SAQ

A caring brand

Annual Report 2013

Hello!

Norman Hébert Jr.
Chairman of the Board
of Directors

58.4 million. That's how many hellos were spoken this year to welcome customers to our outlets. Customers were also asked some 112 million questions so their needs could be better understood and met with the right product for the right occasion. A caring brand: the expression couldn't be more appropriate!

Another figure marked the 2012–2013 fiscal year and makes us all very proud: the $1.030 billion in net earnings, a first in the history of the Société des alcools du Québec. That corresponds to growth of 27.7% over the last five years. These remarkable results are fruit of all the efforts made over the years and they demonstrate that the SAQ is as dynamic as it is solid.

In fiscal 2012–2013, the Board of Directors adopted the 2013–2015 Strategic Plan and tracked the progress of the related initiatives. The Board took part in monitoring the projects under way and the company's business, including development of a dashboard for the strategic plan. The Board also examined and approved the directors' expertise and experience profiles and carried out the annual evaluation of its performance and accomplishments.

I want to take advantage of this opportunity to note that the Board welcomed two new members this year, whose expertise and experience profiles conformed to those it had approved. The Quebec cabinet appointed Danièle Bergeron and Sylvain Lafrance to the Board of Directors of the Société des alcools du Québec. Consequently, as at March 30, 2013, the Board consisted of seven female and six male directors, thereby meeting the gender-parity objective set by the government.

The year just begun will be devoted to implementing the 2013–2015 Strategic Plan. The plan will, among other things, enable the company to meet consumers' expectations and react to a rapidly changing business environment—as many challenges as opportunities to demonstrate the enthusiasm, know-how and innovative spirit of the SAQ and its employees.

Lastly, I want to thank all the members of the Board of Directors and the Management Committee and all the company's employees for their dedication to making the SAQ a world leader in the selection and sale of wines and spirits.

Norman Hébert Jr.
Chairman of the Board of Directors

Philippe Duval
Chief Executive Officer

History in the making

This year, an unprecedented event marked the history of the SAQ. After 92 years of existence, the company passed the $1 billion mark in net earnings, which were remitted to the Quebec government in the form of a dividend. This major achievement, which contributes to the whole of Quebec society, is a point of pride for all the company's employees because it speaks loudly of their individual efforts, know-how and values. It is a feat that proves we can reach new heights while maintaining the important balance between our business and social responsibilities. But that's not all...

The net earnings of $1.030 billion correspond to a 3.1% increase from the preceding year. Moreover, the company recorded sales of $2.907 billion. In a context where retail sales grew a mere 0.6%, the SAQ obviously played its hand well. For its part, the ratio of net expenses to sales remained stable at 18.0%, demonstrating the company's ability to generate increased income while controlling its expenses.

These figures are all the more remarkable in that they come with a customer satisfaction rating of their in-store experience of 9.2 out of 10. This attests to the success of the outlet teams, who are keen on ensuring that customers have experiences they appreciate thanks to a constantly refreshed range of products and shopping environments adapted to their needs.

What's more, in a survey conducted in 2012, the employee mobilization index, which gauges the enthusiasm of the company's personnel, rose five points to +24, compared with +19 in 2009. This strong result places the SAQ at the same level as Quebec's other large corporations and confirms that an excellent work climate prevails at the company.

This year, as in 2012, the SAQ made significant investments totalling $10.3 million to ensure that its outlets and their locations keep pace with changes in the various markets and in customers' habits.

Outlet design continues to be refined and to offer the best possible shopping experience by making it easy for customers to find products.

The SAQ also took tangible action to advance its sustainable development efforts. Most notably, it funded a technology project with Tricentris to give a second life to glass while promoting Quebec engineering. Also, by adopting its first ever Sustainable Development Policy, the company is promoting sound practices all along its supply chain and in its procurement processes for products, goods and services.

True to its values, the SAQ continues to contribute to Quebec community life through, among other channels, its Donation and Sponsorship Program. This year, it invested a total of $7.3 million in 75 festivals and events and nearly 430 social sponsorships in the four areas: health care, education, culture and food assistance. Additionally, through its second Generous Wines campaign, the SAQ raised $380,000 for Food Banks of Quebec and its 18 Moissons members. The company also supported The Chef Table with a financial contribution on the order of $100,000 and a volunteer activity that saw 150 employees and their families donating their time to prepare dishes that were presented to the Moissons organizations.

The SAQ looking forward

Responding to significant changes in customers' behaviour and expectations, the SAQ of tomorrow will have to be more innovative than ever if it is to achieve all its objectives. The 2013–2015 Strategic Plan charts the course for ensuring its growth, which will enable the government corporation to seize every business opportunity that arises and make the best strategic choices to ensure its longevity.

In closing, I want to thank all the company's employees, who truly make the SAQ a caring brand. Without them, the SAQ would not achieve such brilliant results year after year. I also want to mention the Management Committee's exceptional contribution to attaining the company's objectives and the unflagging support of the Board of Directors, which guides our decision-making. It is thus with great pride that we here present the fruit of the work and collaboration of the entire SAQ team for the 2012–2013 fiscal year.

Philippe Duval
Chief Executive Officer

Management Committee

Philippe Duval
Chief Executive Officer

Alain Brunet
Vice-President and
Chief Operating Officer

Catherine Dagenais
Vice-President –
Sales Network Operations

Madeleine Gagnon
Vice-President –
Human Resources

Luc Gélinas
Vice-President –
Real Estate and
Engineering

Richard Genest
Vice-President and
Chief Financial Officer

Nathalie Hamel
Vice-President –
Public Affairs and
Communications

Suzanne Paquin
Secretary General
and Vice-President –
Legal Affairs

Daniel Simard
Vice-President –
Procurement and
Merchandising

Jean-François Thériault
Vice-President –
Information Technology

Luc Vachon
Vice-President –
Logistics and Distribution

Highlights

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

	2013 (52 weeks)	2012 (53 weeks)	Change in %
Financial results			
Sales	2,907.0	2,837.1	2.5
Gross margin	1,552.8	1,509.3	2.9
Net expenses[1]	522.4	509.6	2.5
Profit	1,030.4	999.7	3.1
Financial postion			
Total assets	761.0	700.4	8.7
Property, plant and equipment and intangible assets	259.8	250.9	3.5
Net working capital	(191.6)	(186.7)	(2.6)
Long-term liabilities	31.9	29.4	8.5
Shareholder's equity	44.9	44.9	–
Sales by network			
Outlets and specialized centres	2,585.2	2,524.4	2.4
Wholesale grocers	321.8	312.7	2.9
Total	2,907.0	2,837.1	2.5
Sales by product category			
Wines	2,183.1	2,124.7	2.7
	157.3 L	155.2 L	1.4
Spirits	633.8	621.8	1.9
	22.0 L	21.8 L	0.9
Imported and microbrewery beers, ciders and coolers[2]	90.1	90.6	(0.6)
	11.9 L	11.9 L	–
Total	2,907.0	2,837.1	2.5
	191.2 L	188.9 L	1.2
Additional financial data			
Government revenue[3]	1,944.8	1,861.2	4.5

1. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.
2. Also known as RTDs (ready-to-drinks), FABs (flavoured alcoholic beverages) and alcopops.
3. Includes profit, sales taxes, the specific tax on alcoholic beverages and excise taxes and customs duties.


SAQ

1

Offer products and services aligned with customers' needs

INDICATOR	2013 TARGET	2013 RESULT
Sales growth rate[1]	4.0%	**4.1%**
Outlet customers' average satisfaction rate	≥ 92%	**92%**
Outlet customers' average shopping cart	$43.35	**$43.90**

1. Excluding the 53rd week of fiscal 2012

Review of Operations

Like many retailers, the Société des alcools du Québec places its customers at the centre of its business. Whether it be in the product selection process, when creating new outlet designs or in the personalized advice that its employees provide, the company remains attuned to its customers' needs and adopts the best practices to meet them. It was while engaged in this quest for perfection and synergy that the SAQ traversed its 2012–2013 fiscal year.

With this in mind, the SAQ also established, in its 2013–2015 Strategic Plan, performance indicators for each of its strategic orientations. Reaching these targets will show that it is on the right path, while not doing so will provide an opportunity to make adjustments and remain closely aligned with customers' needs. This year, the SAQ achieved its objectives by recording a 4.1% increase in sales on a comparable 52-week basis. For its part, the average shopping cart is worth $43.90.

The company is even more justified in claiming that it adequately meets its customers' needs, as customers gave their in-store experience an overall satisfaction rating of 92%. Moreover, the rating climbs to 94% when limited solely to sales floor staff.

11,500

products

$17M

in sales of Quebec products

An exceptional selection

The SAQ is recognized and admired worldwide for, among other things, the breadth and depth of the range of products it sells. Of the 11,500 alcoholic beverages from 66 countries that it offers, some 120 regular products, 765 specialty products and 695 Signature products were renewed this year. To make such a high-quality selection available to its customers, the SAQ does business with some 2,700 suppliers. In addition, 70,000 analyses were performed in its laboratory this year.

Always aware of the importance of innovation and discovery, the SAQ proactively established new partnerships and developed offers from several parts of the world, which led it to hold new promotions centred on products from Australia, Bordeaux and Chianti, for example.

Quebec products

The SAQ also showcases Quebec alcoholic beverages. Specifically, it sells some 300 locally made products. To do so, it has developed a number of promotional campaigns: Quebec products are included in most of its publications; a 10% discount on locally made alcoholic beverages is offered during the Fête nationale and the holiday season; Quebec products are identified with a special icon on SAQ.com; and videos made at local producers' are featured on social networks.

In each of the last two fiscal years, the SAQ has organized an encounter involving Quebec producers and some 400 of its employees. At the event, the producers present and offer tastes of their products in a friendly, personalized setting. In addition, the SAQ invited 12 Quebec cider makers to take part in a trade mission to Switzerland and France, the idea being to share knowledge on production and marketing techniques for high-quality products. In collaboration with producers' associations, the company also organized three province-wide competitions to spotlight Quebec alcoholic beverages. The competitions were held at the Fête des vendanges Magog-Orford, the Fête des vins du Québec and the Mondial des cidres de glace. Lastly, to lend a hand to consumers seeking to learn about cider, the SAQ added taste tags to the ciders sold in its outlets. At the end of the day, the Quebec product category saw overall sales rise 13.3% to more than $17 million. This rise is attributable in particular to a marked increase in sales of wines, meads and still and sparkling ciders.

Promotions

-3

print circulars

+4.7%

in outlet traffic

To promote its in-store offerings, the SAQ has gradually retired some of its print circulars in favour of multimedia advertising campaigns (ads on the radio, in newspapers and on Publisac bags), which made it possible to inform a larger number of customers about the promotion. This type of promotion generated a 4.7% increase in outlet traffic.

11.1 million

page views on the new SAQ.com in two months

Appealing promotions

Quebecers love discovering and tasting new products, so it doesn't come as a surprise that they willingly take advantage of promotions to fill gaps in their knowledge and investigate wines and spirits that are different from their usual purchases. The holiday season's Super Saturday, when five products were offered at a 25% discount, was the biggest day of the year in terms of sales. That said, the promotion that generated the most interest among SAQ customers was November's 10% discount on purchases of $100 or more, with network-wide sales in excess of $39 million during the three days of the promotion.

Technology at the heart of business

For many consumers, the shopping experience matters as much as the product they're buying. Aware of this reality, the SAQ embarked on a technology shift a few years ago. Having established a social media presence and developed mobile apps, the company launched a new version of its SAQ.com website on February 4, 2013. As user-friendly as it is multi-faceted, the website has been entirely rethought to better fit customers' new ways of gathering information and shopping, the goal as ever being to better meet their needs.

Barely two months after its makeover, the new SAQ.com is enjoying great success. Comments from internet users, customers, the specialized press and bloggers are very positive. The search engine has reached its objectives, the Tips and Pairings section is much appreciated and customers say they are extremely satisfied. Statistics collected since the launch clearly show that the site is popular with customers. In only two months, close to two million visitors have viewed 11.1 million pages, a 19.7% increase over the same period last year. Internet users visit the site more often (up 5.6%) and spend more time on it (a nearly 6.5% increase).

Nice advice: a true commitment

Always aiming to meet customers' needs better and more efficiently, the SAQ continued rolling out its advisory sales program for its employees. By accompanying customers from the moment they enter the outlet, paying close attention to their needs and offering advice oriented toward discovery, the SAQ's employees help ensure that customers leave with a product suited to their drinking occasion. To date, the program has been implemented in 320 SAQ outlets, and mystery customer visits show that it is being applied successfully.

66,000

requests submitted to the Customer Relations Centre

You've got questions, we've got answers

During the 2012–2013 fiscal year, the Customer Relations Centre handled over 66,000 information requests and comments, more than 60% of which were submitted by telephone. While the number of contacts with customers was up 17% from last year, only 4% of all contacts were related to unfavourable comments. The most frequently raised topics are Signature Services and the *Courrier vinicole*, information requests (regarding the company's products, outlets, policies, contests, mobile apps, magazines and requests) and the brand new SAQ.com website.

2

Improve productivity and performance

INDICATOR	2013 TARGET	2013 RESULT
Net expenses as a percentage of sales	18.2%	**18.0%**
Net earnings as a percentage of sales	35.1%	**35.4%**
Sales per square foot (outlets and specialized centres)	$1,355	**$1,350**
Employee mobilization index	≥ 24	**+ 24**

$$$$$$$$$$

1.030

BILLION

DOLLARS

transferred to the Quebec government

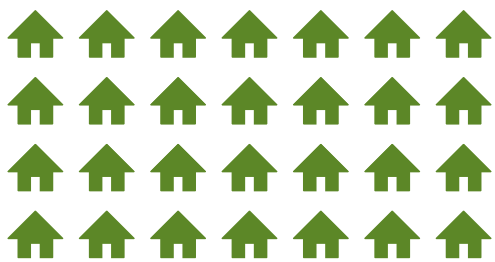
The Société des alcools du Québec is a government corporation mandated to sell beverage alcohol by offering a broad range of quality products. Besides achieving sales growth, it must maintain sound management in order to meet the expectations of taxpayers, who legitimately require that their government institutions be managed efficiently and in a disciplined manner. As a result, the SAQ has continuously improved its internal processes, adopted the best retailing practices and challenged its suppliers to give it more for its money year after year. The company's aim is to offer its customers the best products in the best locations at the lowest possible cost.

Financial results

It is by remaining constantly focused on improving its productivity that the SAQ has succeeded in bettering its financial performance each passing year. In fiscal 2012–2013, sales of $2.907 billion were recorded, a nearly $70 million or 2.5% increase from the preceding fiscal year. Also, for the first time in its history, the company will transfer to the Quebec government a dividend in excess of $1.030 billion. All told and including the amounts collected in sales taxes and specific taxes, the SAQ will remit to the Quebec no less than $1.560 billion, with another $384.6 million going to the federal government. These results are themselves the result of the more than 59 million transactions completed and 201 million bottles sold by the SAQ's some 5,800 outlet employees.

To measure its productivity, the SAQ also uses three operating ratios: net expenses as a percentage of sales, net earnings as a percentage of sales, and sales per square foot in its outlets and specialized centres. The results for the first two indicators exceeded the targets while sales per square foot in the outlets and specialized centres averaged $1,350 or $5 above the established objective.

Outlet development



$10.3M

invested

13

outlet expansions

The best offer in the best possible location

Few retailers can boast of having more than 800 points of sale throughout Quebec but, with its 405 outlets and 396 agency stores, the SAQ can.

The company reviews its outlet deployment plan annually, taking into account changes in the various markets and in consumers' shopping habits. This allows it to maintain a constant watch on its outlet and agency store network in order to determine the options available to it. In fiscal 2012–2013, the SAQ invested $10.3 million in developing its outlets. The year saw three new outlet openings, 32 new leases, 13 expansions, two mergers and six closings. Each of the decisions regarding the outlet network is made expressly to provide the best offer in the best possible location.

