars)

4. CHANGES IN ACCOUNTING POLICIES (CONT.)

The new accounting treatment applied to direct shipping costs had the effect of increasing (decreasing) the following items in the 2009 consolidated statement of earnings.

	2009
Cost of sales	$ 14,778
Selling and marketing, distribution and administrative expenses	
Compensation and employee social benefits	$ (7,368)
Equipment use and supply expenses	(3,484)
Freight out and communications	(3,926)
	$(14,778)

Financial instruments
On March 30, 2008, in accordance with transitional provisions, the SAQ applied the new recommendations of Section 3862, "Financial Instruments – Disclosures," and Section 3863, "Financial Instruments – Presentation," of the CICA Handbook. These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation."

Section 3862 requires companies to provide more information about the risks arising from financial instruments and non-financial derivatives, such as credit risk, liquidity risk and market risk as well as the methods used to detect, monitor and manage these risks. Section 3863 carries forward unchanged the requirements of Section 3861 regarding the presentation of financial instruments and non-financial derivatives. These new standards had no impact on the SAQ's financial results. These disclosures are presented in Note 22 – Risk Management.

Future fiscal years

Goodwill and intangible assets
In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," replacing Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." The new section sets out the recognition, measurement and presentation standards applicable to goodwill and intangible assets, including intangible assets developed internally. This section is applicable to fiscal years beginning on or after October 1, 2008.

The requirements of Section 3064 will apply to the SAQ's interim and annual consolidated financial statements for fiscal years beginning on or after March 29, 2009. The SAQ does not expect that adopting these new sections will have a significant impact on its earnings, financial position, or future cash flows.

International Financial Reporting Standards (IFRS)
In January 2006, Canada's Accounting Standards Board (AcSB) announced its decision to replace Canadian GAAP with International Financial Reporting Standards (IFRS) for all Canadian publicly accountable enterprises. The SAQ will therefore be required to report under IFRS. IFRS will introduce significant changes with respect to the recognition, measurement, presentation and disclosure of several accounting items. In February 2008, the AcSB confirmed that the affected enterprises will need to complete the changeover to IFRS in their interim and annual financial statements for fiscal periods commencing on or after January 1, 2011 (March 27, 2011 for the SAQ).

The SAQ is monitoring this transition closely and analyzing the impact of these new accounting standards on its consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009
(tabular amounts in thousands of dollars)

5. NET SALES, COST OF SALES AND GROSS MARGIN

	2009			2008		
	Outlets and specialized centres	**Wholesale grocers**	**Total**	Outlets and specialized centres	Wholesale grocers	Total
Net sales	**$2,142,187**	**$ 276,915**	**$2,419,102**	$ 2,029,458	$ 264,450	$ 2,293,908
Cost of sales	**1,002,534**	**140,669**	**1,143,203**	921,776	133,023	1,054,799
Gross margin	**$1,139,653**	**$ 136,246**	**$1,275,899**	$ 1,107,682	$ 131,427	$ 1,239,109

The SAQ's net sales do not include beer sales made to holders of a brewer's permit or to holders of a beer distributor's permit. The brewers and beer distributors sell and deliver, in the province of Quebec, beers produced in other Canadian provinces or abroad, either by themselves or by affiliated companies. These products must be bought exclusively from the SAQ, which acts as an agent between the suppliers and the brewers and beer distributors. These sales transactions do not generate any gross margins for the SAQ. The SAQ does, however, collect service fees for them. The net sales and cost of sales arising from these transactions totalled $229.9 million in fiscal 2009 ($209.3 million in fiscal 2008).

6. SELLING AND MARKETING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	2009	2008
Compensation and employee social benefits	**$319,652**	$ 316,876
Building occupancy expenses	**66,971**	63,744
Equipment use and supply expenses	**20,625**	22,341
Freight out and communications	**8,916**	11,379
Other operating expenses	**66,090**	61,116
	$482,254	$ 475,456

7. FINANCIAL EXPENSES

	2009	2008
Financial expenses related to "Other financial liabilities"		
Interest on loans taken out with the Caisse de dépôt et placement du Québec, a company under common control	**$ 671**	$1,596
Other interest on short-term loans	**1,431**	2,438
	2,102	4,034
Interest relating to a capital lease obligation	**589**	716
	2,691	4,750
Less: Interest income on investments, bank balances and other	**(231)**	(417)
	$2,460	$4,333

8. ACCOUNTS RECEIVABLE

	2009	2008
Wholesale grocers	**$15,416**	$11,824
Licensed establishments, institutions and other commercial accounts	**29,430**	34,854
	$44,846	$46,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009

(tabular amounts in thousands of dollars)

9. INVENTORIES

	2009	2008
Alcoholic beverages	**$292,159**	$274,712
Miscellaneous supplies	**2,741**	2,494
	$294,900	$277,206

10. PROPERTY, PLANT AND EQUIPMENT

	2009			2008
	Cost	**Accumulated amortization**	**Net value**	Net value
Land	**$ 10,706**	**$ –**	**$ 10,706**	$ 10,775
Buildings	**129,696**	**36,135**	**93,561**	94,089
Furniture and equipment[1]	**195,246**	**136,381**	**58,865**	61,153
Rolling stock	**16,477**	**11,214**	**5,263**	4,863
Leasehold improvements[1]	**48,761**	**31,403**	**17,358**	16,820
Paving and parking	**4,133**	**2,929**	**1,204**	1,091
	405,019	**218,062**	**186,957**	188,791
Building rented under a capital lease	**16,280**	**13,024**	**3,256**	3,663
	$421,299	**$231,086**	**$190,213**	$ 192,454

1. Work related to outlet development with a capitalized value of $7.7 million was in progress as at March 28, 2009 ($4.3 million as at March 29, 2008) and was not amortized.

The total cost and total accumulated amortization of property, plant and equipment as at March 29, 2008 was $405.2 million and $212.7 million, respectively.

11. INTANGIBLE ASSETS

	2009			2008
	Cost	**Accumulated amortization**	**Net value**	Net value
Acquired software and licences	**$ 12,911**	**$ 11,565**	**$ 1,346**	$ 1,798
Internally developed software[1]	**127,296**	**109,267**	**18,029**	20,115
	$140,207	**$120,832**	**$ 19,375**	$ 21,913

1. Internally developed software with a capitalized value of $10.2 million was in progress as at March 28, 2009 ($3.9 million as at March 29, 2008) and was not amortized.

The total cost and total accumulated amortization of intangible assets as at March 29, 2008 was $140.9 million and $119.0 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009
(tabular amounts in thousands of dollars)

12. LOANS

	2009	2008
Loans	**$36,998**	$42,989

As at March 28, 2009, loans consisted of two short-term loans totalling $37.0 million, including one $29.5 million loan from Caisse de dépôt et placement du Québec, a company under common control not included in the Government of Quebec's reporting entity (two loans at March 29, 2008 totalling $43.0 million, including one $19.5 million loan from Caisse de dépôt et placement du Québec). These loans bear interest at fixed rates of 0.51% and 0.52% (3.54% and 3.56% in 2008) and mature in four days or less (four days or less in 2008).

At March 28, 2009, the SAQ had two bank credit facilities, including a $10 million line of credit maturing on September 30, 2009, with an option to extend until September 30, 2010, at the SAQ's discretion. Amounts drawn on this line of credit bear interest at the prime rate, which was 2.5% as at March 28, 2009 (5.25% at March 29, 2008). At that date, an amount of $0.4 million had been drawn (fully available as at March 29, 2008). A second credit facility of $300 million was fully available at March 28, 2009. This credit is available in the form of bank overdrafts bearing interest at the prime rate or in the form of advances bearing interest at a fixed rate corresponding to the financial institution's cost of funds plus a margin to be determined. This credit is repayable on demand.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Accounts payable and accrued liabilities	**$135,711**	$136,040
Government taxes and duties payable	**87,793**	81,945
Compensation and employee social benefits payable	**76,312**	83,122
Current portion of a capital lease obligation	**1,374**	1,231
	$301,190	$302,338

The SAQ has agreed to help fund various programs aimed at protecting and improving the environment. To accomplish this, it devotes a portion of its sales to this purpose. The excess of the accrued deductions from sales over the charges incurred, presented in accounts payable and accrued liabilities, totalled $8.9 million as at March 28, 2009 ($9.0 million as at March 29, 2008).

14. CAPITAL LEASE OBLIGATION

	2009	2008
The obligation related to the rental of a building, repayable through April 11, 2012 in monthly instalments of $0.15 million, including interest calculated at an annual rate of 11%, capitalized semi-annually.	**$ 4,672**	$ 5,903
Less: Current portion	**(1,374)**	(1,231)
	$ 3,298	$ 4,672

	Principal	Interest	Total
Payments in future years:			
2010	$1,374	$ 446	$1,820
2011	1,533	287	1,820
2012	1,711	109	1,820
2013	54	1	55
	$4,672	$ 843	$5,515

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. INTEREST IN A JOINT VENTURE

The SAQ holds a 50% interest in Société d'investissement M.-S., S.E.C. The main items of this joint venture that are included in the consolidated financial statements are presented below.

	2009	2008
Earnings		
Operating expenses	$ 583	$ 569
Interest income	(5)	(4)
Amortization	80	158
	658	723
Other revenue	699	586
Net earnings (loss)	$ 41	$ (137)
Balance sheet		
Current assets	$ 295	$ 256
Long-lived assets	18	99
	$ 313	$ 355
Current liabilities	$ 212	$ 295
Shareholder's equity	101	60
	$ 313	$ 355
Cash flows		
Cash flows from operating activities	$ 114	$ 27

16. EMPLOYEE FUTURE BENEFITS

Defined benefit plans
The employees of the SAQ participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan for Management (PPM). These pension plans have defined benefits and guarantee payment of pension and death benefits. The SAQ's obligation under these plans is limited to its employer contributions. As at January 1, 2008, the contribution rate for the RREGOP rose from 7.06% to 8.19% of covered payroll, whereas the contribution rate for the PPM rose from 7.78% to 10.54%. The contribution rate for the CSSP remained at 7.25%.

For accounting purposes, the SAQ measures its accrued benefit obligations on December 31 of each year for the cumulative sick leave credit plan and at the end of each fiscal year for the supplemental pension plan for senior management. The most recent actuarial valuation for funding purposes of the cumulative sick leave credit plan was carried out on December 31, 2007 and the next valuation must be completed by December 31, 2010. The most recent actuarial valuation for funding purposes of the supplemental pension plan for senior management was carried out on March 28, 2009, and the next valuation must be completed by March 31, 2012.

Total cash payment
The total cash payment for employee future benefits for 2009, consisting of the SAQ's contributions to the government employee pension plans and the amounts paid directly to the beneficiaries of the supplemental pension plan for senior management and of the cumulative sick leave credit plan, amounted to $16.9 million ($13.4 million in 2008).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009
(tabular amounts in thousands of dollars)

16. EMPLOYEE FUTURE BENEFITS (CONT.)

Reconciliation of the funded status of the employee benefit plans to the amounts recorded in the financial statements

	Cumulative sick leave credit plan		Supplemental pension plan for senior management	
	2009	2008	**2009**	2008
Accrued benefit obligation and funded status - deficit	**$21,853**	$26,520	**$ 3,470**	$ 3,858
Balance of unamortized amounts	**(4,094)**	(8,522)	**(214)**	(1,466)
Accrued benefit liabilities appearing on the SAQ's balance sheet	**$17,759**	$17,998	**$ 3,256**	$ 2,392

Cost of employee future benefits recognized during the fiscal year

	2009	2008
Cumulative sick leave credit plan	**$ 3,554**	$ 3,443
Supplemental pension plan for senior management	**$ 892**	$ 764
Government employee pension plans (multiemployer plans)[1]	**$13,053**	$11,073

1. Defined benefit pension plans, accounted for using defined benefit plan accounting.

Benefits paid

Benefits paid by the cumulative sick leave credits plan totalled $3.8 million in 2009 ($2.3 million in 2008), while those paid by the supplemental pension plan for senior managenemt amounted to $0.03 million ($0.02 million in 2008).

Significant assumptions

The significant assumptions used in accounting for employee future benefits are as follows:

	Cumulative sick leave credit plan		Supplemental pension plan for senior management	
	2009	2008	**2009**	2008
Accrued benefit obligation at fiscal year-end				
Discount rate	**6.75%**	5.00%	**7.00%**	5.00%
Rate of compensation increase	**3.00%**	3.00%	**3.50%**	3.50%
Rate of use of sick leave credits	*	*	–	–
*From 45% to 65% depending on the employee group				
Benefit costs for the fiscal year				
Discount rate	**5.00%**	5.00%	**5.00%**	5.00%
Rate of compensation increase	**3.00%**	3.00%	**3.50%**	3.50%
Rate of use of sick leave credits	*	*	–	–
*From 45% to 65% depending on the employee group				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 28, 2009
(tabular amounts in thousands of dollars)

17. SHAREHOLDER'S EQUITY

Share capital
The SAQ is a business corporation whose shares are part of the public domain and are allotted to the Quebec Minister of Finance. The SAQ's authorized share capital consists of 300,000 shares having a par value of $100 each and that were issued and paid as at March 28, 2009, and March 29, 2008.

Retained earnings
Under the *Act respecting the Société des alcools du Québec*, the amount of dividends paid by the SAQ is set by the Quebec Minister of Finance, who determines the terms of payment. The declared dividends are deducted from the retained earnings of the fiscal year in which they were declared.

For fiscal year 2009, the Quebec Minister of Finance declared a dividend of $806.0 million ($762.0 million in 2008).

Accumulated other comprehensive income
During the fiscal years ended March 28, 2009 and March 29, 2008, the SAQ had no transactions impacting comprehensive income and, consequently, had no opening or closing balances for accumulated other comprehensive income.

18. CAPITAL MANAGEMENT

The SAQ's capital includes shareholder's equity, the capital lease obligation, the dividend payable and loans. The SAQ manages its capital such that it meets the requirements of its shareholder, safeguards its funds at all times and sustains its growth. It maintains a strict management framework to ensure that it effectively meets the purposes set out in its incorporating act.

The SAQ is fully responsible for financing its activities. During the fiscal year, it pays the dividend to its shareholder in the form of periodic advances. Due to this income distribution method, the SAQ must rely on outside sources of financing. To this end, the SAQ is authorized by its Board of Directors and the Government of Quebec to contract short-term loans to a maximum amount outstanding of $400 million. This limit was respected during the year.

The SAQ is not subject to other requirements concerning the use of outside financing sources.

At fiscal year-end, the capital structure as defined by the SAQ was as follows:

	2009	2008
Shareholder's equity	**$ 44,808**	$ 43,114
Capital lease obligation[1]	**4,672**	5,903
Dividend payable	**183,000**	179,000
Loans	**36,998**	42,989
	$ 269,478	$ 271,006

1. Including current portion.

(tabular amounts in thousands of dollars)

19. CONTINGENCIES AND COMMITMENTS

Contingencies
In the normal course of business, the SAQ is exposed to various claims and lawsuits. In management's opinion, a sufficient provision has been made for any disbursements that might arise from these claims, and therefore management does not foresee any significant unfavourable impact on the SAQ's financial position or consolidated operating results.

Commitments
Under its operating leases, the SAQ has committed to paying a total amount of $311.3 million for the leasing of outlets and certain warehouses. Payments in future years amount to:

2010	$ 42,202
2011	$ 41,752
2012	$ 36,567
2013	$ 32,175
2014	$ 28,610
2015-2024	$129,970

Environment
The SAQ's activities are subject to environmental laws, regulations and guidelines enacted by the various governments. Management considers that the environmental risks are being handled in an adequate manner and that no current or potential liability exists with respect to these risks.

20. CASH FLOW INFORMATION

	2009	2008
Interest paid included in cash flows from operating activities	**$ 2,700**	$ 4,772
The net change in non-cash working capital items breaks down as follows:		
Accounts receivable	**$ 1,832**	$ (1,690)
Inventories	**(16,714)**	(39,192)
Deposits and prepaid expenses	**12,823**	1,556
Accounts payable and accrued liabilities	**(3,720)**	46,278
	$(5,779)	$ 6,952
Non-cash investing activities:		
Acquisitions of intangible assets and property, plant and equipment financed by accounts payable and accrued liabilities	**$ 2,429**	$ –

(tabular amounts in thousands of dollars)

21. FINANCIAL INSTRUMENTS

Fair value of financial instruments

	2009		2008	
	Fair value	**Book value**	Fair value	Book value
Capital lease obligation	**$ 5,228**	**$ 4,672**	$ 6,622	$ 5,903

The fair value of the capital lease obligation is the present value of future monthly payments under current financing agreements, at interest rates offered on the market to the SAQ for loans with similar conditions and maturity dates, capitalized semi-annually and maturing in 2012. That rate was 3.66% in 2009 (5.29% in 2008).

The book value of the other financial instruments maturing in the short term is presumed to equal fair value. These financial instruments include cash, accounts receivable, loans, accounts payable and accrued liabilities (excluding government taxes and duties payable and the current portion of a capital lease obligation) and the dividend payable.

22. RISK MANAGEMENT

Financial risk management objectives and policies

The SAQ is exposed to a variety of financial risks that stem from its operating, investing and financing activities. The SAQ's management manages these risks.

The SAQ does not enter into financial instrument contracts or agreements, including financial derivatives, for speculative purposes.

Financial risks

Interest rate risk

Bank deposits and certificates of deposit as well as loans and amounts drawn on credit facilities, contracted on a daily basis, expose the SAQ to cash flow risk resulting from interest rate fluctuations. For fiscal year 2009, the average balance of these financial assets and liabilities corresponds to a net loan of $76.4 million ($90 million in 2008). Financial liabilities bore interest at rates ranging from 0.51% to 5.25% during the year (3.53% to 6.25% in 2008) and had maturities ranging from 1 to 8 days (1 to 29 days in 2008).

For fiscal 2009, if the interest rates on its financial assets and liabilities had varied by 50 basis points upwards or downwards, the SAQ's net earnings would have been higher or lower by $0.4 million, respectively ($0.5 million for fiscal 2008).

The capital lease obligation bears a fixed interest rate and exposes the SAQ to the risk that market interest rates will be lower than the interest rates linked to this liability. The effective interest rate for this obligation is 11.3%.

The SAQ's other financial assets and liabilities do not present any interest rate risk, as they are non-interest-bearing.