Overall employee mobilization index (EMI)

Employees, the SAQ's lifeblood

Happy, motivated employees make a big difference in any company's performance. Thanks to a deeply rooted customer culture, a marked interest in the company's objectives, managers who are available and who communicate the organizational vision and great autonomy in performing work, the SAQ's employee mobilization index (EMI) is currently +24, five points higher than it was in 2009. This result places the SAQ squarely in the middle of the average indices for large Quebec corporations.

Also, to encourage employee commitment and development and increase employee productivity, the company, in cooperation with the SPTP, the SAQ professional and technical employees' union, set up a performance management program for member employees. The program aims to measure the employees' contribution to the company's success. In support of the program's implementation, training was provided to 641 employees and 112 managers and shop stewards.

As part of its efforts to ensure its employees work in a healthy, stimulating and safe environment, the SAQ has developed an action plan for implementing, over three years, better occupational health and safety practices. Now in its second year, the action plan has been 74% implemented. Since the start of the implementation process, a number of task analyses have been carried out to indentify the most significant risks. Specific indicators regarding the frequency and severity of accidents and the rate of absenteeism have been developed and are closely and constantly monitored.

The SAQ holds the Millélismes recognition activity each year to spotlight the contribution of employees who excel and make an outstanding contribution to the attainment of the company's objectives. In fiscal 2012–2013, a total of 69 individuals and two work teams were recipients of this honour.

Also, to help its managers improve and adapt to the new business realities, the SAQ introduced a program titled Destination Leadership. The program's aim is to develop candidates' management style and proximity leadership skills. At the end of the program's first year, 95% of the 250 participants said they were satisfied with the training, which they found useful and relevant.

Maintaining a high-quality product offer inevitably requires continuous training of personnel. In 2011, the SAQ made a technological shift in order to introduce new training strategies. This approach enables the company to train more workers on operational, business and strategic topics. Since the launch of the Espace Formation SAQ training platform, 29 online courses have been offered to outlet and administrative centre employees. This year's courses covered, among other things, occupational health and safety, product knowledge, customer service and sustainable development. In addition, for the first time ever, online training courses were developed and deployed for managers. As at March 30, 2013, 38% of the training days offered by the SAQ were taken through the online channel, a 16% increase from last year.

★ ESPACE ★
FORMATION
SAQ

29

new online training courses since 2011

3

Optimize the supply chain

INDICATOR	2013 TARGET	2013 RESULT
Procurement success rate for new needs	75%	**100%**
Number of successfully implemented business models	2	**2**

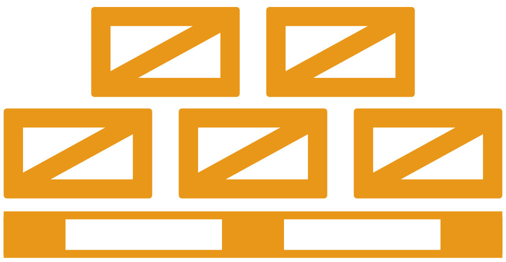
73

SAQ drivers travelled the equivalent of 73 trips around the world.

The procurement of wines and spirits is the cornerstone of the SAQ's business. Coming from the four corners of the globe, the products have to be received efficiently, handled carefully and delivered to outlets across Quebec. In recent years, the SAQ has focused much effort on optimizing its supply chain, increasing its productivity and improving its overall performance in this area.

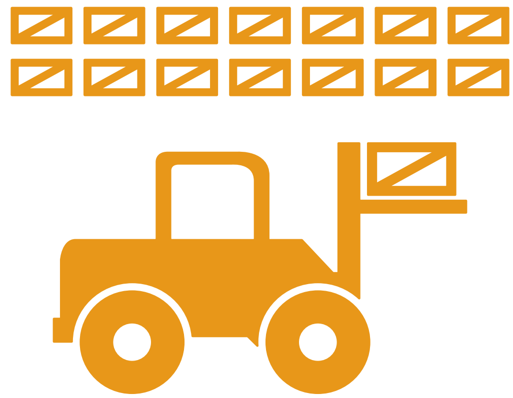
All of the supply chain targets set out in the Strategic Plan have been reached. The procurement success rate for new needs exceeded the target and reached 100%. The development work undertaken over a year ago with producers of rare and sought-after wines has enabled the SAQ to obtain exceptional allocations. Two recent issues of *Le Courrier vinicole* magazine that featured wines from Burgundy and the Rhône valley generated record demand and received considerable praise from wine lovers and columnists. Also, for the first time in 20 years, the magazine showcased and offered the full line of wines from Domaine de la Romanée-Conti.

Moreover and as always with its optimization objective in mind, the SAQ successfully implemented two new business models. Agreements were reached with suppliers in Portugal, South Africa, France and the United Kingdom so that nearly 1.5 million additional cases of beverage alcohol products will be received on pallets instead of individually. The SAQ's distribution centres now receive nearly half of the volume of goods it handles this way, which facilitates unloading and helps improve the inventory turnover rate besides favouring the health and safety of its employees, who handle fewer cases as a result.



≈50%

of the volume of goods received on pallets



20.6 million

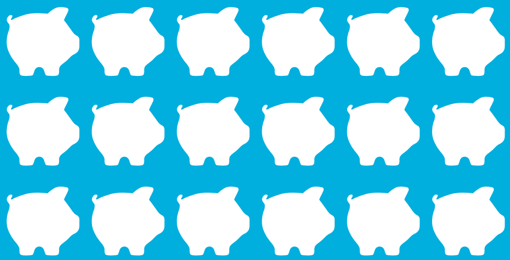
cases delivered across the networks

During the 2012–2013 fiscal year, the SAQ improved its inventory turnover by 8%, even as it offered a higher level of service to its customers. The initiatives put in place included working very closely with some 20 of its 50 largest suppliers, who alone account for 50% of the SAQ's sales. The company also developed new indicators and reports and performed more thorough and personalized follow-up with its major suppliers. By way of example, the strategies implemented for its nine largest suppliers in France pushed the arrival accuracy rate from 88% to 95%, while the inventory turnover rate for French products improved 16.5%.

Besides making a success of these high-benefit projects, the SAQ continued optimizing its infrastructures, inventory management and business processes to improve its performance, Its efforts in these areas resulted in a 5.27% improvement in its cases-per-hour performance and a 2.40% reduction in the cost per case. During the year, more than 20.6 million cases of beverage alcohol products were delivered across its networks (outlets and specialized centres, wholesale grocers), up 1.66% from the preceding year.

Invest in the well-being of the community

Already an integral part of the company's habits and values, contributing to community life and the well-being of Quebec society is of prime importance for the SAQ. Accordingly, in the 2012–2013 fiscal year, the company through its donation and sponsorship program invested $7.3 million in 428 organizations and some 75 festivals and events, including more than 20 wine shows for the benefit of non-profit organizations.



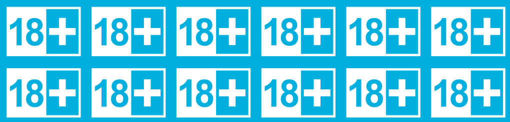
$380,000

presented to Food Banks of Quebec by the SAQ

Food assistance

For the second year in a row, the SAQ collaborated with Food Banks of Quebec to hold an in-store fundraising campaign titled Generous Wines. The initiative resulted in the SAQ paying more than $380,000 to the organization, thereby helping to ensure that thousands of Quebecers have enough quality food to eat. The SAQ also worked with The Chef Table during the Semaine des écoles hôtelières. As well, SAQ employees were able to take part in preparing 4,460 jars of soup mix as part of a volunteer activity.

Sensitive to the needs and suffering of their fellow citizens, SAQ employees took part in the Entraide fundraising campaign. As a result, the company was able to present a cheque for slightly over $306,000, half of which came from employee donations.



676,327

young people were carded

Sales ethic

Aware of the special nature of the products that it sells and of the role of model citizen it must play in the community, the SAQ makes every effort to sell responsibly. It rigorously applies its sales ethic by refusing to sell to minors, the obviously inebriated or anyone attempting to buy on their behalf. To ensure that its employees properly implement this sales ethic, the SAQ provides them with training at the time of hiring as well as refresher courses. It also trains its outlet managers to be good guides in the process.

Additionally, to ensure its sales ethic is clearly understood by the public, the SAQ promotes it in various ways. In fiscal 2012–2013, the company distributed a sales ethic information sheet to customers when appropriate, adorned outlet floors with a large sticker encouraging customers to prepare to present an identity card and displayed sales ethic messages on cash register screens. The SAQ also aired an ad in its outlets and commercials on targeted chains during key periods (back to school, holiday season, spring break, prom, etc.). In the fiscal year ended on March 30, 2013, underage mystery customers were stopped from buying or tasting alcoholic beverages in outlets 91% of the time.

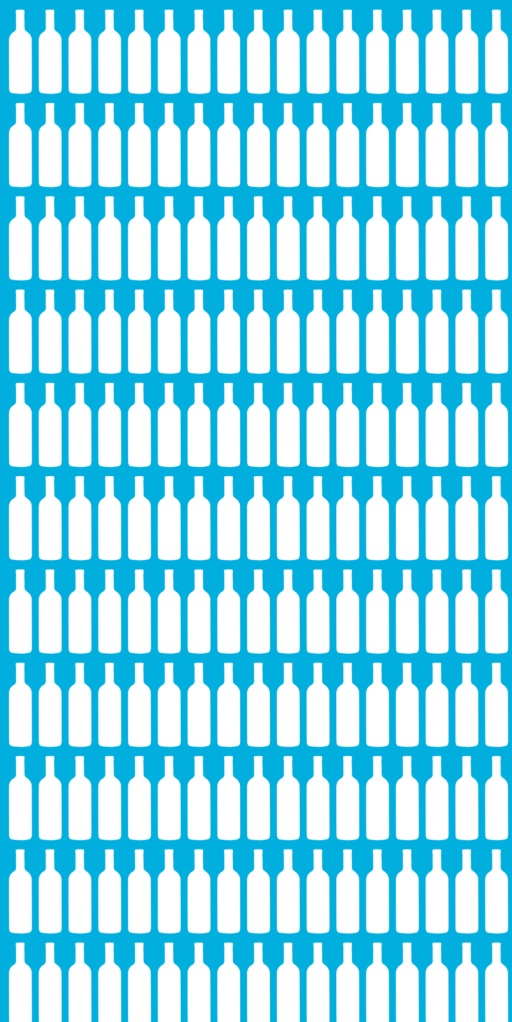
Éduc'alcool

The SAQ has contributed to the Fonds Éduc'alcool since its founding nearly 25 years ago. In fiscal 2012–2013, the company collected and remitted $3.1 million to the organization, which develops and sets up prevention, education and information programs to help young people and adults make responsible, informed decisions about alcohol consumption.

new hybrid trucks

Sustainable development

For the SAQ, being a responsible citizen also means caring about the consequences of its business activities and their impact on future generations as well as the current population. It was with that in mind that the company adopted its 2013–2015 Sustainable Development Plan, which takes up where its predecessor left off and pushes the company's commitments even further. In particular, the plan aims to rally the SAQ's employees, suppliers, customers and partners around a number of shared objectives.



1.7 million

glass bottles were processed into powder and aggregates for integration into 13 outlet floors.

Recycling glass: a priority

According to a 2011 RECYC-QUÉBEC study carried out in partnership with Éco Entreprises Québec, more than 94% of SAQ containers used in the residential sector are recovered through selective collection. For several years now, the SAQ has made recycling glass a priority. To give glass a second life, it contributed to the funding of a project developed by Tricentris, which now has a machine designed and manufactured in Quebec. Installed in a sorting centre, the device allows glass to be removed at the start of the materials sorting process, thereby avoiding possible contamination of other materials, including paper and paperboard.

During the 2012–2013 fiscal year, 1.7 million glass bottles were processed into powder and aggregates and integrated into the concrete slabs used for the floors of 13 SAQ outlets and a new addition to one of the company's administrative buildings. This glass processing innovation earned the SAQ, in collaboration with the Chaire SAQ de valorisation du verre dans les matériaux at the Université de Sherbrooke and Tricentris, a sustainable development distinction award in the Contech competition. The SAQ also received an award for its efforts to develop technology for using recovered glass in concrete manufacturing. The award was presented by the American Concrete Institute in cooperation with the Cement Association of Canada.

Litre Sales by Product Category
(outlets and specialized centres)

Wines 78.6%

78.4% in 2012

Trends

Spirits
14.5%
14.7% in 2012

Coolers
5.0%
5.1% in 2012

Beer
1.6%
1.6% in 2012

Cider
0.3%
0.2% in 2012

in 2013

Quebec consumers' taste profile

Interest in the arts of the table is as strong as ever. Quebecers are curious, like to discover new wines and spirits and are keen to stay on top of gourmet trends. This year, the SAQ sold nearly 151 million litres of wine, spirits, cider, coolers and beer through its outlet and specialized centre network. Wine remains the top seller because customers view it as appropriate for every occasion.

Wine: Quebecers like it!

In Quebec, wine is part of the cultural landscape. It is tied to sharing, celebrations and the arts of the table. That is why it maintains its high popularity with Quebecers and accounts for 78.6% of litre sales versus 14.5% for spirits. For their part, coolers, beer and cider constitute 6.9% of total sales.

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

Red	69.6%
White	25.9%
Rosé	4.5%

White wine continues on the growth path it started a few years ago. What's more, the upward trend of sparkling wines and champagnes has been confirmed with a 9% rise in litre sales this year. Once reserved for special occasions, these festive products are now often consumed before and with meals, as they are compatible with a wide variety of food. When it comes to white wine, the word "rediscovery" springs to mind, as whites held a two-thirds share of the Quebec wine market more than 20 years ago. It should also be noted that the selection of white wines has been refreshed and expanded, giving customers even more choice.

Still in first place

The figures show that customers retain their fondness for French and Italian wines. However, the strong 7.1% growth of U.S. wines, mainly from California, indicates that many customers appreciate the accessible and seductive flavour profile of that type of product. In fact, with a 13% market share, sales of California wines outpaced—for the first time ever—sales of wine from the Languedoc and the Veneto. Proportionally speaking, New Zealand and Portugal also stood out this year, particularly in the white wine category. On the other hand, Argentina saw a significant decline in its market share for the fifth year running.

Market Share of Still Wines by Country of Origin
(share of volume sales)
(outlets and specialized centres)

Country	Market share
France	31%
Italy	24%
United States	13%
Spain	7%
Australia	6%
Argentina	5%
Portugal	4%
Chile	3%
South Africa	2%
New Zealand	2%
Other	3%

Change in Litre Sales of Still Wines
by Country of Origin
(outlets and specialized centres)

Country	Change
France	1.5 %
Italy	1.2 %
United States	7.1 %
Spain	(3.2)%
Australia	(2.8)%
Argentina	(13.0)%
Portugal	6.0 %
Chile	(5.0)%
South Africa	(0.7)%
New Zealand	6.3 %
Other	(2.1)%

Quebec alcoholic beverages: a rendezvous with growth!

Maintaining their momentum, sales of Quebec-made alcoholic beverages totalled $17 million, up $2 million from last year. The rosé, white and sweet white wine categories, as well as those of red and ice wine, have made something of a breakthrough with customers. The ever-rising trend shows that consumers are increasingly opting for local products. Still and sparkling ciders are also experiencing strong growth, as are meads. Perseverance and hard work have proved the key to success for local artisans, who are making remarkable inroads into the market.

Litre Sales by Type of Customer
(outlets and specialized centres)

	2012-2013	2011-2012
Consumers	81.2%	80.4%
Permit holders	13.4%	14.3%
Agencies and other customers	5.4%	5.3%

The arts of the table… at home

As the increase in litre sales to consumers indicates, Quebecers prefer to drink in the comfort of their abodes. This statistic shows that customers enjoy cooking and entertaining at home. While the market share of sales to consumers is increasing, that of sales to permit holders (establishments holding an alcoholic beverage sales permit issued by the Régie des alcools, des courses et des jeux) is shrinking. SAQ agency stores, diplomatic missions, ship chandlers, airlines and duty-free shops saw a slight increase and now account for 5.4% of volume sales.