The SAQ does not use derivative financial instruments to reduce its exposure to interest rate risk.

(tabular amounts in thousands of dollars)

22. RISK MANAGEMENT (CONT.)

Foreign exchange risk
The SAQ is exposed to foreign exchange risk due to certain accounts payable in foreign currencies. At March 28, 2009, these accounts payable totalled €4.8 million and US$1.5 million (€8.1 million and US$1.0 million at March 29, 2008).

Currency purchases during the year were as follows, in Canadian dollars:

	2009	2008
Euro	**$ 221,618**	$ 204,251
U.S. dollar	**31,039**	19,078
Other currencies	**4,973**	4,249
	$ 257,630	$ 227,578

If the exchange rates on currencies purchased during the year had moved up or down by 5%, the SAQ's cost of sales would have been higher or lower by approximately $13 million, respectively ($12 million in 2008). Due to the sales price adjustment policy on the SAQ's products, which includes several adjustments over the year subject to certain conditions, the impact of such a variance on the SAQ's gross margin and net earnings would not have been significant.

The SAQ negotiates forward exchange contracts intended to partially cover the foreign exchange risk to which it is exposed. Under these contracts, it is required to buy specific amounts of currencies, mainly euros and U.S. dollars, at exchange rates set in advance.

At March 28, 2009 and March 29, 2008, the SAQ had no outstanding forward exchange contracts.

Credit risk
Credit risk is the risk of incurring a loss if a counterparty defaults on its obligations. In general, the value presented on the SAQ's consolidated balance sheet under financial assets exposed to credit risk, less provisions for losses, is the maximum amount exposed to credit risk.

Cash flow
To reduce its credit risk exposure, the SAQ invests its cash in financial institutions that it considers to be solvent counterparties. The SAQ monitors and assesses possible changes in the status of its contracting parties and their solvency.

Accounts receivable
The SAQ considers that its credit risk exposure related to sales of alcoholic beverages and other goods and services is limited due to the diversity and size of its customer base. The SAQ requires an accessory guarantee from some of its customers. The SAQ's policy is to have certain customers undergo a credit check. Moreover, the accounts receivable balance is managed and analyzed on a continuous basis and, consequently, the SAQ's exposure to credit losses is not significant.

The table below shows the age of accounts receivable and the related provision for bad debt. The provision has been established based on the age of the accounts and the status of customer files.

	2009	2008
7 days or less	**$ 37,927**	$ 38,569
From 8 to 30 days	**6,070**	6,378
More than 30 days	**1,861**	2,707
	45,858	47,654
Provision for bad debt	**(1,012)**	(976)
	$ 44,846	$ 46,678

(tabular amounts in thousands of dollars)

22. RISK MANAGEMENT (CONT.)

Changes in the provision for bad debt are as follows:

	2009	2008
Balance, beginning of year	**$ 976**	$1,161
Reversal of provision	**13**	104
Write-off of receivables	**(74)**	(322)
Recognized impairment loss	**97**	33
Balance, end of year	**$1,012**	$ 976

Liquidity risk
Liquidity risk is the risk of the SAQ having difficulty meeting its commitments related to financial liabilities. The SAQ is exposed to this risk mainly through its loans, accounts payable and accrued liabilities, the dividend payable, the capital lease obligation and contractual commitments.

The financial liabilities have a contractual maturity of less than one year, except for the capital lease obligation described in Note 14 and the commitments under operating leases described in Note 19.

Managing liquidity risk consists of maintaining a sufficient amount of cash and ensuring the SAQ has financing sources in the form of loans for sufficient authorized amounts. The SAQ prepares budget and cash estimates to ensure it has the necessary funds to meet its obligations.

The SAQ's liquidity risk exposure is reduced by a significant volume of cash flow from operations, preauthorized sources of financing and management of short-term debt at floating rates. The SAQ considers that it is able to honour financial liabilities requiring disbursements in the short term.

23. RELATED PARTY TRANSACTIONS

In addition to the related party transactions already disclosed in the financial statements and recorded at the exchange amount, the SAQ is related to all Government of Quebec ministries and special funds as well as to all agencies and enterprises directly or indirectly controlled by the Government of Quebec or subject to either joint control or significant joint influence on the part of the Government of Quebec. The exchange amount is the amount established and agreed to by the parties. The SAQ has not concluded any business transactions with these related parties other than in the normal course of business and under usual commercial terms. These transactions have not been disclosed separately in the financial statements.

24. COMPARATIVE FIGURES

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

QUARTERLY RESULTS

Fiscal years ended March 28, 2009 and March 29, 2008
(Unaudited data)

	2009[1]				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
Financial results *(in millions of dollars)*					
Net sales	2,419.1	468.6	880.6	552.1	517.8
Gross margin	1,275.9	245.7	463.5	294.6	272.1
Net operating expenses[2]	469.2	117.0	143.0	102.9	106.3
Net earnings	806.7	128.7	320.5	191.7	165.8
Dividend paid	802.0	248.0	202.0	134.0	218.0
Net sales by network *(in millions of dollars)*					
Outlets and specialized centres	2,142.2	412.6	784.7	488.3	456.6
Wholesale grocers	276.9	56.0	95.9	63.8	61.2
Total	2,419.1	468.6	880.6	552.1	517.8
Volume sales by network *(in millions of litres)*					
Outlets and specialized centres	132.1	25.4	45.6	31.8	29.3
Wholesale grocers	36.0	7.4	12.4	8.2	8.0
Total	168.1	32.8	58.0	40.0	37.3
Sales volume by product category *(in millions of litres)*					
Spirits	19.6	3.7	7.3	4.5	4.1
Wines	137.0	27.4	47.7	31.9	30.0
Imported and microbrewery beers, ciders and coolers	11.5	1.7	3.0	3.6	3.2
Total	168.1	32.8	58.0	40.0	37.3
Other financial data					
Net sales to brewers and beer distributors[3] *(in millions of dollars)*	229.9	40.0	67.5	62.4	60.0
Beer sold to brewers and beer distributors[3] *(in millions of litres)*	166.3	28.0	52.6	45.6	40.1

1. Due to the adoption of a new accounting standard on inventories, $14.8 million in direct shipping costs were deducted from operating expenses and charged to cost of sales for fiscal 2008-2009.
2. After deduction of other revenue.
3. Sales made as an agent; not included in the sales figures.

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

	2008				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
Financial results *(in millions of dollars)*					
Net sales	2,293.9	449.6	835.4	513.3	495.6
Gross margin	1,239.1	248.9	447.5	276.7	266.0
Net operating expenses[2]	478.2	121.9	149.2	103.0	104.1
Net earnings	760.9	127.0	298.3	173.7	161.9
Dividend paid	742.0	232.0	190.0	125.0	195.0
Net sales by network *(in millions of dollars)*					
Outlets and specialized centres	2,029.5	399.5	740.0	453.3	436.7
Wholesale grocers	264.4	50.1	95.4	60.0	58.9
Total	2,293.9	449.6	835.4	513.3	495.6
Volume sales by network *(in millions of litres)*					
Outlets and specialized centres	127.9	25.2	44.1	29.9	28.7
Wholesale grocers	34.6	6.5	12.6	7.7	7.8
Total	162.5	31.7	56.7	37.6	36.5
Sales volume by product category *(in millions of litres)*					
Spirits	19.4	3.6	7.3	4.4	4.1
Wines	131.9	26.2	46.7	30.0	29.0
Imported and microbrewery beers, ciders and coolers	11.2	1.9	2.7	3.2	3.4
Total	162.5	31.7	56.7	37.6	36.5
Other financial data					
Net sales to brewers and beer distributors[3] *(in millions of dollars)*	209.3	36.8	54.0	63.2	55.3
Beer sold to brewers and beer distributors[3] *(in millions of litres)*	148.2	28.1	36.6	44.4	39.1

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(Unaudited data)

	2009[1]	2008	2007[2]
Operating results			
(in millions of dollars)			
Net sales	**2,419.1**	2,293.3	2,173.8
Gross margin	**1,275.9**	1,239.1	1,180.8
Net operating expenses[4]	**469.2**	478.2	472.8
Net earnings	**806.7**	760.9	708.0
Financial position			
(in millions of dollars)			
Total assets	**590.3**	592.5	573.0
Capital assets	**209.6**	214.4	240.2
Net working capital	**(140.5)**	(146.2)	(171.6)
Long-term liabilities	**24.3**	25.1	24.4
Shareholder's equity	**44.8**	43.1	44.2
Cash flows			
(in millions of dollars)			
Cash flows from operating activities	**834.6**	816.5	769.0
Acquisition of capital assets	**26.6**	21.1	19.0
Dividend paid	**802.0**	742.0	674.0

1. Due to the adoption of a new accounting standard on inventories, $14.8 million in direct shipping costs were deducted from operating expenses and charged to cost of sales for fiscal 2008-2009.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. After deduction of other revenue and other income.

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

2006	2005[3]	2004	2003	2002	2001[2]	2000
2,013.6	1,805.3	1,831.6	1,719.9	1,570.8	1,443.7	1,307.5
1,114.2	995.5	1,016.9	934.3	845.4	786.0	713.8
457.3	449.7	446.1	393.9	356.7	314.7	272.3
656.9	545.8	570.8	540.4	488.7	471.3	441.5
658.8	682.8	742.6	651.6	575.8	492.9	372.5
272.4	295.4	313.7	297.4	214.6	163.5	103.2
(203.6)	(227.5)	(242.8)	(230.7)	(148.8)	(99.2)	(33.9)
46.4	47.5	52.2	53.4	54.5	53.0	37.7
35.6	35.6	34.9	34.1	33.7	32.0	46.9
679.5	727.5	523.3	580.5	544.4	417.9	433.7
24.9	32.2	57.4	110.7	72.0	74.3	34.0
598.0	558.0	606.0	509.0	441.0	529.0	421.0

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(Unaudited data)

	2009		2008	2007[1]
Net sales by network				
(in millions of dollars and in millions of litres)				
Outlets and specialized centres	**2,142.2**		2,029.5	1,913.3
	132.1	**L**	127.9	123.6
Wholesale grocers	**276.9**		264.4	260.5
	36.0	**L**	34.6	32.8
Total	**2,419.1**		2,293.9	2,173.8
	168.1	**L**	162.5	156.4
Net sales by product category				
(in millions of dollars and in millions of litres)				
Spirits	**529.4**		513.6	492.4
	19.6	**L**	19.4	19.0
Wines	**1,801.2**		1,700.4	1,601.8
	137.0	**L**	131.9	126.0
Imported and microbrewery beers, ciders and coolers	**88.5**		79.9	79.6
	11.5	**L**	11.2	11.4
Total	**2,419.1**		2,293.9	2,173.8
	168.1	**L**	162.5	156.4
Other financial data				
(in millions of dollars and in millions of litres)				
Net sales to brewers and beer distributors[3]	**229.9**		209.3	190.3
Beer sold to brewers and beer distributors[3]	**166.3**	**L**	148.2	132.4

1. 53-week fiscal year.
2. The fiscal year was disrupted by a labour dispute.
3. Sales made as an agent; not included in the sales figures.

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

2006	2005[2]	2004	2003	2002	2001[1]	2000
1,753.2	1,506.0	1,581.7	1,487.6	1,349.9	1,222.5	1,095.8
114.9	101.2	108.2	105.3	97.7	89.0	79.0
260.4	299.3	249.9	232.3	220.9	221.2	211.7
31.9	34.9	29.4	28.9	29.2	30.4	32.0
2,013.6	1,805.3	1,831.6	1,719.9	1,570.8	1,443.7	1,307.5
146.8	136.1	137.6	134.2	126.9	119.4	111.0
460.0	405.0	427.5	414.2	400.7	385.3	357.1
18.2	16.1	17.3	16.9	16.7	16.5	15.2
1,470.3	1,312.0	1,322.4	1,221.9	1,104.6	1,015.9	909.6
116.7	107.6	109.0	105.3	100.9	97.1	89.9
83.3	88.3	81.7	83.8	65.5	42.5	40.8
11.9	12.4	11.3	12.0	9.3	5.8	5.9
2,013.6	1,805.3	1,831.6	1,719.9	1,570.8	1,443.7	1,307.5
146.8	136.1	137.6	134.2	126.9	119.4	111.0
159.5	181.6	238.5	150.1	121.2	102.5	97.0
122.8	131.7	203.6	110.1	84.4	83.8	76.6

TEN-YEAR HISTORICAL REVIEW

Fiscal years ended the last Saturday in March
(Unaudited data)

	2009[1]	2008	2007[2]
Net operating expenses[4]			
(in millions of dollars)			
Compensation and employee social benefits	**319.7**	316.9	308.4
Building occupancy expenses[5]	**76.9**	73.6	72.5
Equipment use and supply expenses[5]	**44.2**	59.8	57.8
Freight out and communications	**8.9**	11.4	12.2
Other operating expenses[4]	**19.5**	16.5	21.9
Exceptional items	**–**	–	–
Total	**469.2**	478.2	472.8
Operating ratios			
(as a percentage of net sales)			
Gross margin	**52.7%**	54.0%	54.3%
Net earnings	**33.3%**	33.2%	32.6%
Net operating expenses[4]	**19.4%**	20.8%	21.7%
Other data			
(at fiscal year-end)			
Number of employees[6]	**5,260**	5,337	5,264
Number of outlets	**414**	414	414
Number of agencies	**398**	397	395
Number of products offered for sale	**8,611**	8,231	7,532
Surface area of business premises			
(in thousands of square feet)			
Outlets	**1,759.0**	1,703.8	1,687.1
Distribution centres	**1,215.4**	1,215.4	1,166.9

1. Due to the adoption of a new accounting standard on inventories, $14.8 million in direct shipping costs were deducted from operating expenses and charged to cost of sales for fiscal 2008-2009.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. After deduction of other revenue and other income.
5. Including amortization expense.
6. The number of employees is expressed on a full-time equivalence basis (persons/year).

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

2006	2005[3]	2004	2003	2002	2001[2]	2000
280.0	254.3	275.8	252.3	224.6	202.2	196.1
71.2	66.6	64.7	57.4	47.8	40.8	34.5
57.9	60.8	54.2	42.9	34.6	27.1	21.6
13.3	12.3	12.6	12.2	10.5	7.8	5.5
34.9	55.7	38.8	29.1	39.2	36.8	20.7
–	–	–	–	–	–	(6.1)
457.3	449.7	446.1	393.9	356.7	314.7	272.3
55.3%	55.1%	55.5%	54.3%	53.8%	54.4%	54.6%
32.6%	30.2%	31.2%	31.4%	31.1%	32.6%	33.8%
22.7%	24.9%	24.4%	22.9%	22.7%	21.8%	20.8%
5,235	4,494	4,803	4,511	4,242	4,078	3,406
408	403	398	398	380	370	341
400	403	403	401	399	252	153
7,243	7,633	7,148	6,755	7,250	7,386	6,575
1,660.9	1,633.1	1,595.7	1,542.9	1,306.3	1,404.0	1,157.6
1,166.9	1,152.6	1,127.6	983.0	877.9	848.1	758.8

GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors of the Société des alcools du Québec is made up of 12 members, including the Chief Executive Officer. One seat is currently vacant.

The directors have diverse professional backgrounds and make their knowledge and skills available to the four Board committees: Governance and Ethics, Audit, Business Practices and Human Resources.

Chaired by Norman Hébert Jr., the Board of Directors met 16 times during the 2008–2009 fiscal year and carried out all its regular functions relating to the company's business conduct. It reviewed and approved the company's budget, annual financial statements and annual report. It also approved the joint audit plan, human resources policies, compensation standards and rates of remuneration as well as the other terms and conditions of employment applicable to the company's executives and employees. In addition, after each meeting of its committees, the Board received an oral report and minutes summarizing the issues that were discussed at the meeting.

Besides the company's regular activities, several significant developments marked the 2009–2009 fiscal year. In particular, the Board of Directors took part in the process for recruiting and selecting a Chief Executive Officer, at the end of which it recommended to the Quebec government the candidacy of Philippe Duval, who was appointed on June 18, 2008.

Also, in compliance with section 15.1 of the *Act respecting the governance of state-owned enterprises*, the Board took part in the deliberation and development process for the 2010–2012 Strategic Plan. This process focussed on, among other things, the strategic issues that the company will face. It allowed the Board members and the Management Committee to discuss the organizational and performance challenges and changes in the market in which the company will progress in the coming years. The initiatives decided on will provide an opportunity to revitalize the company's ways of doing business while optimizing its commercial activities.

BOARD COMMITTEES

The Four Committees of the Board of Directors and Their Activities

Governance and Ethics Committee
The Governance and Ethics Committee is chaired by Louise Ménard. It has five members, who met on six occasions in fiscal 2008–2009.

The committee performed all the regular functions specified in section 22 of the *Act respecting the governance of state-owned enterprises.*

In particular, it took part in formulating the Code of Ethics for Employees of the Société des alcools du Québec, which was adopted by the Board of Directors and entered into force on December 1, 2008.

It performed follow-up on the results of implementing the sales ethic program in the outlet network.

It also supervised the annual assessment of the Board committees.

It recommended to the Board of Directors to approve the company's Sustainable Development Plan and its governance structure and also recommended that the policy regarding management of the container environmental fund be adopted.

The Governance and Ethics Committee examined the twice-yearly reports submitted by the Ombudsman – Business Relations and Employees of the Société des alcools du Québec and recommended that the Board of Directors renew his mandate for a one-year term.

It also took part in the updating of the director's guide, including the review of the terms of reference of the committees and the Board of Directors.

Lastly, it organized five training sessions for the members of the Board of Directors regarding the Purchasing and Merchandising Policy, sustainable development, relational marketing, the company's business and regulatory context, and category management of products sold by the Société des alcools du Québec.

Audit Committee
The Audit Committee is chaired by Chantal Bélanger. It has six members, two of whom are members of the Ordre des comptables généraux agréés du Québec. In fiscal 2008–2009, the Audit Committee held seven meetings, during which it performed all the functions specified in section 24 of the *Act respecting the governance of state-owned enterprises.*

In particular, it examined the company's financial statements and recommended to the Board of Directors that they be approved. It ensured that the statements accurately reflected the company's financial situation and that the various internal control mechanisms in place were appropriate and effective.

It also recommended to the Board of Directors the approval of an annual audit plan and a plan for optimizing outlet-based human resources, and ensured it was followed up.