The average price of a 750-ml container of still wine purchased by a consumer in the outlet network rose from $15.40 to $15.86 in fiscal 2012–2013, a $0.46 increase that can be explained not only by an rise in the specific tax on beverage alcohol but also by customers' continuously evolving tastes.

Spirits: spiced rums have the wind in their sails

Whether in cocktails, on the rocks or neat, spirits continued to be appreciated by customers and held on to their litre sales this year. Average consumption remains around four litres per capita, the lowest in Canada. The spiced rum category is experiencing growth and winning new fans each year. On the other hand, brandy continues to lose market share, as do liqueurs and whisky.

Sales by Type of Spirits
(in millions of litres)
(outlets and specialized centres)

			Growth	Market Share	
	2012-2013[1]	2011-2012[2]	2012-2013	2012-2013	2011-2012
Liqueur	5.1	5.1	– %	23.2%	23.4%
Vodka	5.1	5.0	2.0 %	23.2%	22.9%
Rum	4.4	4.2	4.8 %	20.0%	19.3%
Whisky	2.7	2.8	(3.6)%	12.3%	12.9%
Gin	2.1	2.1	– %	9.5%	9.6%
Brandy	1.7	1.8	(5.6)%	7.7%	8.3%
Neutral alcohol	0.4	0.4	– %	1.8%	1.8%
Other spirits	0.5	0.4	25.0 %	2.3%	1.8%
Total	22.0	21.8	0.9 %	100.0%	100.0%

1. Fifty-two week fiscal year
2. Fifty-three week fiscal year

Finance

Accountability Report

The SAQ is a government corporation mandated to sell alcoholic beverages, a mandate that involves importing, warehousing, distributing, marketing and selling a wide variety of quality alcoholic beverages. The Accountability Report section presents the SAQ's financial performance.

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

	2013		2012[1]		2011		2010	
	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast
Sales[2]	2,907.0	2,900.8	2,837.1	2,784.6	2,657.8	2,635.1	2,549.1	2,457.3
Gross margin[2]	1,552.8	1,541.5	1,509.3	1,478.6	1,417.1	1,397.4	1,350.9	1,298.8
Net expenses[2,3]	522.4	536.5	509.6	532.7	506.6	510.8	483.7	487.3
Profit	1,030.4	1,005.0	999.7	945.9	910.5	886.6	867.2	811.5

1. 53-week fiscal year.
2. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are included in net expenses. In 2013, these deductions stood at $8.5 million compared to $13.8 million the previous fiscal year.
3. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

The fiscal 2011, 2012 and 2013 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The fiscal 2010 figures were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during that fiscal year.

Investments in property, plant and equipment and intangible assets
Fiscal years ended the last Saturday in March
(in thousands of Canadian dollars)

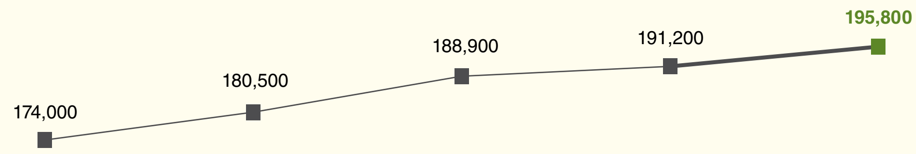
	2013	2012[1]	2011	2010
	Actual	Actual	Actual	Actual
Capital projects – distribution and administrative centres	11,234.7	6,283.4	18,536.0	11,240.8
Outlet network development	10,287.5	10,693.8	11,552.3	10,420.8
Information systems development	15,716.7	13,927.9	11,528.1	19,324.4
Rolling stock and mobile equipment	3,773.6	2,172.1	1,326.4	2,273.2
Specific equipment	461.2	847.1	343.5	956.8
Total	41,473.7	33,924.3	43,286.3	44,216.0

1. 53-week fiscal year.

Commercial Data

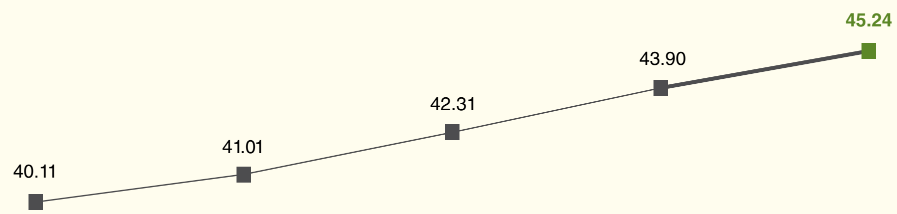
The following four tables show certain performance indicators over a five-year period.

Sales growth by volume
(in thousands of litres)



	2010 Actual	2011 Actual	2012[1] Actual	2013 Actual	**2014** **Forecast**
Change (%)	3.5	3.7	4.7	1.2	**2.4**

Growth in average in-store purchase[2]
(in dollars)



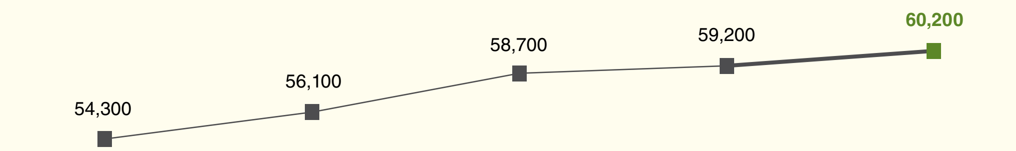
	2010 Actual	2011 Actual	2012[1] Actual	2013 Actual	**2014** **Forecast**
Change (%)	0.9	2.2	3.2	3.8	**3.1**

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

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

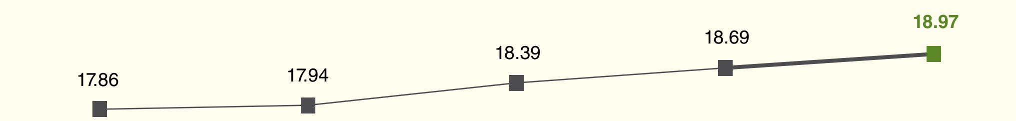
Commercial Data

Growth in customer traffic in SAQ outlets[1]
(in thousands of transactions)



	2010 Actual	2011 Actual	2012[2] Actual	2013 Actual	**2014 Forecast**
Change (%)	5.4	3.3	4.6	0.9	**1.7**

Growth in average sales price per litre[1,3]
(in dollars)



	2010 Actual	2011 Actual	2012[2] Actual	2013 Actual	**2014 Forecast**
Change (%)	1.9	0.4	2.5	1.6	**1.5**

1. Consumers.
2. 53-week fiscal year.
3. Excluding sales taxes.

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

Financial Review

This financial report reviews the operations of the Société des alcools du Québec (SAQ) for the fiscal year ended March 30, 2013, and its financial position at that date. It should be read in conjunction with the consolidated financial statements and notes thereto presented hereafter. The information contained in this management discussion and analysis includes all significant events that have occurred up to June 6, 2013.

Overview of results

For the first time in its history, the SAQ's profit exceeded a billion dollars. At $1.030 billion, profit rose 3.1% from fiscal 2011–2012 despite poor retail sales growth across Quebec during the period. At $2.907 billion, sales grew 2.5% from last year, even though this fiscal year had only 52 weeks of operation versus last year's 53 weeks. On a comparable, 52-week basis, annual growth would have been approximately 4.1%. Government revenues from operations (in the form of federal duties, consumer taxes and dividends) stood at $1.945 billion, an increase of $83.6 million. At the end of fiscal 2012–2013, the Quebec Minister of Finance, the SAQ's sole shareholder, declared a dividend of $1.030 billion.

Sales

The SAQ's sales from all of its sales and distribution networks totalled $2.907 billion during the fiscal year, 2.5% growth from $2.837 billion last fiscal year. The volume sales for all product categories rose from 188.9 million litres to 191.2 million litres, up 1.2%, or approximately 2.9% on a comparable 52-week basis.

<u>By sales network</u>

In the outlet and specialized centre network, sales totalled $2.585 billion, an increase of $60.8 million or 2.4%. That network's volume sales totalled 150.8 million litres, up 1.1% from 149.1 million litres in fiscal 2011–2012. These results speak to the expertise we have acquired over the years at offering products, an advisory service and exciting promotional campaigns that meet our customers' expectations.

During the fiscal year, the average in-outlet purchase totalled $43.90 versus $42.31 for fiscal 2011–2012. Overall, the average per-litre sales price in the outlet network was also up, at $18.69 compared to $18.39 the previous fiscal year.

In the wholesale grocer network, sales rose 2.9% to total $321.8 million, whereas the corresponding volume sales increased by 1.5% to total 40.4 million litres.

Over the past five fiscal years, sales in the outlet and specialized centre network posted average annual growth of 4.9% compared to 3.9% for sales by wholesale grocers. As for volume sales, they grew by 3.3% in the outlet and specialized centre network and by 3.1% in the wholesale grocer network.

<u>By product category</u>

The wine category distinguished itself again in fiscal 2012–2013 with sales of $2.183 billion and year-over-year growth of $58.4 million or 2.7%. Wine sales accounted for 83.5% of overall growth. Wine volume sales grew by nearly 1.4% to total 157.3 million litres at fiscal year-end. These results continue a trend we have observed for several years; volume sales of wine have increased by 44.3% in the last 10 years, reflecting consumers' ever-growing enthusiasm for this category.

Sales of spirits, which are sold solely in the outlet and specialized centre network, grew by $12 million or 1.9% to total $633.8 million, while volume sales totalled 22 million litres, up 0.9% from the previous fiscal year.

As for imported and microbrewery beers, ciders and coolers, sales went from $90.6 million to $90.1 million, a decrease of 0.6%. The corresponding volume sales remained stable at 11.9 million litres.

Cost of sales and gross margin

Cost of sales includes the acquisition costs, freight costs incurred to ship goods to the SAQ's various distribution centres and points of sale and the related customs duties and excise taxes. For fiscal 2012–2013, cost of sales stood at $1.354 billion compared with $1.328 billion the previous fiscal year. The resulting gross margin totalled $1.553 billion versus $1.509 billion in fiscal 2011–2012, an increase of nearly $44 million. As a percentage of sales, gross margin stood at 53.4% in fiscal 2012–2013 compared with 53.2% the previous fiscal year.

Net expenses

Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests. Defined this way, net expenses stood at $522.4 million, a 2.5% increase from $509.6 million the previous fiscal year, which had an additional week of operation.

Employee compensation, which is the SAQ's largest net expense category, was $358.5 million versus $344.3 million in fiscal 2011–2012, representing 12.3% of sales versus 12.1% the previous year. This expense category represented 68.6% of the SAQ's net expenses compared with 67.6% in 2011–2012.

Building occupancy expenses (including the related amortization), the second largest net expense category, rose from $89 million to $89.9 million in 2012–2013, mainly due to the cost of outlet rents as well as expenses related to building occupancy. In recent years, the SAQ's strategies and work to optimize commercial, administrative and distribution spaces have helped limit the increase in these costs.

Net expenses represented 18% of sales in fiscal 2012–2013, the same performance realized in 2011–2012.

Profit and comprehensive income

The SAQ ended its fiscal year with a profit of $1.030 billion, up $30.7 million or 3.1% from the previous fiscal year. Profit represented 35.4% of sales compared with 35.2% in fiscal 2011–2012, which constitutes exceptional performance.

Over the past two fiscal years, the SAQ has not carried out any transaction that affected comprehensive income.

Government revenues

As a government corporation, the SAQ pays substantial amounts to two levels of government in the form of consumer taxes, federal taxes and duties and a dividend to its shareholder, the Quebec Minister of Finance. In fiscal 2012–2013, government revenues from operations totalled $1.945 billion compared to $1.861 billion in 2011–2012, an increase of $83.6 million or 4.5%.

Amounts paid to the Quebec treasury totalled $1.560 billion, a $78.4 million or 5.3% increase that was attributable to a $30.7 million increase in the dividend and higher amounts of consumer taxes collected (Quebec sales tax and specific tax on beverage alcohol) as a result of higher sales, an increase in the Quebec sales tax rate on January 1, 2012, and an increase, on November 21, 2012, in the rate of the specific tax on beverage alcohol in Quebec. As for the amounts paid to the Government of Canada, they totalled $384.6 million in 2012–2013, a $5.2 million increase resulting from a higher federal sales tax contribution driven by sales growth and to higher excise taxes and customs duties payments, which reflect the increase in supply and distribution volumes.

Government revenues from operations

(in millions of dollars)

	2013	2012
Government of Quebec		
Declared dividend	**1,030.4**	999.7
Provincial sales tax	**326.1**	293.7
Specific tax	**162.0**	147.2
Specific permit holder tax	**41.7**	41.2
	1,560.2	1,481.8
Government of Canada		
Excise taxes and customs duties	**221.0**	218.5
Goods and services tax	**163.6**	160.9
	384.6	379.4
Total	**1,944.8**	1,861.2

Certain comparative figures have been adjusted.

Interests in joint ventures

The consolidated financial statements as at March 30, 2013, include a 50% interest in Société d'investissement M.-S., LP. During the fiscal year, the SAQ received a $0.4 million capital distribution from this joint venture. The SAQ's 50% interest in this joint venture did not change after the transaction.

In addition, up to September 30, 2012, the SAQ had owned 50% of the units in the joint venture TWIST LP. On October 1, 2012, the SAQ transferred its entire interest in TWIST LP to 9268-2707 Québec inc., a wholly owned subsidiary of the SAQ. In exchange, the SAQ received one common share of 9268-2707 Québec inc.'s capital. The SAQ's contribution—and the one made through its subsidiary—to TWIST LP amounted to $2.5 million during the year, which enabled it to obtain 50% of the Class A units issued.

For fiscal 2012–2013, the share in the profit of interests in joint ventures was a $2.8 million loss, compared with a $1.1 million loss the previous year. This change was mainly due to TWIST LP's recognition of $3.5 million in goodwill impairment related to the purchase of its subsidiaries. The SAQ has reflected this impairment charge in its share presented on the consolidated statement of comprehensive income.

Investments

Investments in capital assets totalled $41.5 million. The SAQ invested $21.5 million in an extensive program to modernize its outlet network and its distribution and administrative centres, $15.7 million in information systems development and $4.3 million in rolling stock and specific equipment to support distribution operations.

Financial position

As at March 30, 2013, the SAQ had total assets of $761 million compared with $700.4 million as at March 31, 2012, with the change coming mainly from an increase in current assets. The value of inventory increased by $42.3 million compared with the previous year, closing at $344.7 million. Cash and trade and other accounts receivable rose by $22.2 million and $11 million respectively. These increases in current assets were partly offset by a $22.3 million decline in deposits and prepaid expenses, partly attributable to the delivery of wine products for which deposits had been paid to suppliers to acquire products to be delivered at a later date. The net value of long-term assets rose by $7.4 million, mainly due to growth in investments in property, plant and equipment and intangible assets. As at March 30, 2013, the working capital ratio was 0.72 compared to 0.70 the previous fiscal year.

At fiscal year-end, current liabilities stood at $684.2 million, an increase of $58.1 million from $626.1 million as at March 31, 2012. This change resulted from increases of $52.4 million in government taxes and duties payable, $36.5 million in borrowings and $4.5 million in accounts payable and accrued liabilities. These increases were partly offset by decreases of $18 million in provisions and contingent liabilities and $17.3 million in the dividend payable.

The cumulative sick leave credits liability, which is the only long-term liability, rose $2.5 million since the 2011–2012 fiscal year-end.

The financial position remained solid throughout the fiscal year. The SAQ demonstrated disciplined management, presenting a satisfactory inventory turnover ratio, well-managed working capital and substantial internally generated funds.

Cash flows

The SAQ's operations generated a $22.2 million net increase in cash in 2012–2013 compared with $0.1 million the previous fiscal year.

For the fiscal year ended March 30, 2013, cash flows related to operating activities were approximately $1.076 billion, a year-over-year increase of $128.3 million that stems mainly from $30.7 million in profit growth, from an $86.8 million increase in non-cash working capital items and from the fact that there was no defined benefit funding to the pension plan.