It supervised the internal audit activities and met from time to time with the external auditors and the representatives of the Auditor General to discuss the company's joint audit plan.

Lastly, the committee recommended to the Board of Directors the adoption of a financial disclosure policy and a corporate information security policy.

Business Practices Committee

The Business Practices Committee is chaired by Yves Archambault and made up of seven members. One seat is currently vacant. In fiscal 2008–2009, the committee met eight times.

The committee's terms of reference are to examine the current policies and business of the Société des alcools du Québec regarding procurement and merchandising, including marketing and promotions, of the products distributed by the company. In addition, it ensures compliance with the Policy Regarding Contracts and Financial Commitments, including the development of the company's network of outlets and agencies. Lastly, it examines issues related to external communications and social responsibility.

To perform all the duties delegated to it by the Board of Directors, the committee revised the Procurement and Merchandising Policy and recommended its adoption to the Board of Directors. It also provided periodic follow-up of the outlet network and agency development plan and revised the Policy Regarding Contracts and Financial Commitments and the related guidelines.

Lastly, the Business Practices Committee recommended to the Board of Directors to adopt the revised Donation and Sponsorship Policy and authorize the five-year increase in the budget for this area of activity in order to be able to invest in the community 1% of the company's net earnings.

Human Resources Committee

The Human Resources Committee is chaired by Adam Turner. It has seven members. One of its seats is currently vacant.

In fiscal 2008–2009, the Human Resources Committee held seven meetings, during which it performed all the regular functions specified in section 27 of the *Act respecting the governance of state-owned enterprises.*

The committee's main terms of reference are to ensure the implementation of policies relating to human resources.

In fiscal 2008–2009, the committee took part in the process to select the Chief Executive Officer, at the end of which it recommended the candidacy of Philippe Duval.

In addition, having reviewed the company's organization structure, it took part in the process to select the Vice-President and Chief Operating Officer and recommended to the Board of Directors to approve the appointment of Alain Brunet to the position.

The committee also recommended to the Board the compensation structure and employment conditions of the company's other executives and non-unionized employees.

Lastly, the committee examined the succession plan for the company's executives and took note of the results of the 2008 talent review for vice-president and manager positions.

BOARD OF DIRECTORS

Norman Hébert Jr.
Chairman of the Board of Directors
– Appointed on November 15, 2006, for a two-year term (Order-in-Council 1043-2006)
– Renewal on January 28, 2009, for a five-year term (Order-in-Council 47-2009)

President and Chief Executive Officer
Groupe Park Avenue Inc.

Norman Hébert Jr. holds a law degree from the University of Ottawa and a bachelor's degree in commerce from Concordia University. He has been President and Chief Executive Officer of Groupe Park Avenue Inc. since 1991. Mr. Hébert sits on Concordia University's board of governors. He is also a past president of the Montreal Automobile Dealers Corporation and of the Quebec division of the Young Presidents' Organization.

Philippe Duval
Director
– Appointed on June 18, 2008, for a three-year term (Order-in-Council 615-2008)

Chief Executive Officer
SAQ

Holding a degree in industrial relations from Université de Montréal, Philippe Duval has worked in his chosen field for nearly 30 years, most notably as a vice-president in various companies. After beginning his career in 1977 at the Société de développement de la Baie-James, he worked at Delisle Canada as National Sales Director. He joined the SAQ in 2003 and was Vice-President, Human Resources, and Vice-President, Sales Network Operation and Development, before being appointed Acting President and Chief Executive Officer in November 2007 and Chief Executive Officer on June 18, 2008.

Yves Archambault
Chair of the Business Practices Committee
Director
– Appointed on September 12, 2003, for a two-year term (Order-in-Council 937-2003)
– Renewal on November 16, 2005, for a two-year term (Order-in-Council 1085-2005)
– Second renewal on August 27, 2008, for a two-year term (Order-in-Council 798-2008)

A graduate of HEC Montréal, Yves Archambault is currently a member of the boards of directors of Desjardins Groupe d'assurances générales and of 20-20 Technologies Inc. He served as Executive Vice-President of Groupe Val Royal from 1988 to 1993. He moved on to become President and Chief Operating Officer of Réno-Dépôt from 1993 to 1997, then Chief Executive Officer until 2002. He has also sat on the boards of directors of several corporations, including Arcon Canada, Culinar, Kingfisher PLC and Réno-Dépôt inc.

Chantal Bélanger
Chair of the Audit Committee
Director
– Appointed on December 18, 2002, for a two-year term (Order-in-Council 1507-2002)
– Renewal on November 16, 2005, for a two-year term (Order-in-Council 1085-2005)
– Second renewal on August 27, 2008, for a two-year term (Order-in-Council 798-2008)

A member of the Ordre des comptables généraux agréés du Québec and the holder of an undergraduate certificate in accounting from Université du Québec à Rimouski, Chantal Bélanger has a diploma in banking management from the Institute of Canadian Bankers. In addition, she has a graduate certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title of administratrice de sociétés certifiée. For 20 years, Chantal Bélanger has held various management positions, including that of Senior Vice-President, Retail Financial Services – Quebec, at Laurentian Bank of Canada. She currently sits on the boards of directors of Industries Lassonde inc., the Régie des rentes du Québec and the Institute of Corporate Directors – Quebec Chapter, in addition to chairing the audit committees of the first two organizations.

Johanne Brunet
Director
– Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)

Associate Professor
Department of Marketing, HEC Montréal

A member of the Ordre des comptables généraux agréés, Johanne Brunet has a doctorate in industrial and business studies from the University of Warwick (United Kingdom) and an MBA in marketing and international management from HEC Montréal. In 1999, Ms. Brunet received the Action femmes d'affaires award from the Board of Trade of Metropolitan Montreal. She worked as head of external production and acquisitions at Société Radio-Canada before becoming Senior Vice-President at TV5-Amériques. She holds a seat on the boards of, among others, Vivavision Inc., Théâtre du Rideau Vert and Universitaires pour l'éducation supérieure et le développement.

Louise Ménard
Chair of the Governance and Ethics Committee
Director
– Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)
President
Groupe Méfor Inc.

After obtaining a law degree from the Université de Montréal, Louise Ménard became a member of the Barreau du Québec in 1974. She is currently President of Groupe Méfor Inc. – Société de services de consultation et de gestion. Ms. Ménard was previously Vice-President, Corporate and Legal Affairs and Secretary at Sodarcan Inc. after serving as a legal advisor to various public- and private-sector corporations, including Quebecor inc. and Société des loteries et courses du Québec (Loto-Québec). She is also a member of the board of directors and chair of the corporate governance committee of ProMetric Life Sciences Inc. and holds a seat on the board of directors of On the Tip of the Toes Foundation.

Gary Mintz
Director
– Appointed on September 12, 2003, for a two-year term (Order-in-Council 937-2003)
– Renewal on November 16, 2005, for a two-year term (Order-in-Council 1085-2005)
– Second renewal on August 27, 2008, for a two-year term (Order-in-Council 798-2008)

Vice-President, Industrial Sales
American Iron and Metal Company Inc. (AIM)

Gary Mintz has a commerce degree from McGill University and a master's degree in business administration (MBA) from Concordia University. He has been Vice-President, Industrial Sales, for American Iron and Metal Company Inc. for 25 years. Mr. Mintz also serves as a volunteer with numerous charitable organizations, including the Sir Mortimer B. Davis Jewish General Hospital and the Montreal Children's Hospital.

Robert Morier
Director
– Appointed on September 12, 2003, for a two-year term (Order-in-Council 937-2003)
– Renewal on November 16, 2005, for a two-year term (Order-in-Council 1085-2005)
– Second renewal on August 27, 2008, for a two-year term (Order-in-Council 798-2008)

President
Robert Morier Inc.

Robert Morier holds an authorized life insurer diploma as well as a master's degree in commerce from Université de Sherbrooke. President of his own financial services firm, Mr. Morier has headed two Opération Nez rouge fundraising campaigns. He is also a founding member and treasurer of the Fondation Athlétas, which assists young student athletes at Université de Sherbrooke.

Pietro Perrino

Director

– Appointed on November 3, 2004, for a two-year term (Order-in-Council 1021-2004)
– Renewal on August 7, 2007, for a three-year term (Order-in-Council 623-2007)

President
Pergui Groupe Conseil Inc.

Vice-President
VM Cap

Chairman of the Board
ZoomMed

Pietro Perrino holds a master's degree in business administration from Université du Québec à Montréal. He also has a graduate certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying him for the title of administrateur de sociétés certifié. In March 1999, he founded Pergui Groupe Conseil Inc., where he advises company managers on their strategic positioning and business development strategies. Mr. Perrino also sits on the boards of directors of Ranaz Corporation, TopTent Inc. and Zoom Media.

Jean-Marie Toulouse

Director

– Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)

Professor
HEC Montréal

Jean-Marie Toulouse, PhD (social psychology, Université de Montréal), Postdoctoral Fellow (business administration, UCLA), is a full professor at HEC Montréal, where he teaches business strategy and entrepreneurship and has also held various administrative positions, including that of Director for nearly 12 years. He has published several books and many articles in the leading journals in his field and in top trade publications. During his career, he has held seats on several boards of directors. He is an officer of the Ordre national du Québec and a member of the Royal Society of Canada.