Investing activities stood at $42.2 million versus $33.8 million in 2011–2012, an $8.4 million increase that was largely due to a $5.9 million increase in acquisitions of property, plant and equipment and intangible assets and to a $2.1 million reduction in proceeds from disposals.

Financing activities used $1.011 billion in cash in 2012–2013 versus $913.4 million the previous fiscal year. This $97.9 million increase was due to distributions to the shareholder in the form of an $85.1 million higher dividend and to a $14.5 million lower repayment on borrowings. A $1.7 million decrease in repayment of the finance lease obligation partly mitigated this increase.

As at March 30, 2013, the consolidated statement of cash flows showed $52.9 million in cash compared with $30.8 million the previous fiscal year-end.

Financing
The SAQ manages financing within certain limits set by its Board of Directors and the Government of Quebec, as specified in Note 21 to the consolidated financial statements. Given the dividend advances that are periodically paid to its shareholder, the SAQ relies on external sources to finance its operations.

At fiscal year-end, the “Borrowings” item on the consolidated statement of financial position totalled $90.5 million versus $54.0 million as at March 31, 2012. During 2012–2013, the average net borrowings stood at $74.9 million versus $56.4 million the previous fiscal year.

The SAQ’s financing activities on the money market resulted in net financial charges of $0.7 million, $0.2 million more than the previous fiscal year. This change was primarily attributable to an $18.5 million increase in average net borrowings. The average interest rate paid on borrowings during the fiscal year remained stable when compared to 2011–2012.

The “Financial Expenses Net of Financial Income” item shown on the consolidated statement of comprehensive income also includes $1.4 million in net interest related to the assets and liabilities arising from employee benefit plans compared with $1.5 million the previous fiscal year.

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

Note 5 to the consolidated financial statements provides information on the new standards and interpretations and the new amendments that are likely to be relevant to the SAQ’s consolidated financial statements.

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

An evaluation of the design and effectiveness of the DC&P was performed as of March 30, 2013, under the supervision and with the participation of management. Based on this evaluation, the Chief Executive Officer and the Vice-President and Chief Financial Officer concluded that the DC&P were adequately designed and operating effectively.

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

The SAQ’s management, including the Chief Executive Officer and the Vice-President and Chief Financial Officer, have evaluated the effectiveness of the internal controls over financial reporting (ICFR) using the framework and criteria set out in the *Internal Control – Integrated Framework* document issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that, as at March 30, 2013, the ICFR are adequately designed and effective to provide reasonable assurance as to the reliability of the financial information and the presentation of the SAQ’s consolidated financial statements in accordance with IFRS.

Risks and uncertainties

In addition to the financial risks described in Note 25 to the consolidated financial statements, the SAQ is exposed to market risk that could have an unfavourable impact on its profit, financial position or cash flows. The growth in alcoholic beverage sales in recent years could stall if the Quebec economy were to experience a prolonged slowdown, as such growth depends, among other factors, on the disposable income of customers.

The alcoholic beverage trade is a competitive sector in which every retailer offers consumers an interesting and diversified range of products or services in order to capture a greater share of discretionary spending. Consequently, the SAQ devises strategies and actions designed to mitigate this business risk. It regularly studies the buying habits and trends of consumers and adapts its business strategies to respond to them. Moreover, its vast distribution and sales network is constantly renewing its offering of high-quality products to satisfy Quebecers' ever-increasing enthusiasm for wine and other alcoholic products. All these factors, combined with a much-appreciated advisory service and continuously improved outlets, are levers that mitigate the market risk to which the SAQ is exposed.

Finally, 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 SAQ's financial position. Should the company be required to pay any amount as a result of these lawsuits, the amount would be expensed in the period in which it became payable.

Outlook

In order to continue to succeed and reach its objectives, the SAQ will focus on innovation and achieving the priorities of its 2013–2015 Strategic Plan. The initiatives to be deployed are inspired by new trends observed in retailing. To satisfy and surprise its customers, the SAQ will offer products aligned with consumer expectations, accompanied by better-targeted marketing and promotional strategies. Furthermore, thanks to the redesign of its website during the year, the SAQ now has a robust technological platform through which it can deploy its multichannel sales strategies and better reach consumers in their communities of interest.

Also with the aim of satisfying its customers, who are located throughout the province of Quebec, the SAQ will get even closer to them by adding some forty SAQ agency stores to its sales network. In so doing, it will further strengthen its presence within Quebec communities. Moreover, a new SAQ Dépôt outlet will open up on Montreal's south shore thereby strengthening the SAQ's complementarity with its other banners in the region.

Despite the forecasts of relatively weak economic growth for the coming year, management is confident that its business strategies and operating effectiveness will help the SAQ to achieve its goals.

Sales by network[1]
(in millions of Canadian dollars)

	2009	2010	2011	2012[2]	2013
Outlets and specialized centres	2,146.5	2,260.1	2,362.5	2,524.4	**2,585.2**
Wholesale grocers	278.0	289.0	295.3	312.7	**321.8**
Total	2,424.5	2,549.1	2,657.8	2,837.1	**2,907.0**

Sales by product category[1]
(in millions of Canadian dollars)

	2009	2010	2011	2012[2]	2013
Wines	1,804.9	1,905.5	1,987.0	2,124.7	**2,183.1**
Spirits	530.9	552.9	581.8	621.8	**633.8**
Imported and microbrewery beers, ciders and coolers	88.7	90.7	89.0	90.6	**90.1**
Total	2,424.5	2,549.1	2,657.8	2,837.1	**2,907.0**

1. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are included in net expenses. In 2013, these deductions stood at $8.5 million compared to $13.8 million the previous fiscal year.
2. 53-week fiscal year.

The 2011, 2012 and 2013 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Financial Review

Financial results
(in millions of Canadian dollars)

	2009	2010	2011	2012[1]	**2013**
Sales[2]	2,424.5	2,549.1	2,657.8	2,837.1	**2,907.0**
Cost of sales	1,141.9	1,198.2	1,240.7	1,327.8	**1,354.2**
Net expenses[2,3]	475.9	483.7	506.6	509.6	**522.4**
Profit	806.7	867.2	910.5	999.7	**1,030.4**

Government revenues from operations
(in millions of Canadian dollars)

	2009	2010	2011	2012[1]	**2013**
Declared dividend	806.0	867.2	914.7	999.7	**1,030.4**
Taxes and duties paid to governments	728.4	757.4	796.9	861.5	**914.4**
Total	1,534.4	1,624.6	1,711.6	1,861.2	**1,944.8**

Asset mix
(in millions of Canadian dollars)

	2009	2010	2011	2012[1]	**2013**
Inventories	294.9	302.1	294.5	302.4	**344.7**
Property, plant and equipment and intangible assets	209.6	225.8	247.4	250.9	**259.8**
Other assets	85.8	99.9	109.2	147.1	**156.5**
Total	590.3	627.8	651.1	700.4	**761.0**

1. 53-week fiscal year.
2. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are included in net expenses. In 2013, these deductions stood at $8.5 million compared to $13.8 million the previous fiscal year.
3. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

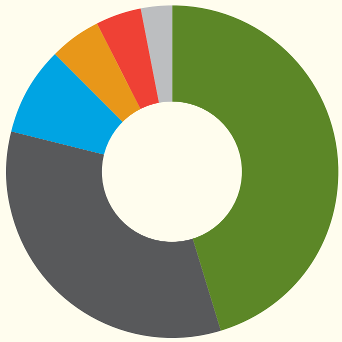
The 2011, 2012 and 2013 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

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

Breakdown of the Sales Price

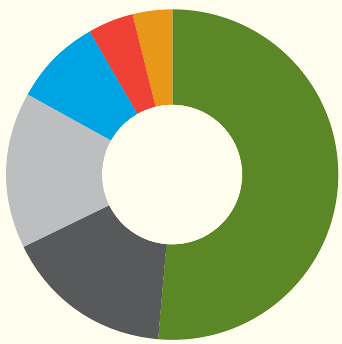
Imported wine, 750 ml format
(in dollars and percentages)
March 30, 2013

Markup[1]	$ 7.34	45.3%
Supplier price, in Canadian dollars, including shipping	$ 5.44	33.6%
Provincial sales tax	$ 1.40	8.6%
Specific tax paid to the Government of Quebec	$ 0.84	5.2%
Federal goods and services tax	$ 0.70	4.3%
Excise taxes and customs duties paid to the Government of Canada	$ 0.48	3.0%
Retail price (per bottle)	$16.20	100%



Local spirits, 750 ml format
(in dollars and percentages)
March 30, 2013

Markup[1]	$ 11.72	51.5%
Supplier price, in Canadian dollars, including shipping	$ 3.72	16.3%
Excise taxes paid to the Government of Canada	$ 3.51	15.4%
Provincial sales tax	$ 1.97	8.7%
Federal goods and services tax	$ 0.99	4.4%
Specific tax paid to the Government of Quebec	$ 0.84	3.7%
Retail price (per bottle)	$22.75	100%



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

Financial Certification of the Chief Executive Officer and of the Vice-President and Chief Financial Officer

We, Philippe Duval, Chief Executive Officer, and Richard Genest, Vice-President and Chief Financial Officer, of the Société des alcools du Québec, attest to the following:

1. Review: We have reviewed the consolidated financial statements, the annual financial review and the press release on the annual results (hereafter the “Annual Filings”) of the Société des alcools du Québec (the “SAQ”) for the fiscal year ended March 30, 2013.

2. No misrepresentation: To our knowledge, the Annual Filings do not contain any misrepresentations of a material fact nor do they omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made for the period covered by the Annual Filings.

3. Fair presentation: To our knowledge, the consolidated financial statements and other financial information in the Annual Filings present fairly, in all material respects, the financial position of the SAQ as at the previous year reporting date in the Annual Filings and the results of its operations for the fiscal year.

4. Responsibility: We are responsible for establishing and maintaining the disclosure controls and procedures (DC&P) and the internal controls over financial reporting (ICFR) applicable to the SAQ within the meaning of the *Act respecting the governance of state-owned enterprise*.

5. Design: Subject to any limitations set out in paragraphs 5.2 and 5.3, we have completed the following at fiscal year-end:

a) designed or oversaw the design of DC&P that provides reasonable assurance that:

i) material information about the SAQ is reported to us by others, particularly during the period when the Annual Filings are being prepared; and

ii) the information that the SAQ must disclose in its Annual Filings or that is filed or submitted under legislation is recorded, processed, summarized and reported within the time periods specified in the legislation;

b) designed or oversaw the design of the ICFR to provide reasonable assurance that the financial information is reliable and that the consolidated financial statements were prepared, for financial reporting purposes, in accordance with International Financial Reporting Standards (IFRS).

5.1 Control framework: The control framework that we used to design the ICFR is the one proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 Material weakness in the design of ICFR:
Not applicable.

5.3 Limitation on scope of the design: Not applicable.

6. Evaluation: We, the undersigned, certify that we have:

a) evaluated or overseen the evaluation of the effectiveness of the SAQ’s DC&P at fiscal year-end and that the SAQ has presented our conclusions, based on this evaluation, in its annual financial review;

b) evaluated or overseen the evaluation of the effectiveness of the SAQ’s ICFR at fiscal year-end and that the SAQ has presented the following information in its annual financial review:

i) our conclusions about the effectiveness of ICFR at fiscal year-end based on the evaluation;

ii) the items applicable to each operations-related material weakness at fiscal year-end: Not applicable.

7. Reporting changes made to ICFR: In its annual financial review, the SAQ has presented any change made to its ICFR during the accounting period beginning April 1, 2012, and ending March 30, 2013, that has materially affected, or is reasonably likely to materially affect, its ICFR.

8. Reporting to the SAQ’s auditors and Board of Directors or Audit Committee: Based on our most recent evaluation of ICFR, we have informed the SAQ’s external independent auditors and Board of Directors or Audit Committee of any fraud involving management or other employees who play a key role in ICFR.

Philippe Duval
Chief Executive Officer

Richard Genest
Vice-President and Chief Financial Officer

June 6, 2013

Management's Responsibility for Financial Reporting

The following consolidated financial statements have been prepared by the management of the Société des alcools du Québec (SAQ) and approved by its Board of Directors. Management is responsible for the information 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 in accordance with International Financial Reporting Standards (IFRS) and reflect management's best judgment and estimates based on available information.

As part of its duties, the management of the SAQ maintains an internal control system 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 consolidated 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 the SAQ's business in compliance with the governing laws and regulations.

The Board of Directors of the SAQ is responsible for ensuring that management fulfills its obligations for financial reporting and internal controls. The Board performs this function through its Audit Committee, which consists solely of independent directors. The Committee periodically reviews the consolidated financial statements and examines the reports on the accounting methods and on the internal control systems. The external independent auditors have unrestricted access to meet with the Audit Committee to discuss any audit-related matters.

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 an opinion on whether the consolidated financial statements are fairly presented. The Independent Auditors' Report, shown opposite, specifies the nature and scope of their audit and presents their opinion on these consolidated financial statements.

Philippe Duval
Chief Executive Officer

Richard Genest
Vice-President and Chief Financial Officer

Montreal, June 6, 2013

Independent Auditors' Report

To the Minister of Finance

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Société des alcools du Québec, which comprise the statement of financial position as at March 30, 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholder's equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and for the internal control that management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Société des alcools du Québec as at March 30, 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Report on other legal and regulatory requirements

As required by the *Auditor General Act*, (R.S.Q., chapter V-5.01), we report that, in our opinion, the accounting standards have been applied on a basis consistent with that of the preceding year.

The Interim Auditor General of Quebec,

Michel Samson, CPA auditeur, CA

Michel Samson, CPA Auditor, CA

Raymond Chabot Grant Thornton LLP

Raymond Chabot Grant Thornton LLP[1]

[1] CPA Auditor, CA public accountancy permit No. A121855

Montreal, June 6, 2013

Consolidated Statement of Comprehensive Income

Fiscal year ended March 30, 2013
(in thousands of Canadian dollars)

	2013 (52 weeks)	2012 (53 weeks)
SALES (Note 6)	**$ 2,907,047**	$2,837,123
COST OF SALES (Note 6)	**1,354,252**	1,327,802
GROSS MARGIN (Note 6)	**1,552,795**	1,509,321
Selling, marketing and distribution expenses	**461,065**	454,089
Administrative expenses	**116,366**	112,406
Advertising, promotional and miscellaneous revenues	**(59,977)**	(60,106)
OPERATING PROFIT	**1,035,341**	1,002,932
Financial expenses net of financial income (Note 8)	**2,082**	2,117
Share in the profit or loss of equity-accounted interests (Note 9)	**2,813**	1,069
PROFIT AND COMPREHENSIVE INCOME FOR THE YEAR	**$1,030,446**	$ 999,746

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

Consolidated Statement of Changes in Shareholder's Equity

Fiscal year ended March 30, 2013
(in thousands of Canadian dollars)

	Share capital	Retained earnings	Total
BALANCE AS AT MARCH 26, 2011	$ 30,000	$ 14,888	$ 44,888
Profit and comprehensive income for the year	–	999,746	999,746
Dividend	–	(999,746)	(999,746)
BALANCE AS AT MARCH 31, 2012	30,000	14,888	44,888
Profit and comprehensive income for the year	–	1,030,446	1,030,446
Dividend	–	(1,030,446)	(1,030,446)
BALANCE AS AT MARCH 30, 2013	**$ 30,000**	**$ 14,888**	**$ 44,888**

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

Consolidated Statement of Financial Position

March 30, 2013
(in thousands of Canadian dollars)

	2013	2012
ASSETS		
Current assets		
Cash	$ 52,936	$ 30,753
Trade and other accounts receivable (Note 10)	60,574	49,594
Inventories (Note 11)	344,659	302,350
Deposits and prepaid expenses (Note 12)	34,407	56,724
	492,576	439,421
Interests in equity-accounted joint ventures (Note 9)	7,250	7,963
Property, plant and equipment (Note 13)	223,625	221,501
Intangible assets (Note 14)	36,170	29,372
Defined benefit pension plan asset (Note 19)	1,352	2,132
	$760,973	$700,389
LIABILITIES		
Current liabilities		
Borrowings (Note 15)	$ 90,485	$ 53,992
Accounts payable and accrued liabilities (Note 16)	235,658	231,157
Government taxes and duties payable	108,732	56,343
Provisions and contingent liabilities (Note 17)	7,840	25,872
Dividend payable	241,446	258,746
	684,161	626,110
Cumulative sick leave credits liability (Note 19)	31,924	29,391
	716,085	655,501
SHAREHOLDER'S EQUITY (Note 20)		
Share capital	30,000	30,000
Retained earnings	14,888	14,888
	44,888	44,888
	$760,973	$700,389

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

The consolidated financial statements were approved and authorized for publication by the Board of Directors on June 6, 2013.

Sylvain Simard
Chair of the Board of Directors
(Effective May 1, 2013)

Johanne Brunet
Chair of the Audit Committee
(Appointed to this position on May 29, 2013)

Consolidated Statement of Cash Flows

Fiscal year ended March 30, 2013
(in thousands of Canadian dollars)

	2013	2012
OPERATING ACTIVITIES		
Profit	$1,030,446	$ 999,746
Non-cash items:		
Depreciation of property, plant and equipment	23,840	23,695
Amortization of intangible assets	7,574	6,502
Loss on disposals of property, plant and equipment	73	127
Write-off of intangible assets	5	–
Gain on disposal of an investment property	–	(1,214)
Share in the profit or loss of equity-accounted interests	2,813	1,069
Amounts reversed for provisions	10,451	12,090
Sick leave credits expense	5,507	6,107
Pension plan expense	844	748
Adjustments for interest income and expense	704	654
	1,082,257	1,049,524
Net change in non-cash working capital items (Note 23)	(2,856)	(89,615)
Interest paid	(1,173)	(781)
Interest received	469	127
Benefits paid under the cumulative sick leave credits plan	(2,974)	(3,399)
Funding of the defined benefit pension plan obligation	–	(8,467)
Benefits paid under the pension plan	(64)	(64)
Cash flows related to operating activities	1,075,659	947,325
INVESTING ACTIVITIES		
Capital distribution from a joint venture	400	750
Capital contribution to a joint venture	(2,500)	(2,500)
Acquisitions of property, plant and equipment	(26,774)	(23,195)
Acquisitions of intangible assets	(14,355)	(12,068)
Proceeds from disposals of property, plant and equipment	1,060	129
Proceeds from the disposal of an investment property	–	3,078
Cash flows related to investing activities	(42,169)	(33,806)
FINANCING ACTIVITIES		
Net change in borrowings	36,493	50,992
Repayment of the finance lease obligation	(54)	(1,711)
Dividend paid	(1,047,746)	(962,671)
Cash flows related to financing activities	(1,011,307)	(913,390)
NET INCREASE IN CASH	22,183	129
CASH AT BEGINNING OF FISCAL YEAR	30,753	30,624
CASH AT END OF FISCAL YEAR	$ 52,936	$ 30,753

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

Notes to the Consolidated Financial Statements

Fiscal year ended March 30, 2013
(tabular amounts are in thousands of Canadian dollars)

1.
General, statutes and nature of activities

The Société des alcools du Québec (the parent company) is constituted under the *Act respecting the Société des alcools du Québec* (R.S.Q., c. S-13). It is headquartered at 905 De Lorimier Avenue in Montreal, Quebec, Canada. The parent company and its subsidiary (collectively the SAQ) have a mandate is to sell alcoholic beverages. As a government corporation, the SAQ is exempt from income tax.

2.
Fiscal year

The SAQ's fiscal year ends on the last Saturday in March. As such, the fiscal year ended March 30, 2013, comprises 52 weeks of operation (53 weeks for the fiscal year ended March 31, 2012).

3.
Significant accounting policies

Basis of presentation and statement of compliance
These consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards (IFRS).

The SAQ's consolidated financial statements for the fiscal year ended March 30, 2013, include its own financial data and those of its subsidiary.

The accounting policies described below have been applied consistently for all periods presented.

Measurement basis
These consolidated financial statements have been prepared using the historical cost basis, except for derivative financial instruments measured at fair value, provisions, the cumulative sick leave credits liability, and the defined benefit pension plan asset, for which the measurement bases are disclosed in the accounting policies.

Consolidation principles
The consolidated financial statements include the accounts of the parent company and those of its wholly owned subsidiary, which was incorporated on August 31, 2012, under the *Business Corporations Act*. The subsidiary is an entity whose financial and operating policies the SAQ has the power to direct. The SAQ holds and exercises control by means of more than half of the voting rights. The subsidiary's year-end is the last Saturday in March of each year. The operations and balances resulting from intercompany transactions and unrealized gains and losses on operations between the companies are eliminated upon consolidation. The subsidiary's financial statements are included in the consolidated financial statements from the date on which control was acquired to the date on which control ceases.

3. Significant accounting policies (cont.)

Revenue recognition

Sales of beverage alcohol to consumers, agencies, permit holders (including licensed establishments and institutions), authorized distributors (wholesale grocers) as well as other revenues are recognized, net of discounts and returns, when:

- the SAQ has transferred the significant risks and rewards of ownership of the goods to the buyer;
- the SAQ retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the SAQ and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

For the SAQ, these recognition criteria are generally met when goods are delivered or services are rendered.

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. 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 related companies. These products must be purchased 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 margin for the SAQ. The SAQ does, however, collect service fees for them and recognizes them in the "Advertising, promotional and miscellaneous revenues" item.

Interest income is recognized on an accrual basis using the effective interest rate method.

Advertising and promotional programs done in cooperation with supplier representatives and other revenues can be measured reliably and are recognized separately when the services are rendered.

Interests in equity-accounted joint ventures

Entities whose business activities are jointly controlled by the parent company and a third party (the joint ventures) are initially recognized at cost and then subsequently recognized using the equity method. The carrying value of interests in joint ventures is increased or decreased to recognize the share in the profit or loss and in the other comprehensive income of the joint ventures. These changes include amortization or impairment amounts recorded after fair value adjustments to assets or liabilities.

The parent company holds a 50% interest in Société d'investissement M.-S., LP and held a 50% interest in TWIST LP until September 30, 2012, which is now held through its subsidiary. The SAQ's share in the profit of these joint ventures is presented separately in the consolidated statement of comprehensive income.

Operating segments

The SAQ has only one operating segment and therefore does not have to make any segment disclosures.

Recognition of considerations received or receivable from suppliers

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

3. Significant accounting policies (cont.)

Foreign currency translation

The annual consolidated financial statements are presented in the SAQ's functional currency, i.e. the Canadian dollar, which is also the currency of the subsidiary and joint ventures.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the date of the consolidated statement of financial position, whereas non-monetary assets and liabilities 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 year-end inventories and in cost of sales.

Financial instruments

Financial assets and liabilities are recognized when the SAQ becomes party to the contractual provisions of a financial instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all significant risks and rewards have been transferred.

A financial liability is derecognized upon extinguishment, termination, cancellation or expiration.

Financial instruments are measured at fair value upon initial recognition, plus or minus transaction costs, except for financial assets and liabilities recognized at fair value through profit or loss, which are initially measured at fair value. 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, trade and other accounts receivable, and deposits are classified as "Loans and receivables." They are subsequently measured at amortized cost using the effective interest rate method less a provision for impairment, when necessary.
- Derivative financial instruments are classified as financial assets and liabilities at fair value through profit or loss since they are classified as held for trading. They are subsequently measured at fair value and the gains and losses are recognized in profit or loss.
- Borrowings, accounts payable and accrued liabilities (except for compensation and employee benefits payable and the current portion of the finance lease obligation) as well as the dividend payable are classified as "Financial liabilities at amortized cost." Subsequently, they are measured at amortized cost using the effective interest rate method. For the SAQ, this measurement usually equals cost.

Financial instruments measured at fair value must be classified according to a three-level hierarchy based on the type of inputs used to make the measurements. This hierarchy is as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than the Level 1 quoted prices that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market inputs (unobservable inputs).

3. Significant accounting policies (cont.)

At the end of each reporting period, the SAQ determines whether there is any indication that a financial asset may be impaired. It does so for all financial assets except for those recognized at fair value through profit or loss. A financial asset or group of financial assets is impaired when there is objective evidence of impairment. In instances of impairment, the recognized impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows.

Derivatives

The SAQ partially manages the foreign exchange risk on expected foreign currency outflows by using forward exchange contracts and other derivative financial instruments. At the end of the reporting period, they are measured at the fair value confirmed by the Quebec Minister of Finance, and changes in the fair value are reflected in the consolidated statement of comprehensive income. However, the SAQ does not document its hedging relationship in accordance with IFRS and, therefore, these derivative financial instruments do not meet hedge accounting criteria. Nevertheless, the SAQ believes that, from an operating and cash flow management standpoint, the derivatives help the SAQ to reduce the potential adverse effects of a change in value of 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 for which the host contract is 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 30, 2013, and March 31, 2012, the SAQ was not holding any financial instrument or contract with embedded derivatives that needed to be separated from the host contract.

Inventories

Inventories are valued at the lower of cost and net realizable value, with cost being established according to the first in, first out method. The cost of alcoholic beverage inventories includes acquisition costs, freight in, customs duties and excise taxes, and the direct shipping costs incurred to make products available at different points of sale. Net realizable value is the estimated selling price in the normal course of business, less the costs needed to complete the sale.

Property, plant and equipment

Land held for administrative purposes is recognized at acquisition cost. As no definite useful life can be determined for the land, it is not depreciated.

Buildings, leasehold improvements, furniture and equipment, and rolling stock are recognized at acquisition cost, less subsequent depreciation and impairment losses.

A portion of the main warehouse that was held until April 11, 2012, under a finance lease is also recognized in property, plant and equipment. This asset is depreciated over its expected useful life, which is determined using that of similar assets held.

Property, plant and equipment items are derecognized when they are disposed of or when no future economic benefit is expected from the continued use of the asset. Gains or losses on disposals or decommissionings of property, plant and equipment, which equal the difference between the proceeds from the sale and the asset's carrying amount, are recognized in “Advertising, promotional and miscellaneous revenues” in the consolidated statement of comprehensive income.

3. Significant accounting policies (cont.)

These assets are depreciated from the date they become available for use, i.e. when the assets are in the location and condition necessary for them to be capable of operating in the manner intended by management, over their expected useful lives using the straight-line method. Residual values, useful lives and the depreciation method are reviewed at the end of each reporting period. The depreciation periods are as follows:

Buildings:	
Shells and structures	75 years
Roofing and electromechanical systems	20 years
Interior and exterior furnishings	10 and 15 years
Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 20 years
Rolling stock	8 to 10 years

The depreciation of property, plant and equipment is allocated to "Selling, marketing and distribution expenses" and "Administrative expenses."

Intangible assets
Intangible assets, which consist of internally developed software and acquired software licences, are recognized at cost less subsequent amortization and impairment losses. Cost includes expenses related directly to the acquisition, installation and development of software for internal use. Expenses for the research phase of an internal project are expensed as incurred.

Costs that are directly attributable to the development phase of new software are recognized as intangible assets provided that they meet the following criteria:

- completion of the intangible asset is technically feasible so that it will be available for use;
- the SAQ intends on completing the intangible asset and using it;
- the SAQ has the ability to use the intangible asset;
- the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources are available to complete the development of the intangible asset and use it;
- expenditures attributable to the intangible asset during its development can be reliably measured.

Development expenses that do not meet these asset recognition criteria are expensed as incurred.

Intangible assets are derecognized when they are disposed of or when no future economic benefit is anticipated from the continued use of the asset. Gains or losses on disposals or decommissionings of intangible assets, which equal the difference between the proceeds from the sale and the asset's carrying amount, are recognized in "Advertising, promotional and miscellaneous revenues" in the consolidated statement of comprehensive income.

These assets are amortized from the date they become available for use, i.e. when the assets are in the location and condition necessary for them to be capable of operating in the manner intended by management, over their expected useful lives using the straight-line method. Residual values, useful lives and the amortization method are reviewed at the end of each reporting period. The amortization periods are as follows:

Acquired software and licences	3 to 5 years
Internally developed software	3 to 10 years

3. Significant accounting policies (cont.)

Software maintenance costs, i.e. the amounts spent for the purchase and installation of minor patches and upgrades, are expensed as incurred.

The amortization of intangible assets is allocated among “Selling, marketing and distribution expenses” and “Administrative expenses.”

Impairment of long-lived assets
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash generating unit level.

Property, plant and equipment and intangible assets as well as interests in companies are tested for impairment when events or changes in circumstance indicate that their carrying value may not be recoverable. At the end of each reporting period, the SAQ determines whether there is any indication that a long-lived asset may be impaired. During the fiscal year, the SAQ tests intangible assets not yet available for use for impairment, irrespective of whether there is any indication of impairment. An impairment loss is recognized as the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. To determine value in use, management estimates the future cash flows of each asset or cash generating unit and then establishes an appropriate interest rate to calculate the discounted present value of those cash flows. Data used for impairment testing is directly tied to the most recently approved budget and adjusted as necessary. The discounting factors are established separately for each asset or cash generating unit and reflect their respective risk profiles, as determined by management.

Impairment losses related to cash generating units are allocated pro rata to the assets of the cash generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. A previous impairment loss may be reversed if the recoverable amount of an asset or cash generating unit exceeds its carrying amount up to a maximum of what the amortized cost would have been had the impairment not been recognized. For the current period, a company in which the SAQ holds an interest performed an impairment test that resulted in a writedown (see Note 9, Interests in Equity-Accounted Joint Ventures).

Leased assets
Operating leases
Operating leases are leases for which the risks and rewards of ownership of a leased asset are retained by the lessor.

Operating lease payments are expensed on a straight-line basis over the lease term. Related expenses, such as maintenance and insurance, are expensed as incurred. All these expenses are recognized in “Selling, marketing and distribution expenses” and “Administrative expenses.”

3. Significant accounting policies (cont.)

Borrowing costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, production or construction of qualifying assets that take a substantial period of time to get ready for use or sale. Other borrowing costs are expensed in the period in which they are incurred in "Financial expenses net of financial income" in the consolidated statement of comprehensive income.

Government taxes and duties payable
Government taxes and duties payable are recognized at the amount required by law.

Employee benefit plans
Cumulative sick leave credits
The SAQ administers an unfunded cumulative sick leave plan that pays sick leave credits to most of its employees. The future benefit cost associated with payment of sick leave credits earned by SAQ employees who participate in the plan is actuarially determined in accordance with the projected benefit method prorated on years of service and charged to earnings as services are rendered by those employees. The actuarial calculations use the most likely assumptions established by management with respect to compensation increase, the age of retirement, and the discount rate of the sick leave credits.

As the cumulative sick leave credits plan is considered to be a long-term benefit rather than a post-employment benefit, actuarial gains and losses are recognized immediately in the current fiscal year.

Management annually estimates the cumulative sick leave credits obligation with the assistance of independent actuaries by updating the discount rate used during the last full actuarial valuation. A full actuarial valuation is done every three years or when events occur that have a significant effect on the cumulative sick leave credit obligation. The valuation of the long-term benefit obligation is based on standard inflation and mortality rates. It also takes into account the SAQ's specific forecasts with respect to the rates of use of sick leave credits and future salary increases. Discount rates are determined at the end of each fiscal year by referring to high quality corporate bonds denominated in the currency in which the benefits will be paid and that have maturity dates similar to those of the related liability.

Pension plans
The employees of the SAQ participate in state pension plans, namely, the Government and Public Employees Retirement Plan (RREGOP) or the Pension Plan of Management Personnel (PPMP). The SAQ considers these plans, administered by the Commission administrative des régimes de retraite et d'assurances (CARRA), to be defined contribution plans. The SAQ's obligations under these government plans are therefore limited to its employer contributions. The employer portion of these plans is expensed in the period in which the corresponding employee services are received.

The SAQ also administers a supplemental pension plan for senior management. This plan is based on years of service and the average of the three highest annual salaries earned by the employees over the course of their career. It is a defined benefit plan that also guarantees the payment of annually indexed pension and death benefits. The plan is funded as of the year ended March 31, 2012.