Adam Turner

Director

– Appointed on May 25, 2005, for a two-year term (Order-in-Council 483-2005)
– Renewal on August 7, 2007, for a three-year term (Order-in-Council 623-2007)

President
Divco Ltd.

With a bachelor's degree in political science and French from the University of Western Ontario, Adam Turner has also studied finance and accounting at the McGill International Executive Institute. He is currently President of Divco Ltd., a company that constructs institutional, industrial and commercial buildings. Mr. Turner has also served as a director for numerous organizations, including Kids for Kids, Young Entrepreneurs Organization, Shanmark Medical, Prosys Tech, Adtek PhotoMask and Perry Baromedical.

Directors' Attendance at Meetings of the Board of Directors and Board Committees

2008–2009 Fiscal Year

Directors	Board of Directors	Business Practices Committee	Governance and Ethics Committee	Audit Committee	Human Resources Committee
Meetings	**16**	**8**	**6**	**7**	**7**
Norman Hébert Jr.	16/16	5/8	6/6	5/7	6/7
Philippe Duval	13/16**	6/8	–	–	–
Yves Archambault	15/16	8/8	–	–	6/7
Chantal Bélanger	15/16	–	6/6	7/7	–
Johanne Brunet	16/16	8/8	–	4/4*	4/4*
Monique Leroux *(resigned on June 26, 2008)*	2/9	0/2	–	0/2	–
Louise Ménard	13/16	–	6/6	–	7/7
Gary Mintz	12/16	7/8	4/6	–	–
Robert Morier	13/16	–	–	7/7	7/7
Pietro Perrino	15/16	8/8	–	7/7	–
Jean-Marie Toulouse	15/16	–	4/6	–	5/7
Adam Turner	16/16	–	–	3/7	7/7

*The committees' composition was changed during the 2008–2009 fiscal year by resolution of the Board of Directors on August 28, 2008.
**Philippe Duval: Attendance not required at three Board of Directors meetings during the recruitment of the Chief Executive Officer.

Directors' Compensation in 2008–2009*

(in dollars)

Norman Hébert Jr.[1, 2, 3, 4, 5]	$ 44,877
Yves Archambault[1, 2, 5]	$ 25,440
Chantal Bélanger[1, 3, 4]	$ 24,929
Johanne Brunet[1, 2, 4]	$ 23,756
Monique Leroux[1, 2, 4]	$ 3,303
Louise Ménard[1, 3, 5]	$ 23,991
Gary Mintz[1, 2, 3]	$ 19,352
Robert Morier[1, 4, 5]	$ 21,543
Pietro Perrino[1, 2, 4]	$ 23,559
Jean-Marie Toulouse[1, 3, 5]	$ 20,344
Adam Turner[1, 4, 5]	$ 24,144
Total	**$ 255,238**

1. Board of Directors
2. Business Practices Committee
3. Governance and Ethics Committee
4. Audit Committee
5. Human Resources Committee

*Compensation payable to the company directors under Order-in-Council 610-2006 enacted on June 28, 2006, and increased by 2% on April 1, 2008.

CODE OF ETHICS FOR EMPLOYEES

In December 2006, the Quebec government passed Bill 53, the *Act respecting the governance of state-owned enterprises.* In order to comply with the act and adopt the best practices in the field, the SAQ has implemented a Code of Ethics for its employees. Developed with input from all of the company's divisions and in effect since December 1, 2008, the code is a valuable reference guide that enables employees to act in accordance with the sound business practices promoted by the SAQ. Inspired by the company's values—enthusiasm, respect, responsibility, integrity, cooperation and balance—this reference tool provides clear guidelines for all SAQ employees. As a government-owned business corporation, the SAQ is eager to maintain the trust of its business partners and customers. Accordingly, it attaches great importance to the ethics of its employees. The Code of Ethics for Employees is thus a tool that integrates into a dynamic process in which the Ethics Advisory Committee plays a leading role.

Compensation Paid to the Five Highest-Paid Officers

(in dollars)

Name	Title	Base salary at March 30, 2008	Base salary after March 30, 2008	Annual bonus program, 2008–2009	Other forms of compensa-tion*	Comments
Philippe Duval	Vice-President, Sales Network Operation and Development	207,722		12,301		Bonus paid under the vice-president compensation plan
	Acting President and Chief Executive Officer	228,494				Acting President and C.E.O. from November 17, 2007, to June 17, 2008
	Chief Executive Officer		273,333	32,327	7,867	Appointed on June 18, 2008
Alain Brunet	Vice-President – Procurement and Merchandising	194,468		62,429	8,194	
	Vice-President and Chief Operating Officer		223,000			Promoted on August 31, 2008
Richard Genest	Vice-President and Chief Financial Officer	215,236		60,256	8,309	
Luc Vachon	Vice-President – Logistics and Distribution	201,533		56,421	10,531	
Benoit Durand	Vice-President – Informational Resources	189,066		52,930	29,020	

*Taxable benefits related to the purchase of alcoholic beverages, use of a car, membership in a professional order and group insurance.

THE OMBUDSMAN: IN ALL FAIRNESS

The position of Ombudsman – Business Relations and Employees has been entrusted to a person with a wealth of experience: Jacques Desmeules, President and Chief Executive Officer of the SAQ from 1971 to 1978. The Ombudsman's role is to field complaints from business partners and employees who believe they have not received a satisfactory response from the SAQ. He must analyze and respond to these complaints in a fair manner. The Ombudsman, who reports directly to the Board of Directors, enjoys complete independence from SAQ management so that he can carry out his mandate with total impartiality. He has the power to make recommendations to the Board of Directors, to whom he submits a report on his activities twice a year, as he did in 2008–2009. In the last year, he dealt with many cases relating to employee-management relations and the SAQ's business practices, and gave his recommendations. In addition to being a member of the Forum of Canadian Ombudsman, the SAQ's Ombudsman subscribes to the code of ethics of the International Ombudsman Association (IOA), of which he is a certified member.

Personnel (by gender and by division)

Profile of the workforce as at March 28, 2009

Division	Women	Men	Total
Chief Executive Officer	12	20	**32**
Finance	166	267	**433**
Human Resources	89	27	**116**
Informational Resources	56	141	**197**
Logistics and Distribution	87	676	**763**
Operations	1	1	**2**
Procurement and Merchandising	104	49	**153**
Public Affairs and Communications	35	7	**42**
Sales Network Operations	2,729	2,619	**5,348**
Secretary General and Legal	17	8	**25**
Total	**3,296**	**3,815**	**7,111**

CODE OF ETHICS AND PROFESSIONAL CONDUCT

for Directors of the
Société des alcools du Québec

PREAMBLE

Whereas the members of the Board of Directors are required to adopt a Code of Ethics and Professional Conduct in compliance with the principles and rules enacted by the *Regulation respecting the ethics and professional conduct of public office holders* (hereinafter called the "Regulation") appended to the *Act respecting the Ministère du Conseil exécutif* (R.S.Q., c. M-30, s. 3.01 and 3.02; 1997, c. 6, s. 1);

Whereas the Act and the *Regulation respecting the ethics and professional conduct of public office holders* prescribe principles of ethics and rules of professional conduct applicable to directors, which are partly reproduced for information purposes in Schedule 1 of this Code;

Whereas the adoption of a Code of Ethics and Professional Conduct is intended to preserve and reinforce the citizens' bond of trust in the integrity and impartiality of the Société's Board of Directors, encourage transparency and make directors and public office holders aware of their responsibilities;

Whereas members of the Board of Directors wish to provide the corporation with its own Code of Ethics and Professional Conduct;

In consideration of the foregoing, members of the Board of Directors shall adopt the following Code of Ethics and Professional Conduct:

SECTION 1

Interpretation

1. In this Code, unless otherwise indicated by the context:

a) "director" means a member of the Société's Board of Directors, whether full-time or not;
b) "association" means an association or group of persons with a direct or indirect interest in the alcoholic beverages trade or the organization of such trade;
c) "relevant authority" means the assistant secretary general responsible for top positions at the Ministère du Conseil exécutif;
d) "spouse" means spouses and persons living as husband and wife for more than one year;
e) "Board" means the Société's Board of Directors;
f) "contract" includes a proposed contract;
g) "corporation" means any form of economic unit for the production of goods or services or any other business of a commercial, industrial or financial nature;
h) "immediate family" means the spouse and dependent children;
i) "Act" means the *Act respecting the Société des alcools du Québec*, R.S.Q., c. S-13, as amended and modified from time to time; and
j) "Société" means the Société des alcools du Québec.

2. In this Code, a prohibited action includes any attempt and/or encouragement to perform such action.

SECTION 2

General Provisions

3. The purpose of this Code is to establish the Société's ethical principles and rules of professional conduct.

The ethical principles take into account the Société's mission, the values underlying its action and its general management principles.

The rules of professional conduct apply to the directors' duties and obligations; they clarify and illustrate them in an indicative manner.

4. In the performance of his duties, a director is required to comply with the ethical principles and rules of professional conduct prescribed by law and by the *Regulation respecting the ethics and professional conduct of public office holders*, as well as the principles and rules set forth in this Code of Ethics and Professional Conduct. In case of discrepancy, the more stringent provisions shall apply.