Management estimates the supplemental pension plan's defined benefit obligation (DBO) annually with the assistance of independent actuaries. A full actuarial valuation is performed each year. The valuation of the post-employment DBO is based on actuarial methods and assumptions similar to those described for the cumulative sick leave plan by using the specific rates of the supplemental pension plan for senior management.

3. Significant accounting policies (cont.)

Actuarial gains and losses related to the supplemental pension plan are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the present value of the obligation and the fair value of plan assets. In such cases, the amount exceeding this 10% corridor is charged or credited to profit or loss over the expected average remaining working lives of participating employees. Past service costs are recognized immediately as an expense in the consolidated statement of comprehensive income unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. Return on assets and interest related to the DBO are expensed.

Employee benefit plan assets and liabilities (cumulative sick leave credits and supplemental pension plan for senior management) recognized in the consolidated statement of financial position equal the present value of the DBO less the fair value of the plan assets and the adjustments related to the unrecognized actuarial gains or losses at the reporting dates.

Other

The SAQ also contributes to several government plans for employees that are considered to be defined contribution plans. The employer portion of these plans is expensed in the period in which the corresponding employee services are received.

Short-term employee benefits, including vacation entitlement, are current liabilities included in “Accounts payable and accrued liabilities,” measured at the undiscounted amount the SAQ expects to pay as a result of the unused entitlement.

Provisions and contingent liabilities

Provisions are recognized when it is probable that the present obligations (legal or constructive) arising from a past event will require an outflow of economic resources from the SAQ and amounts can be reliably estimated. Provisions are not recognized for future operating losses. They are liabilities of uncertain timing or amount.

Provisions are measured as the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values where the time value of money is material.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates at that date.

Where the possible outflow of economic resources as a result of a present obligation is considered improbable or remote, no liability is recognized.

Shareholder’s equity and dividend

Shareholder’s equity includes share capital, representing the par value of issued shares, and current and prior period retained earnings.

The dividend payable to the shareholder is reported separately in the consolidated statement of financial position when approved before the end of the reporting period.

4.
Use of estimates and judgments

Preparing consolidated financial statements in accordance with IFRS requires management to exercise judgment when applying accounting policies and to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses recognized during the fiscal year.

Underlying estimates and assumptions are reviewed regularly, and the impact of any change is recognized immediately. They are based on experience, economic conditions and general trends, as well as speculation on the likely outcome of those matters. Actual results could differ from management estimates.

The main judgments, assumptions and estimates are explained below:

Internally developed software and research expenses
Management must use significant judgment when distinguishing the research phase from the development phase. Costs directly attributable to the development phase are recognized as assets when all the criteria are met, whereas research costs are expensed as incurred.

The SAQ also makes sure that it is continually meeting all of the requirements for recognizing, as assets, all of the costs directly attributable to development work. Such follow-up is necessary, as software development is uncertain and can be affected by technical problems that occur after recognition.

Leases
In certain cases, the classification of leases is difficult to determine, and management must exercise judgment when determining if a lease is a finance lease that transfers substantially all the risks and rewards of ownership of the leased asset or an operating lease.

Provisions
The classification of certain short- or long-term provisions sometimes requires management to exercise judgment when determining the most likely timing of cash outflows.

In addition, judgment is used to determine whether a past event has generated a liability that must be recognized in the consolidated financial statements or whether it should be presented as a contingent liability or provision. Quantifying liabilities requires judgments and estimates. These judgments are based on several factors such as the nature of the claim or conflict, the legal procedures and the potential amount payable, past experience and the probability of realization of a loss. Some of these factors are sources of uncertainty regarding estimates.

Inventories
For inventories, management primarily makes estimates and assumptions when measuring exchange gains or losses as well as the provision for obsolescence and product defects.

Employee benefit assets and liabilities
The cumulative sick leave credits liability and the defined benefit pension plan asset are subject to uncertainties, especially with respect to estimating discount rates, rates of use of sick leave credits, expected long-term rates of return on assets, and inflation and mortality rates, which can vary considerably in future valuations of the SAQ's defined benefit obligations.

4. Use of estimates and judgments (cont.)

Useful life of depreciable assets
Management examines the useful lives of depreciable assets at the end of each reporting period. The uncertainties regarding these estimates are related to technical obsolescence, which could affect useful lives. As at March 30, 2013, management has determined that the useful lives matched the expected usefulness of the SAQ's assets.

Impairment
Measuring facts and circumstances that indicate that an asset's value might be impaired or recovered is a subjective process that requires judgment and often a number of estimates and interpretations. If there is an indication that an asset's value might be impaired or recovered, the recoverable amount of the individual asset or cash generating unit must be estimated.

An impairment loss equal to the amount by which the carrying amount of an asset or cash generating unit exceeds the recoverable amount is recognized. The recoverable amount is the higher of fair value less costs to sell and value in use. Management determines value in use by estimating the expected future cash flows of each asset or cash generating unit.

When measuring expected future cash flows, management makes assumptions regarding future operating results. These assumptions are related to future events and circumstances. Actual results could differ from those estimates and lead to future adjustments.

5.
Future standards, amendments and interpretations

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

Presented below is information on the new standards and interpretations and the new amendments that are likely to be relevant to the SAQ's consolidated financial statements. Certain other new standards and interpretations have been published, but these standards do not apply to the SAQ or have no significant impact on its consolidated financial statements.

IFRS 9, *Financial Instruments* (in force for fiscal periods commencing on or after January 1, 2015)
The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives" entirely. The replacement standard, IFRS 9, is being issued in several phases. To date, the chapters that address recognition, classification, measurement and derecognition of financial assets and liabilities have been published. Other chapters on impairment and hedge accounting methodology are still being prepared.

Management has not yet determined how this new standard will impact the SAQ's consolidated financial statements.

Consolidation standards
A set of new consolidation standards is in force for fiscal periods commencing on or after January 1, 2013. Information on these new standards is presented below.

5. Future standards, amendments and interpretations (cont.)

IFRS 10, *Consolidated Financial Statements* and IAS 27, *Consolidated and Separate Financial Statements*

The IASB published IFRS 10 "Consolidated Financial Statements," which replaces some parts of IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special Purpose Entities." The standard presents a new definition of control that is based on principles and is applicable to any investee in order to determine the scope of consolidation. The standard provides a framework for consolidated financial statements and their preparation based on the principle of control. From now on, IAS 27 will apply only to separate financial statements. Management has not yet determined how this new standard will impact the SAQ's consolidated financial statements.

IFRS 11, *Joint Arrangements* and IAS 28, *Investments in Associates and Joint Ventures*

The IASB published IFRS 11 "Joint Arrangements," which replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers." Accounting by investor better reflects their rights and obligations with respect to joint arrangements. IFRS 11 distinguishes between two kinds of joint arrangements: joint operations and joint ventures. IFRS 11 also eliminates the possibility of using proportionate consolidation for joint ventures. The equity method, which is currently used for interests in associates, is now required under IFRS 11, and the scope of IAS 28 now includes interests in joint ventures. Management does not anticipate a significant impact on the SAQ's consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*

Along with IFRS 11, the IASB has also published IFRS 12 "Disclosure of Interests in Other Entities." This new standard establishes the minimum disclosure requirements for interests in other entities. It combines disclosure of economic interests held in subsidiaries, joint arrangements, associates and unconsolidated structured entities (which had previously been covered in each individual applicable standard) and the impact of these interests on the financial position, financial performance and cash flows of the entity. Management has not yet determined how this new standard will impact the SAQ's consolidated financial statements. Application of this standard will result in additional note disclosure.

Transition Guidance Related to IFRS 10, 11 and 12

After publishing the new standards, the IASB made some changes to the transitional provisions of IFRS 10, 11 and 12. The guidance confirms that the entity is not required to apply IFRS 10 retroactively in certain circumstances and clarifies the requirements for presenting adjusted comparative figures. The guidance also amends IFRS 11 and 12, resulting in similar easing on the presentation or adjustment of comparative information for periods prior to the period that immediately precedes the period of initial application. This also results in additional easing by removing the requirement to present comparative figures for disclosures about unconsolidated structured entities for any fiscal period prior to the fiscal period for which IFRS 12 is initially applied. The new guidance is also in force for fiscal periods commencing on or after January 1, 2013.

IFRS 13, *Fair Value Measurement* (in force for fiscal periods commencing on or after January 1, 2013)

The IASB has published IFRS 13 "Fair Value Measurement" to provide a single source of guidance concerning fair value measurements. IFRS 13 clarifies the definition of fair value, establishes a framework for measuring fair value, and requires more disclosure concerning fair value measurements. Management has examined its measurement methodologies to ensure adherence with the new requirements and has concluded that the adoption of this new standard will have no impact on the SAQ's consolidated financial statements.

5. Future standards, amendments and interpretations (cont.)

Amendments to IAS 1, *Presentation of Financial Statements*
(in force for fiscal periods commencing on or after July 1, 2012)
According to the amendments of IAS 1, an entity must group items included in "Other comprehensive income" based on whether, in accordance with other IFRS standards, they (a) will not later be reclassified to profit or loss or (b) will later be reclassified to profit or loss if certain conditions are met. The adoption of this standard will not have a significant impact on the measurement and recognition of these items but could have an impact on the presentation of other comprehensive income items following the adoption of IAS 19. The SAQ is currently assessing this impact.

IAS 19, *Employee Benefits* (in force for fiscal periods commencing on or after January 1, 2013)
The IASB has published a revised version of IAS 19 "Employee Benefits," which, among other things, eliminates the corridor method allowing for the deferral of a portion of the actuarial gains and losses for defined benefit plans, amends the measurement and presentation of certain cost components related to defined benefits and improves the disclosure requirements. The amendments of IAS 19 will apply retroactively. The main impacts of applying this new standard will be a $1.3 million decrease in the defined benefit pension plan asset and an equivalent decrease in shareholder's equity as at April 1, 2012.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)
(in force for fiscal periods commencing on or after January 1, 2014)
The IAS 32 amendments provide additional guidance on treating inconsistencies related to the application of the IAS 32 criteria for offsetting financial assets and financial liabilities in respect of the two following points:

- The meaning of "currently has a legally enforceable right of set off";
- Can some gross settlement systems be considered equivalent to net settlement?

The amendments are in force for fiscal periods commencing on or after January 1, 2014, and must be applied retroactively. Management is currently assessing the impact of these amendments on the SAQ's consolidated financial statements.

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)
(in force for fiscal periods commencing on or after January 1, 2013)
Qualitative and quantitative disclosures have been added to IFRS 7 "Financial Instruments: Disclosures" on the net and gross amounts of recognized financial instruments that (a) are offset on the consolidated statement of financial position and (b) are subject to a master netting agreement or similar agreement, even if they are not offset on the consolidated statement of financial position. The amendments are in force for fiscal periods commencing on or after January 1, 2013. The disclosures must be made retrospectively. Management is currently assessing how these amendments will affect the SAQ's consolidated financial statements.

(tabular amounts are in thousands of Canadian dollars)

6.
Sales, cost of sales and gross margin

	2013			2012		
	Outlets and specialized centres	Wholesale grocers	Total	Outlets and specialized centres	Wholesale grocers	Total
Sales	$2,585,184	$321,863	$ 2,907,047	$2,524,408	$312,715	$ 2,837,123
Cost of sales	1,191,528	162,724	1,354,252	1,168,233	159,569	1,327,802
Gross margin	$1,393,656	$159,139	$1,552,795	$1,356,175	$153,146	$1,509,321

The SAQ's sales do not include beer sales made to holders of a brewer's permit or to holders of a beer distributor's permit. The sales and cost of sales arising from these transactions totalled $261.1 million in fiscal 2013 ($282.9 million in fiscal 2012).

7.
Employee compensation

Employee benefits expense consists of the following:

	2013	2012
Selling, marketing and distribution expenses		
Salaries and other employee benefits	$ 232,538	$ 225,508
Employee benefits costs and pension plan contributions	52,978	48,528
	285,516	274,036
Administrative expenses		
Salaries and other employee benefits	60,418	58,550
Employee benefits costs and pension plan contributions	12,519	11,722
	72,937	70,272
	$ 358,453	$ 344,308

(tabular amounts are in thousands of Canadian dollars)

8.
Financial expenses net of financial income

	2013	2012
Interest on borrowings from Caisse de dépôt et placement du Québec, a government organization that carries out trust activities	$ 509	$ 141
Other interest on short-term borrowings	663	530
	1,172	671
Interest related to the finance lease obligation	1	110
Net interest related to the assets and liabilities arising from employee benefit plans	1,378	1,463
	2,551	2,244
Less financial income:		
Interest income on the investments contracted with Caisse de dépôt et placement du Québec during the year	(44)	(50)
Interest income on cash	(425)	(77)
	(469)	(127)
	$2,082	$ 2,117

(tabular amounts are in thousands of Canadian dollars)

9. Interests in equity-accounted joint ventures

The parent company has a 50% interest in Société d'investissement M.-S., LP, which is a business-to-business e-marketplace that provides an integrated solution for wine purchases and sales. During the year, the SAQ received a $0.4 million capital distribution ($0.8 million in 2012). Its fiscal year-end is March 31.

Up until September 30, 2012, the parent company had directly held 50% of the Class A units and one Class B unit issued by the joint venture TWIST LP, which is active in e-commerce on the U.S. wine market. The two other limited partners, the Fonds de Solidarité des Travailleurs du Québec (FTQ) and the Fonds de développement de la Confédération des syndicats nationaux pour la coopération et l'emploi (Fondaction) respectively hold 25% of the Class A units. The allocation of earnings to the holder of this Class B unit is determined using a formula based on achieving minimum earnings, provided for until December 31, 2013.

On October 1, 2012, the parent company transferred its entire interest to 9268-2707 Québec inc., a wholly owned subsidiary, at the carrying amount. In exchange, the SAQ received one common share of 9268-2707 Québec inc.'s capital. Given that TWIST LP's year-end is December 31, the transactions from January 1 to March 31 have been taken into account.

The SAQ's contribution—and the one made through its subsidiary—to TWIST LP amounted to $2.5 million during the year, which enabled it to obtain 50% of the Class A units issued.

The combined amounts for the joint ventures are presented below:

	Total assets		Total liabilities		Revenues	Expenses
	Current	Long-term	Current	Long-term		
March 31, 2012	$ 11,965	$ 12,445	$ 10,587	$ 5,860	$ 15,129	$ 16,198
March 30, 2013	**$ 12,483**	**$ 7,805**	**$ 10,935**	**$ 2,103**	**$ 24,653**	**$ 27,466**

As at December 31, 2012, further to the changes in its business plan, TWIST LP recognized a $3.5 million goodwill impairment related to the purchase of its subsidiaries. The impairment charge is reflected in the share in the profit or loss of equity-accounted interests presented in the SAQ's consolidated statement of comprehensive income.

The SAQ does not have any contingent liability and has not made any commitments with respect to its joint ventures.

(tabular amounts are in thousands of Canadian dollars)

10.
Trade and other accounts receivable

	2013	2012
Wholesale grocers	$ 18,816	$ 15,338
Licensed establishments, institutions and other commercial accounts	42,378	34,962
Provision for credit loss	(620)	(706)
	$ 60,574	$ 49,594

11.
Inventories

	2013	2012
Beverage alcohol[1]	$341,567	$299,368
Miscellaneous supplies	3,092	2,982
	$344,659	$302,350

1. The amount of beverage alcohol inventory recorded as an expense equals the cost of sales.

No inventory has been pledged to secure liabilities.

12.
Deposits and prepaid expenses

Miscellaneous deposits and prepaid expenses consist mainly of property tax and insurance payments whereas deposits relating to wine products are the amounts paid to suppliers for the purchase of goods to be delivered at a later time.

	2013	2012
Miscellaneous deposits and prepaid expenses	$ 2,373	$ 3,083
Deposits relating to wine products	32,034	53,641
	$34,407	$56,724

(tabular amounts are in thousands of Canadian dollars)

13.
Property, plant and equipment

	Land	Buildings	Leasehold improvements	Furniture and equipment	Rolling stock	Total[1]
Cost						
Balance as at March 26, 2011	$28,845	$125,715	$54,776	$142,335	$16,914	$368,585
Acquisitions	17	6,035	4,836	8,590	1,749	21,227
Disposals	–	–	(2,478)	(5,319)	(524)	(8,321)
Transfers	–	597	(809)	787	–	575
Balance as at March 31, 2012	28,862	132,347	56,325	146,393	18,139	382,066
Acquisitions	–	10,435	4,855	8,722	3,075	27,087
Disposals	(330)	(748)	(968)	(15,243)	(1,167)	(18,456)
Transfers	–	162	(18)	(134)	–	10
Balance as at March 30, 2013	**$28,532**	**$142,196**	**$60,194**	**$139,738**	**$20,047**	**$390,707**
Accumulated depreciation						
Balance as at March 26, 2011	$ –	$ 7,220	$35,071	$ 90,391	$12,252	$144,934
Depreciation	–	7,908	3,604	11,063	1,120	23,695
Disposals	–	–	(2,449)	(5,091)	(524)	(8,064)
Transfers	–	(7)	4	3	–	–
Balance as at March 31, 2012	–	15,121	36,230	96,366	12,848	160,565
Depreciation	–	8,260	3,665	10,666	1,249	23,840
Disposals	–	(120)	(942)	(15,094)	(1,167)	(17,323)
Balance as at March 30, 2013	**$ –**	**$ 23,261**	**$38,953**	**$ 91,938**	**$12,930**	**$167,082**
Net carrying value						
Balance as at March 31, 2012	$28,862	$ 117,226	$20,095	$ 50,027	$ 5,291	$221,501
Balance as at March 30, 2013	**$28,532**	**$118,935**	**$21,241**	**$ 47,800**	**$ 7,117**	**$223,625**

1. Projects in progress, with a capitalized value of $12.9 million, were ongoing as at March 30, 2013, ($12.3 million as at March 31, 2012) and are not depreciated. These projects mainly involve work to upgrade physical infrastructures and to install equipment.

The depreciation of property, plant and equipment has been allocated as follows on the consolidated statement of comprehensive income:

	2013	2012
Selling, marketing and distribution expenses	**$19,217**	$18,714
Administrative expenses	**4,623**	4,981
	$23,840	$23,695

(tabular amounts are in thousands of Canadian dollars)

14.
Intangible assets

	Acquired software and licences	Internally developed software	Total[1]
Cost			
Balance as at March 26, 2011	$ 11,752	$125,879	$ 137,631
Acquisitions	1,107	11,590	12,697
Transfers	1,352	(1,927)	(575)
Balance as at March 31, 2012	14,211	135,542	149,753
Acquisitions	259	14,128	14,387
Disposals	(878)	(4,562)	(5,440)
Transfers	974	(984)	(10)
Balance as at March 30, 2013	**$14,566**	**$144,124**	**$158,690**
Accumulated depreciation			
Balance as at March 26, 2011	$ 7,683	$106,196	$113,879
Depreciation	1,483	5,019	6,502
Balance as at March 31, 2012	9,166	111,215	120,381
Depreciation	1,685	5,889	7,574
Disposals	(873)	(4,562)	(5,435)
Balance as at March 30, 2013	**$ 9,978**	**$112,542**	**$122,520**
Net carrying value			
Balance as at March 31, 2012	$ 5,045	$ 24,327	$ 29,372
Balance as at March 30, 2013	**$ 4,588**	**$ 31,582**	**$ 36,170**

1. Projects in progress, with a capitalized value of $7.5 million, were ongoing as at March 30, 2013, ($6.5 million as at March 31, 2012) and are not amortized. These projects mainly involve internal software development costs.

The amortization of intangible assets has been allocated as follows on the consolidated statement of comprehensive income:

	2013	2012
Selling, marketing and distribution expenses	$ 1,218	$ 1,102
Administrative expenses	6,356	5,400
	$ 7,574	$6,502

(tabular amounts are in thousands of Canadian dollars)

15.
Borrowings

	2013	2012
Borrowings	**$90,485**	$53,992

As at March 30, 2013, the balance consisted of four borrowings, three of which were taken out with the Caisse de dépôt et placement du Québec, a government organization that carries out trust activities not included in the Government of Quebec's reporting entity. These borrowings bear interest at 1.03% and mature within seven days or less (three borrowings as at March 31, 2012, at a rate of 1.02% maturing within six days or less).

The SAQ has an authorized bank credit facility for $300.0 million, which was fully available as at March 30, 2013, and March 31, 2012. This credit is available in the form of bank overdrafts bearing interest at prime rate or in the form of advances bearing interest at a fixed rate equal to the financial institution's cost of funds plus a margin to be determined. This credit is repayable on demand.

16.
Accounts payable and accrued liabilities

	2013	2012
Accounts payable and accrued liabilities	**$162,675**	$162,706
Compensation and employee benefits payable	**72,983**	68,397
Current portion of the finance lease obligation	**–**	54
	$235,658	$231,157

(tabular amounts are in thousands of Canadian dollars)

17.
Provisions and contingent liabilities

Provisions

All provisions are considered to be short term. The carrying amounts of provisions are detailed as follows:

	Litigation	Municipal selective collection programs	Total
Carrying value as at March 26, 2011	$ 24,683	$ 7,385	$ 32,068
Increase to provisions	513	10,702	11,215
Amounts reversed	(12,090)	–	(12,090)
Amounts used	(477)	(4,844)	(5,321)
Carrying value as at March 31, 2012	12,629	13,243	25,872
Increase to provisions	1,337	5,302	6,639
Amounts reversed	(10,451)	–	(10,451)
Amounts used	(494)	(13,726)	(14,220)
Carrying value as at March 30, 2013	**$ 3,021**	**$ 4,819**	**$ 7,840**

The SAQ is exposed to various claims and lawsuits in the normal course of its operations. In management's opinion, an adequate provision has been made for any disbursements that may result from such litigation. Other than this litigation provision, the SAQ does not foresee any major unfavourable impact on its financial position. The litigation provision, which is recorded in "Administrative expenses," and at the beginning of the year consisted mainly of the costs of applying and maintaining the *Pay Equity Act*, was reduced upon implementation of the resulting program. The amounts will be paid in the first quarter of fiscal 2013–2014, except for the program maintenance costs, which are still to come. As at March 30, 2013, the carrying amount also included an amount related to the potential impact of disagreements between the SAQ and its employees regarding the interpretation of certain employment conditions.

The provision taken for the municipal selective collection programs, included in "Selling, marketing and distribution expenses" consists mainly of the estimated net costs of municipal selective collection programs to be assumed by the SAQ, taking into account the ratios for the number of bottles sold, combined with the estimated rates applicable to the SAQ's containers.

Environmental risks

The SAQ's activities must adhere to the environmental laws, regulations and guidelines enacted by the various governments. In management's opinion, environmental risks are appropriately managed and there are no current or potential liabilities related to environmental risks, except for the provision for municipal selective collection programs referred to above.

Contingent liabilities

In the normal course of business, the SAQ is party to claims and lawsuits, mostly involving damages, totalling close to $3.4 million. Management is contesting these lawsuits and is therefore opposed to meeting the resulting claims. The SAQ has made no provisions for these contingencies because, in management's opinion, their settlement will not have a significant impact on the SAQ's consolidated financial statements.

(tabular amounts are in thousands of Canadian dollars)

18.
Finance lease obligation

Finance lease as a lessee
Part of the SAQ's main warehouse was held under a finance lease. As the contract ended on April 11, 2012, the SAQ obtained a full release from all the related obligations. The net carrying amount of the assets held at that date totalled $27.9 million ($28.1 million as at March 31, 2012). Future minimum payments under the finance lease obligation, calculated at an annual rate of 11%, were nil in 2013 ($0.05 million in 2012).

19.
Employee benefit assets and liabilities

The state plans expense totalled $17.5 million ($16.1 million in 2012) and is included in "Selling, marketing and distribution expenses" and "Administrative expenses" in the consolidated statement of comprehensive income.

The following actuarial assumptions were used to determine the defined benefit expense and obligation:

	Cumulative sick leave credit plan (Long-term benefit)		Supplemental pension plan for senior management (Post-employment benefit)	
	2013	2012	**2013**	2012
Expected long-term rate of return on plan assets	**–**	–	**1.50%**	2.00%
Discount rate	**3.25%**	3.75%	**4.00%**	4.25%
Rate of compensation increase	**3.00%**	3.00%	**3.50%**	3.50%
Rate of use of sick leave credits by employee group	**from 50% to 70%**	from 50% to 70%	**–**	–
Average life expectancy:				
Man, age 65 at the financial reporting date			**84.8**	84.7
Woman, age 65 at the financial reporting date			**87.1**	87.1
Man, age 45 at the financial reporting date			**84.4**	84.3
Woman, age 45 at the financial reporting date			**86.5**	86.4

(tabular amounts are in thousands of Canadian dollars)

19. Employee benefit assets and liabilities (cont.)

These assumptions were made by management based on the advice of independent actuarial appraisers. These assumptions were also used to determine the SAQ's defined benefit obligation for the financial reporting period and should be considered to constitute management's best estimate. Actual results could differ from these estimates. Some uncertainties exist, in particular regarding the estimated long-term expected rate of return on assets, the discount rates and the rate of use of sick leave credits, which may vary considerably in future valuations of the SAQ's defined benefit obligation.

The excess of the net cumulative actuarial gains (net cumulative actuarial losses) over 10% of the defined benefit obligation is amortized over the average remaining service period of the active employee group covered by the plan. For the fiscal years ended March 30, 2013, and March 31, 2012, this period was 6.6 years.

The SAQ's defined benefit assets and obligations may be reconciled with the amounts in the consolidated statement of financial position as follows:

	Cumulative sick leave credits plan (Long-term benefit)		Supplemental pension plan for senior management (Post-employment benefit)	
	2013	2012	**2013**	2012
Reconciliation of defined benefit obligations				
Defined benefit obligations at beginning	**$29,391**	$26,683	**$ 8,029**	$ 6,866
Employer current service cost	**2,708**	2,148	**520**	460
Benefits paid	**(2,974)**	(3,399)	**(64)**	(266)
Interest expense	**1,148**	1,289	**362**	341
Actuarial losses	**1,651**	2,670	**347**	628
Defined benefit obligations at end	**$31,924**	$29,391	**$ 9,194**	$ 8,029
Reconciliation of the fair value of plan assets				
Plan assets at beginning			**$ 8,828**	$ –
Employer contributions			**64**	8,467
Benefits paid			**(64)**	(202)
Expected return on plan assets			**132**	167
Actuarial gains			**82**	396
Plan assets at end			**$ 9,042**	$ 8,828
The assets for the supplemental pension plan for senior management are as follows:				
Fixed-income securities			**$ 4,909**	$ 4,594
Refundable taxes			**4,133**	4,234
			$ 9,042	$ 8,828
Reconciliation of the defined benefit asset				
Defined benefit obligations			**$ (9,194)**	$ (8,029)
Fair value of plan assets			**9,042**	8,828
Plan surplus (deficit)			**(152)**	799
Unamortized net actuarial losses at end			**1,478**	1,275
Unamortized past service costs at end			**26**	58
Defined benefit asset at end			**$ 1,352**	$ 2,132

(tabular amounts are in thousands of Canadian dollars)

19. Employee benefit assets and liabilities (cont.)

	Supplemental pension plan for senior management (Post-employment benefit)	
	2013	2012
Expense		
Employer current service cost	**$ 520**	$ 460
Interest expense	**362**	341
Expected return on plan assets	**(132)**	(167)
Amortization of net actuarial losses	**64**	84
Amortization of unamortized past service cost	**30**	30
Expense	**$ 844**	$ 748

The expected return on plan assets is based on the weighted average return on various plan assets and includes an analysis of historical returns and forecasted future returns. Future returns on plan assets are estimated independently by external appraisers. In 2013, the actual return on plan assets totalled $0.2 million ($0.6 million in 2012).

Changes in the supplemental pension plan for senior management may also be summarized as follows:

	2013	2012	2011	2010
Defined benefit obligations	**$(9,194)**	$(8,029)	$(6,866)	$(4,962)
Fair value of plan assets	**9,042**	8,828	–	–
Plan surplus (deficit)	**$ (152)**	$ 799	$(6,866)	$(4,962)
Experience gain (loss):				
Plan assets	**$ 82**	$ 396	$ –	$ –
Plan obligations	**$ (3)**	$ 40	$ –	$ –

The SAQ's best estimate is that an amount of $2.7 million will have to be contributed to the supplemental pension plan for senior management during the annual period starting after the current reporting period.

(tabular amounts are in thousands of Canadian dollars)

20. Shareholder's equity

Share capital
The parent company is a joint stock company whose shares are part of the public domain and are allotted to the Quebec Minister of Finance. The parent company's authorized share capital consists of 300,000 shares having a par value of $100 each, which were issued and paid.

Retained earnings
Under the *Act respecting the Société des alcools du Québec*, the dividend declared by the SAQ is set by the Quebec Minister of Finance. Each year, the Minister declares the amount that is equal to the SAQ's profit or loss and determines the payment terms and conditions. The declared dividend is deducted from the shareholder's equity of the fiscal year in which it is declared.

21. Capital management

The SAQ's capital consists of shareholder's equity, the finance lease obligation, the dividend payable and borrowings. The SAQ manages its capital such that it meets the requirements of its shareholder, safeguards 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 profit distribution approach, the SAQ must rely on outside sources of financing. To this end, the SAQ has been authorized by its Board of Directors and the Government of Quebec to contract short-term borrowings to a maximum amount outstanding of $400.0 million. This limit was met during each reporting period.

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

The capital structure, as defined by the SAQ, was as follows:

	2013	2012
Shareholder's equity	$ 44,888	$ 44,888
Finance lease obligation[1]	–	54
Dividend payable	241,446	258,746
Borrowings	90,485	53,992
	$ 376,819	$ 357,680

1. Including current portion.

(tabular amounts are in thousands of Canadian dollars)

22.
Commitments and lease expense

Under its operating leases, the SAQ has committed to paying a total amount of $396.0 million to lease outlets. Payments for future fiscal years amount to:

No later than 1 year	$ 53,257
Later than 1 year and not later than 5 years	$178,390
More than 5 years	$164,335

Operating leases generally have a clause whereby the SAQ can renew the lease for an additional period with the same terms and conditions, except for rental payments, subject to negotiation. The SAQ can avail itself of this renewal option within the amount of time stipulated before the lease expires. The outlet lease expenses included in "Selling, marketing and distribution expenses" totalled $49.9 million for fiscal 2013 ($48.4 million for fiscal 2012).

23.
Information on the consolidated cash flow statement

	2013	2012
Net change in non-cash working capital items breaks down as follows:		
Trade and other accounts receivable	$(10,980)	$ 411
Inventories	(42,309)	(7,814)
Deposits and prepaid expenses	22,317	(37,305)
Accounts payable and accrued liabilities	4,210	9,271
Government taxes and duties payable	52,389	(35,892)
Provisions and contingent liabilities	(28,483)	(18,286)
	$ (2,856)	$ (89,615)
Non-cash investing activities:		
Acquisitions of property, plant and equipment and intangible assets financed by accounts payable and accrued liabilities	$ 2,515	$ 2,170

24.
Fair values of financial assets and financial liabilities

The fair values of short-term financial instruments are deemed to be equal to their carrying values. These financial instruments include cash, trade and other accounts receivable, deposits, borrowings, accounts payable and accrued liabilities (except for employee compensation and benefits payable) as well as the dividend payable.

(tabular amounts are in thousands of Canadian dollars)

25.
Management of financial instrument risk

Financial risk management objectives and policies

The SAQ is exposed to the financial risks that result from its operating, investing and financing activities. The SAQ's management manages these financial risks. The objective is to actively secure the SAQ's short-term and medium-term cash flows by reducing its exposure to financial risks.

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

Financial risks

Interest rate risk

Interest rate risk is defined as the risk that the value or future cash flows of a financial instrument may fluctuate due to fluctuations in market interest rates.