5. Within 30 days of the adoption of this Code by the Board of Directors, every director shall complete and sign the attestation reproduced in Schedule 2 hereof. Once completed, the attestation shall be remitted to the Chairman of the Board of Directors, who shall entrust it to the Société's secretary for safekeeping.

Every new director shall do likewise within 30 days of being appointed.

6. Directors undertake to cooperate with the Chairman of the Board of Directors and comply with the opinions that the Chairman may be called upon to give verbally or in writing.

SECTION 3

Principles of Ethics

7. For the duration of his term in office, a director shall act with caution, diligence, honesty and loyalty in the Société's interest.

A director shall discharge his duties effectively and assiduously, and in accordance with the law and principles of fairness.

In performing his duties, a director shall give his colleagues and the Société the benefit of the knowledge and skills he has acquired in the course of his career.

8. A director may not discharge his duties in his own interest or that of a third party.

9. A director shall make decisions so as to ensure and maintain the bond of trust between the Société, its customers, suppliers and partners, as well as the government.

10. A director shall assure and maintain the confidentiality of the information obtained in the course of his duties; he shall ensure that any confidential document that is no longer required to carry out his duties is destroyed; he shall show discretion in his conversations so as not to favour one party over another in business relations they have or could have with the Société.

11. The decisions of the Board of Directors are public, unless otherwise decided by the Board for serious reasons; however, the directors' discussions, viewpoints and votes are confidential.

SECTION 4

Rules of Professional Conduct

12. A director shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office or in any situation likely to cast reasonable doubt on his ability to discharge his duties with loyalty.

13. A full-time director, including the President and Chief Executive Officer, may not, on penalty of dismissal, have a direct or indirect interest in an organization, corporation or association entailing a conflict between his personal interest and that of the Société. Notwithstanding the foregoing, such dismissal shall not occur if such interest devolves on him by succession or gift, provided he renounces it or disposes of it promptly.

Any other director who has or whose employer has a direct or indirect interest in an organization, corporation, contract or association shall disclose this interest in writing to the Chairman of the Board of Directors and, where applicable, shall abstain from taking part in any discussion or decision pertaining to the organization, corporation, contract or association in which he has said interest. In addition, he shall withdraw from the sitting for the duration of the deliberations and the vote concerning that matter.

He shall also reveal, as he becomes aware of them, any rights that he may assert against the Société, and shall indicate, where applicable, their nature and value.

14. A director is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.

Any document identified as confidential by the Board of Directors or the secretary general shall be treated as such and shall not be transmitted or passed on or its content disclosed to anyone by a director without specific authorization from the Board.

15. A director may not accept any gift, hospitality or other advantage except what is customary and is of modest value. Any gift, hospitality or advantage that does not meet these criteria shall be returned to the donor or remitted to the Société.

16. A director may not, directly or indirectly, grant, seek or accept a favour or undue advantage for himself or for a third party.

17. A director may not accept nor seek an advantage from a person or corporation doing business with the Société or acting on behalf or for the benefit of such a person or corporation, if such advantage is intended or likely to influence him in the performance of his duties or to generate such expectations. A director shall not make any commitments to third parties nor offer them any guarantee about a vote he may be called upon to take or influence that he may be able to exert on any decision whatsoever that the Board of Directors may be called upon to make.

SECTION 5

Disclosure and Abstention

18. The disclosure required under article 13 is made at the first meeting:

a) where the contract or matter in question is discussed; or
b) after the director who had no interest in the contract or matter in question acquires one; or
c) after the director acquires an interest in a contract already entered into; or
d) after the director acquires an interest in a contract or a matter under examination.

19. A director shall make the disclosure required under article 13 as soon as he becomes aware of a contract described in this article and which, in the normal course of business of the Société, does not require the approval of the directors.

20. Articles 12, 13, 15, 16, 17, 18, 19 and 21 shall also apply when the interest in question is held by a member of the director's immediate family.

21. A director shall remit to the Chairman, within 30 days of his appointment and on March 31 of every year he remains in office, a statement in the form prescribed by Schedule 3 containing the following information:

a) the name of any corporation in which he holds, directly or indirectly, securities or equity, including common shares, specifying their nature and number, the percentage of securities held and the value of the equity;
b) the name of any corporation for which he performs duties and in which he holds a direct or indirect interest in the form of a claim, share right, priority, mortgage or significant commercial or financial advantage;

c) the name of any association in which he performs duties or to which he belongs, specifying his duties, where applicable, and the purpose of the association.
A director to whom the provisions of paragraphs a) to c) do not apply shall make a statement to that effect and remit it to the Chairman of the Board of Directors.

A director shall also produce such a statement within 30 days of any significant change in its content.

Statements remitted under this article shall be deemed confidential and treated accordingly.

22. The Chairman of the Board of Directors shall hand over the statements received in application of articles 13 and 18 to 21, to the Société's secretary, who shall keep them in the Société's corporate files.

SECTION 6

Directors Appointed to Other Boards of Directors

23. A person appointed by the Société to perform the duties of director with another organization or corporation (hereinafter referred to as the "appointed person") shall be bound by the ethical principles and rules of conduct under the law, the Regulation and this Code, as well as those set forth in the code of ethics and professional conduct of such organization or corporation. In case of discrepancy, the more stringent principles and rules shall apply.

24. During his tenure as a Board member, the appointed person shall be entitled only to the corresponding compensation. This compensation shall not include, even in part, cash benefits such as those made possible by profit sharing based on changes in stock value or on investment in capital stock of the company. However, any compensation awarded to the President and Chief Executive Officer holding a full-time position in the Société shall be paid directly to the Société.

25. Without prejudice to confidentiality agreements and the duty to act with honesty and loyalty and, more generally, commitments of the same nature under the law and the code of ethics of the organization or corporation in which the appointed person performs the duties of a director, the appointed person shall inform the Société of any issue raised on the agenda of a board of directors' meeting of the organization or corporation that may have a significant impact on the finances, reputation or operations of the Société. The appointed person shall inform the Société of any such issue within a reasonable time, prior to the directors' vote on the issue.

SECTION 7

Exemptions

26. The provisions of this Code related to statements and conflicts of interest do not apply to the following:

a) the holding of interests through a mutual fund in whose management the director does not take part directly or indirectly;
b) the holding of interests through a blind trust on whose composition the beneficiary has no right of review;
c) an interest which, by its nature and scope, is common to the population in general or to a particular sector in which the director is involved;
d) the holding of securities issued or guaranteed by a government organization or corporation under the terms of the *Auditor General Act* (R.S.Q., c. V-5.01) with conditions that are identical for all.

SECTION 8

Disciplinary Process

27. The Chairman of the Board of Directors shall see to the application of this Code, interpret its provisions and ensure the directors' compliance with the principles of ethics and rules of professional conduct. The Chairman of the Board of Directors has a mandate to:

a) give advice and support to the Société and any director faced with a situation that he deems to be a problem;
b) deal with any inquiry about this Code;
c) investigate on his own initiative or upon report of any alleged irregularities with regard to this Code.

28. The secretary of the Société shall maintain archives where shall be kept any statements, disclosures and attestations that must be submitted to him under this Code, as well as reports, decisions and advisories.

29. The Chairman of the Board of Directors may seek or receive advice from external advisors or experts on any matter he shall deem appropriate.

30. The Chairman of the Board of Directors shall preserve the anonymity of complainants, claimants and informers unless they manifestly intend otherwise. He shall not be compelled to reveal any information likely to disclose their identity, unless required by law or the courts.

31. If he has reasonable grounds to believe a director has failed to comply with one of the provisions of this Code, the Chairman of the Board of Directors shall immediately inform the Board and the relevant authority and remit to it a complete copy of his file.

32. Any employee, officer or director of the Société may, on his own initiative, file a complaint with the relevant authority against a director.

33. The complaint shall be dealt with by the relevant authority and, where applicable, sanctions shall be applied against the director at fault, in conformity with the *Regulation respecting the ethics and professional conduct of public office holders.*

SECTION 9

Final Provisions

34. This Code of Ethics and Professional Conduct shall come into effect as of the meeting following its adoption by the Board of Directors.

It shall not be retroactive.

SCHEDULE I

Excerpts from acts and the *Regulation respecting the ethics and professional conduct of public office holders*

Act respecting the Société des alcools du Québec

{Conflict of interest}

13. No member of the board of directors exercising his functions full time shall, under pain of forfeiture of office, have any direct or indirect interest in an undertaking putting his personal interest in conflict with that of the Société. However, such forfeiture is not incurred if such an interest devolves to him by succession or gift, provided he renounces or disposes of it with all possible dispatch.

{Disclosure of interest}

Any other member of the board of directors having an interest in an undertaking shall, under pain of forfeiture of office, disclose it in writing to the chairman and abstain from participating in any decision involving the undertaking in which he has such interest.

CIVIL CODE OF QUEBEC

Art. 321. A director is considered to be the mandatary of the legal person. He shall, in the performance of his duties, conform to the obligations imposed on him by law, the constituting act or the by-laws and he shall act within the limits of the powers conferred on him.

Art. 322. A director shall act with prudence and diligence. He shall also act with honesty and loyalty in the best interest of the legal person.

Art. 323. No director may mingle the property of the legal person with his own property nor may he use for his own profit or that of a third person any property of the legal person or any information he obtains by reason of his duties, unless he is authorized to do so by the members of the legal person.

Art. 324. A director shall avoid placing himself in any situation where his personal interest would be in conflict with his obligations as a director.

A director shall declare to the legal person any interest he has in an enterprise or association that may place him in a situation of conflict of interest and of any right he may set up against it, indicating their nature and value, where applicable. The declaration of interest is recorded in the minutes of the proceedings of the board of directors or the equivalent.

Art. 325. A director may, even in carrying on his duties, acquire, directly or indirectly, rights in the property under his administration or enter into contracts with the legal person.

The director shall immediately inform the legal person of any acquisition or contract described in the first paragraph, indicating the nature and value of the rights he is acquiring, and request that the fact be recorded in the minutes of proceedings of the board of directors or the equivalent. He shall abstain, except if required, from the discussion and voting on the question. This rule does not, however, apply to matters concerning the remuneration or conditions of employment of the director.

Art. 326. Where the director of a legal person fails to give information correctly and immediately of an acquisition or a contract, the court, on the application of the legal person or a member, may, among other measures, annul the act or order the director to render account and to remit the profit or benefit realized to the legal person.

The action may be brought only within one year after knowledge is gained of the acquisition or contract.

Regulation respecting the ethics and professional conduct of public office holders

Chapter II: Ethical principles and general rules of professional conduct

4. Public office holders are appointed or designated to contribute, within the framework of their mandate, to the accomplishment of the State's mission and, where applicable, to the proper administration of its property.

They shall make their contribution in accordance with law, with honesty, loyalty, prudence, diligence, efficiency, application and fairness.

5. In the performance of his duties, a public office holder is bound to comply with the ethical principles and the rules of professional conduct prescribed by law and by this Regulation, as well as the principles and rules set forth in the code of ethics and professional conduct applicable to him. In case of discrepancy, the more stringent principles and rules shall apply.

In case of doubt, he shall act in accordance with the spirit of those principles and rules. He shall, in addition, arrange his personal affairs in such a manner that they cannot interfere with the performance of his duties.

A public office holder is bound by the same obligations where, at the request of a government agency or corporation, he performs his duties within another government agency or corporation, or is a member thereof.

6. A public office holder is bound to discretion in regard to anything that comes to his knowledge in the performance or during the performance of his duties and is at all times bound to maintain the confidentiality of information thus received.

That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

7. In the performance of his duties, a public office holder shall make decisions regardless of any partisan political considerations.

8. A chairman of the board of directors, a chief executive of an agency or corporation and a full-time public office holder shall demonstrate reserve in the public expression of their political opinions.

9. A public office holder shall avoid placing himself in a situation of conflict between his personal interest and the duties of his office.

He shall reveal to the agency or corporation within which he is appointed or designated to an office any direct or indirect interest that he has in an agency, corporation or association likely to place him in a situation of conflict of interest, as well as any rights that he may assert against the agency or corporation, and shall indicate, where applicable, their nature and value.

A public office holder appointed or designated to an office within another agency or corporation shall, subject to section 6, also reveal any such situation to the authority that appointed or designated him.

10. A full-time public office holder may not, on penalty of dismissal, have a direct or indirect interest in an agency, corporation or association entailing a conflict between his personal interest and that of the agency or corporation within which he is appointed or designated to an office. Notwithstanding the foregoing, such dismissal shall not occur if such interest devolves on him by succession or gift, provided that he renounces it or disposes of it promptly.

Any other public office holder who has a direct or indirect interest in an agency, corporation or association entailing a conflict between his personal interest and that of the agency or corporation within which he is appointed or designated to an office shall, on penalty of dismissal, reveal the interest in writing to the chairman of the board of directors and, where applicable, shall abstain from participating in any deliberation or any decision pertaining to the agency, corporation or association in which he has that interest. In addition, he shall withdraw from the sitting for the duration of the deliberations and the vote concerning that matter.

This section does not prevent a public office holder from expressing opinions about conditions of employment applied at large within the agency or corporation and that could affect him.

11. A public office holder shall not treat the property of the agency or corporation as if it were his own property and may not use it for his own benefit or for the benefit of a third party.

12. A public office holder may not use for his own benefit or for the benefit of a third party information obtained in the performance or during the performance of his duties.

That obligation does not have the effect of preventing a public office holder from consulting or reporting to a specific interest group that he represents or to which he is linked, except where the information is confidential by law or where the board of directors requires that confidentiality be maintained.

13. A full-time public office holder shall perform exclusively the duties of his office, except where the authority having appointed or designated him also appoints or designates him to other duties. Notwithstanding the foregoing, he may, with the written consent of the chairman of the board of directors, engage in teaching activities for which he may be remunerated or in non-remunerated activities within a non-profit organization.

The chairman of the board of directors may likewise be so authorized by the Secretary General of the Conseil exécutif. However, the chairman of the board of directors of a government agency or corporation that holds 100% of the shares of a second government agency or corporation is the authority who may give such an authorization to the chairman of the board of directors of that second agency or corporation.

14. A public office holder may not accept any gift, hospitality or other advantage, except what is customary and is of modest value.

Any other gift, hospitality or advantage received shall be returned to the giver or shall be remitted to the State.

15. A public office holder may not, directly or indirectly, grant, solicit or accept a favour or an undue advantage for himself or for a third party.

16. In the decision-making process, a public office holder shall avoid allowing himself to be influenced by offers of employment.

17. A public office holder who has left public office shall conduct himself in such a manner as not to derive undue advantages from his previous service with the agency or corporation.

18. It is prohibited for a public office holder who has left public office to disclose confidential information or to give anyone advice based on information not available to the public concerning the agency or corporation for which he worked, or concerning another agency or corporation with which he had a direct and substantial relationship during the year preceding the end of his term of public service.

Within one year after leaving office, a public office holder shall not act for or on behalf of anyone else in connection with a proceeding, negotiation or other transaction to which the agency or corporation that he served is a party and about which he has information not available to the public.

A public office holder of an agency or corporation referred to in the second paragraph may not, in the circumstances referred to in that paragraph, deal with a public office holder referred to therein for one year following the end of his term of public service.

19. The chairman of the board of directors shall ensure that the public office holders of the agency or corporation comply with the ethical principles and rules of professional conduct.

SCHEDULE 2

Attestation

I, the undersigned, _________________________________, domiciled and residing at ____ in the city of ____________________, Province of Quebec, Director of the Société des alcools du Québec, declare that I have read the Code of Ethics and Professional Conduct for Directors of the Société des alcools du Québec adopted by the Board of Directors on _______________________________ and understand its meaning and scope.

I hereby declare myself bound to the Société des alcools du Québec by every provision of the aforementioned Code of Ethics and Professional Conduct for Directors of the Société des alcools du Québec just as if it were a contractual obligation on my part.

Signed at ____, on this _______________ day of the month of _____________ 200___.

____ ____

Witness Director

SCHEDULE 3

Warning

The declarant, to understand the scope of his obligations, should refer to the Code of Ethics and Professional Conduct for Directors of the Société des alcools du Québec and, in particular, to the notions of corporation and interest as they are defined in the Code of Ethics and Professional Conduct.

Declaration:

I, _____________________________________, (Director) of the Société des alcools du Québec, hereby declare the following interests:

1. To the best of my knowledge, the list of positions or interests that <u>a member of my immediate family holds or I hold</u> in the following corporations, as this term is defined in the Code of Ethics and Professional Conduct:

Nature of the relationship or the interest

Corporation	Position	Creditor	Number of shares or ownership equity	Other	Percentage of ownership equity

2. To the best of my knowledge, the list of corporations, as this term is defined in the Code of Ethics and Professional Conduct, in which my employer, a legal entity, a company, or any corporation of which *a member of my immediate family is or I am* an owner, shareholder, director or officer, *performs* duties and/or *holds* interests:

Nature of the relationship or the interest

Corporation	Duties	Creditor	Number of shares or ownership equity	Other	Percentage of ownership equity

3. To the best of my knowledge, the list of the duties I, my employer, the legal entity, the company, or the corporation of which *a member of my immediate family is or I am* an owner, shareholder, director or officer, *performs* in the following associations, as this term is defined in the Code of Ethics and Professional Conduct:

Nature of the relationship or the interest

Association	Duties	Member	Purpose

____

Signature Position Date

Publication manager:
Alain Bolduc, Vice-President – Public Affairs and Communications,
Executive Assistant to the president
and Michèle Cloutier, Director – External Communications

Author of the general section and coordinator:
Geneviève Ferron

Author of the financial section:
SAQ Accounting Team

Photo coordination:
Richard Bellefleur

Translation:
Craig Schweickert
Samson Bélair/Deloitte & Touche s.e.n.c.r.l.

Copy-editing:
Dally•Dallaire

Layout and graphic design:
CG3 inc. | Communications | Graphisme

Photography:
F2.8 photo
Getty images

For additional copies of this report,
please contact:

SAQ
Customer Service

Telephone: 514 254-2020 or 1 866 873-2020

The SAQ Annual Report is published by Public Affairs and Communications
in cooperation with the Finance and Legal departments and the Secretary General

Printed in Quebec
ISSN 0845-44594-5
ISBN 978-2-550-56704-2
Legal deposit – 2nd Quarter 2009
Bibliothèque nationale du Québec
and National Archives of Quebec

www.saq.com

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