The short-term investments as well as the borrowings and amounts drawn on bank credit facilities, performed on a daily basis, expose the SAQ to the cash flow risk that results from interest rate fluctuations, as these items bear interest at variable rates. For fiscal 2013, the average balance of these financial liabilities was a net borrowing of $74.9 million ($56.4 million in 2012). The financial liabilities bore interest at rates ranging from 1.0% to 3.0% and had maturities ranging from 1 to 8 days in 2013 and 2012.

A 1% change in the interest rates on variable-rate instruments would not have had a significant impact on the SAQ's profit and shareholder's equity.

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

Foreign exchange risk

The SAQ's foreign exchange risk arises mainly from purchases in euros and U.S. dollars. Foreign exchange risk is the risk that the value or future cash flows of a financial instrument may fluctuate due to fluctuations in foreign exchange rates. To limit the impacts on profit of fluctuations in the Canadian dollar versus the euro and the U.S. dollar, the SAQ uses forward exchange contracts. The SAQ does not use derivative financial instruments for speculative or trading purposes.

As at March 30, 2013, accounts payable denominated in foreign currencies totalled $12.1 million (€8.1 million and US$1.4 million). As at March 31, 2012, they were $14.1 million (€9.7 million and US$1.2 million).

During the year, the SAQ made the following foreign currency purchases in Canadian dollars:

Currencies	2013	2012
Euro	$259,158	$290,294
U.S. dollar	30,965	32,352
Other currencies	4,188	5,858
	$294,311	$328,504

(tabular amounts are in thousands of Canadian dollars)

25. Management of financial instrument risk (cont.)

The SAQ enters into forward exchange contracts 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, at predetermined exchange rates.

Although the SAQ's exchange rate exposure varies during the year depending on the number of foreign transactions, the SAQ has determined that a 1% change in exchange rates would not have had a significant impact on profit and shareholder's equity.

As at March 30, 2013, the SAQ entered into a forward contract of less than 12 months denominated in euros beginning on April 2, 2013. The amount of the contract was $7.9 million (€6.0 million) and the forward price was 1.3172. As at March 31, 2012, the SAQ had entered into a forward contract of less than 12 months denominated in euros that began on April 2, 2012. The amount of the contract was $8.9 million (€6.7 million) and the forward price was 1.3233. The fair value of the contract held as at March 30, 2013 was $0.08 million ($0.06 million in 2012) (level 2 inputs according to the fair value measurement hierarchy) and is included in "Accounts payable and other accrued liabilities."

Credit risk

Credit risk is the risk of incurring a loss due to a counterparty's failure to meet its obligations. In general, the value recognized in the SAQ's consolidated statement of financial position as financial assets exposed to credit risk, net of provisions for credit losses or impairment losses, is the maximum amount of credit risk exposure.

Given the diversity and size of its customer base, the SAQ believes that it has limited exposure to the credit risk associated with selling alcoholic beverages and other goods and services. For certain customers, the SAQ requires additional guarantees. The SAQ's policy is to perform a credit check on certain customers. Moreover, the trade and other accounts receivable balance is managed and examined on a continuous basis and, consequently, the SAQ's exposure to credit losses is not significant.

Certain unimpaired trade and other accounts receivable are past due at the end of the reporting period. The table below shows the aging of trade and other accounts receivable past due and the related provision for credit loss. The provision was made based on the age of the accounts and the status of customer accounts.

	2013	2012
Past due:		
30 days and less	**$12,272**	$ 2,277
More than 30 days	**6,901**	6,617
	19,173	8,894
Not past due	**42,021**	41,406
	61,194	50,300
Provision for credit loss on past due accounts	**(620)**	(706)
	$60,574	$49,594

The credit loss on trade and other accounts receivable is presented in "Administrative expenses."

(tabular amounts are in thousands of Canadian dollars)

25. Management of financial instrument risk (cont.)

The change in the provision for credit loss on past due accounts is as follows:

	2013	2012
Balance at beginning	$ 706	$ 867
Reversal of provision	(254)	(309)
Write-off of receivables	(183)	(142)
Impairment loss recognized	351	290
Balance at end	$ 620	$ 706

To reduce its exposure to credit risk, 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.

Liquidity risk
Liquidity risk is the risk of the SAQ having difficulty meeting its commitments to discharge financial liabilities. The SAQ is exposed to liquidity risk mainly through its borrowings, accounts payable and accrued liabilities (except for compensation and employee benefits payable) and the dividend payable.

Managing liquidity risk consists of maintaining a sufficient amount of cash and ensuring that the SAQ has financing sources in the form of sufficient authorized borrowing amounts. The SAQ prepares budget and cash forecasts to make sure it has the funds needed to meet its obligations.

The SAQ's exposure to liquidity risk is reduced by a significant amount of cash flow from operations, its level of cash, its level of recoverable trade accounts receivable, preauthorized sources of financing and management of short-term variable-rate borrowings. The SAQ believes that it is able to honour financial liabilities in the short term.

The maturities of non-derivative financial liabilities are as follows:

	2013		2012	
	Not later than 6 months	Later than 6 months	Not later than 6 months	Later than 6 months
Borrowings	$ 90,485	$ –	$ 53,992	$ –
Accounts payable and accrued liabilities	134,187	28,488	136,902	25,804
Dividend payable	241,446	–	258,746	–
Finance lease obligation	–	–	54	–
	$ 466,118	$ 28,488	$449,694	$25,804

(tabular amounts are in thousands of Canadian dollars)

26. Related party transactions

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 the joint control or significant joint influence of the Government of Quebec. The other parties related to the SAQ include its joint ventures and key management personnel.

Entities controlled by the Government of Quebec

Without gathering information that would have involved significant costs, the SAQ believes that it did not enter into any significant business transactions individually or collectively with these related parties. It is therefore availing itself of the exemption provided by IAS 24.25 regarding disclosure obligations pertaining to transactions and balances, including commitments, with parties related to a public authority that has control, joint control or significant influence over it. This information would provide no added value to the annual consolidated financial statements.

Key management personnel

The SAQ's key management personnel are the members of its Board of Directors, the Chief Executive Officer and the vice-presidents that make up the Executive Committee.

The compensation expense for the key management personnel is as follows:

	2013	2012
Salaries and short-term benefits	$3,534	$3,357
Post-employment benefits	852	759
	$4,386	$ 4,116

Joint ventures

Details on transactions and balances between the SAQ and its joint ventures and through its subsidiary are presented below:

	2013	2012
Transactions		
Product and service sales and other revenues	$ 2,639	$ 503
Product and service purchases, other expenses and advances	$ 2,264	$2,668
Contribution of capital	$ 2,500	$2,500
Distribution of capital	$ 400	$ 750
Account balances		
Trade and other accounts receivable	$ 7,925	$5,270
Accounts payable and accrued liabilities	$10,071	$ 7,249

27.
Reclassification

During the fiscal year, the SAQ revised how occupational health and safety costs were allocated among its different functions. This reclassification resulted in a $1.1 million increase ($2.6 million for 2012) in “Administrative expenses” and an equivalent decrease in “Selling, marketing and distribution expenses.”

Quarterly Results

Fiscal years ended March 30, 2013, and March 31, 2012
(unaudited figures)

	2013				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
FINANCIAL RESULTS (in millions of Canadian dollars)					
Sales	2,907.0	566.4	1,034.6	652.5	653.5
Gross margin	1,552.8	304.5	548.5	351.0	348.8
Net expenses[1]	522.4	129.1	159.9	115.5	117.9
Profit	1,030.4	175.4	388.6	235.5	230.9
Dividend paid	1,047.7	316.0	253.0	169.0	309.7
SALES BY NETWORK (in millions of Canadian dollars)					
Outlets and specialized centres	2,585.2	505.3	922.6	582.3	575.0
Wholesale grocers	321.8	61.1	112.0	70.2	78.5
Total	2,907.0	566.4	1,034.6	652.5	653.5
VOLUME SALES BY NETWORK (in millions of litres)					
Outlets and specialized centres	150.8	29.3	50.8	35.9	34.8
Wholesale grocers	40.4	8.0	13.9	8.7	9.8
Total	191.2	37.3	64.7	44.6	44.6
VOLUME SALES BY PRODUCT CATEGORY (in millions of litres)					
Wines	157.3	31.5	53.9	35.7	36.2
Spirits	22.0	4.2	8.0	5.0	4.8
Imported and microbrewery beers, ciders and coolers	11.9	1.6	2.8	3.9	3.6
Total	191.2	37.3	64.7	44.6	44.6

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

Quarterly Results (cont.)

Fiscal years ended March 30, 2013, and March 31, 2012
(unaudited figures)

	2012				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	53	13	16	12	12
FINANCIAL RESULTS (in millions of Canadian dollars)					
Sales	2,837.1	571.1	1,022.5	635.2	608.3
Gross margin	1,509.3	307.8	538.5	339.2	323.8
Net expenses[1]	509.6	126.4	155.9	111.4	115.9
Profit	999.7	181.4	382.6	227.8	207.9
Dividend paid	962.7	294.0	240.0	159.0	269.7
SALES BY NETWORK (in millions of Canadian dollars)					
Outlets and specialized centres	2,524.4	513.7	906.0	571.5	533.2
Wholesale grocers	312.7	57.4	116.5	63.7	75.1
Total	2,837.1	571.1	1,022.5	635.2	608.3
VOLUME SALES BY NETWORK (in millions of litres)					
Outlets and specialized centres	149.1	30.3	50.5	35.6	32.7
Wholesale grocers	39.8	7.6	14.6	8.0	9.6
Total	188.9	37.9	65.1	43.6	42.3
VOLUME SALES BY PRODUCT CATEGORY (in millions of litres)					
Wines	155.2	31.8	54.1	34.6	34.7
Spirits	21.8	4.4	8.0	5.0	4.4
Imported and microbrewery beers, ciders and coolers	11.9	1.7	3.0	4.0	3.2
Total	188.9	37.9	65.1	43.6	42.3

Ten-Year Historical Review

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

	2013[1]	2012[1,2]	2011[1]
FINANCIAL RESULTS			
(in millions of Canadian dollars)			
Sales[4]	**2,907.0**	2,837.1	2,657.8
Gross margin[4]	**1,552.8**	1,509.3	1,417.1
Net expenses[4,5]	**522.4**	509.6	506.6
Profit	**1,030.4**	999.7	910.5
FINANCIAL POSITION			
(in millions of Canadian dollars)			
Total assets	**761.0**	700.4	651.1
Property, plant and equipment and intangible assets	**259.8**	250.9	247.4
Net working capital	**(191.6)**	(186.7)	(179.3)
Long-term liabilities	**31.9**	29.4	32.4
Shareholder's equity	**44.9**	44.9	44.9
CASH FLOWS			
(in millions of Canadian dollars)			
Cash flows related to operating activities	**1,075.7**	947.3	959.6
Acquisitions of property, plant and equipment and intangible assets	**41.1**	35.3	43.1
Dividend paid	**1,047.7**	962.7	926.2

1. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to cost of sales. In 2013, direct shipping costs totalled $16 million compared with $16.5 million the previous fiscal year.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are included in net expenses. In 2013, these deductions stood at $8.5 million compared to $13.8 million the previous fiscal year.
5. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.

The 2011, 2012 and 2013 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Ten-Year Historical Review (cont.)

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

2010[1]	2009[1]	2008	2007[2]	2006	2005[3]	2004
2,549.1	2,424.5	2,300.3	2,180.0	2,019.4	1,810.6	1,836.8
1,350.9	1,282.6	1,245.5	1,187.0	1,120.0	1,000.8	1,022.1
483.7	475.9	484.6	479.0	463.1	455.0	451.3
867.2	806.7	760.9	708.0	656.9	545.8	570.8
627.8	590.3	592.5	573.0	658.8	682.8	742.6
225.8	209.6	214.4	240.2	272.4	295.4	313.7
(157.7)	(140.5)	(146.2)	(171.6)	(203.6)	(227.5)	(242.8)
23.2	24.3	25.1	24.4	46.4	47.5	52.2
44.8	44.8	43.1	44.2	35.6	35.6	34.9
915.0	834.6	816.5	769.0	679.5	727.5	523.3
43.3	26.6	21.1	19.0	24.9	32.2	57.4
817.0	802.0	742.0	674.0	598.0	558.0	606.0

Ten-Year Historical Review (cont.)

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

	2013	2012[1]	2011
SALES BY NETWORK[3]			
(in millions of Canadian dollars and in millions of litres)			
Outlets and specialized centres	**2,585.2**	2,524.4	2,362.5
	150.8 L	149.1	142.8
Wholesale grocers	**321.8**	312.7	295.3
	40.4 L	39.8	37.7
Total	**2,907.0**	2,837.1	2,657.8
	191.2 L	188.9	180.5
SALES BY PRODUCT CATEGORY[3]			
(in millions of Canadian dollars and in millions of litres)			
Wines	**2,183.1**	2,124.7	1,987.0
	157.3 L	155.2	148.3
Spirits	**633.8**	621.8	581.8
	22.0 L	21.8	20.8
Imported and microbrewery beers, ciders and coolers	**90.1**	90.6	89.0
	11.9 L	11.9	11.4
Total	**2,907.0**	2,837.1	2,657.8
	191.2 L	188.9	180.5

1. 53-week fiscal year.
2. The fiscal year was disrupted by a labour dispute.
3. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are included in net expenses. In 2013, these deductions stood at $8.5 million compared to $13.8 million the previous fiscal year.

The 2011, 2012 and 2013 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Ten-Year Historical Review (cont.)

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

2010	2009	2008	2007[1]	2006	2005[2]	2004
2,260.1	2,146.5	2,034.8	1,918.5	1,758.0	1,510.2	1,650.0
137.4	132.1	127.9	123.6	114.9	101.2	108.2
289.0	278.0	265.5	261.5	261.4	300.4	186.8
36.6	36.0	34.6	32.8	31.9	34.9	29.4
2,549.1	2,424.5	2,300.2	2,180.0	2,019.4	1,810.6	1,836.8
174.0	168.1	162.5	156.4	146.8	136.1	137.6
1,905.5	1,804.9	1,705.2	1,606.4	1,474.6	1,315.8	1,326.2
142.3	137.0	131.9	126.0	116.7	107.6	109.0
552.9	530.9	515.0	493.8	461.3	406.2	428.7
20.3	19.6	19.4	19.0	18.2	16.1	17.3
90.7	88.7	80.1	79.8	83.5	88.6	81.9
11.4	11.5	11.2	11.4	11.9	12.4	11.3
2,549.1	2,424.5	2,300.3	2,180.0	2,019.4	1,810.6	1,836.8
174.0	168.1	162.5	156.4	146.8	136.1	137.6

Ten-Year Historical Review (cont.)

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

	2013[1]	2012[1,2]	2011[1]
NET EXPENSES[4,5]			
(in millions of Canadian dollars)			
Employee compensation	**358.5**	344.3	341.9
Building occupancy expenses[6]	**89.9**	89.0	83.4
Equipment use and supply expenses[6]	**40.6**	39.6	41.1
Freight out and communications	**7.4**	8.3	8.8
Other expenses	**26.0**	28.4	31.4
Total	**522.4**	509.6	506.6
OPERATING RATIOS			
(as a percentage of sales)			
Gross margin[4]	**53.4%**	53.2%	53.3%
Profit	**35.4%**	35.2%	34.3%
Net expenses[4,5]	**18.0%**	18.0%	19.0%
OTHER INFORMATION			
(at fiscal year-end)			
Number of employees[7]	**5,584**	5,489	5,369
Number of outlets	**405**	408	414
Number of agencies	**396**	398	396
Number of products offered for sale	**10,467**	10,088	9,580
SURFACE AREA OF BUSINESS PREMISES			
(in thousands of square feet)			
Outlets	**1,915.1**	1,880.6	1,827.2
Distribution centres	**1,462.6**	1,461.7	1,458.7

1. Due to the adoption of a new accounting standard on inventories in 2009, direct shipping costs are deducted from net expenses and charged to cost of sales. In 2013, direct shipping costs totalled $16 million compared with $16.5 million the previous fiscal year.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. Due to the adoption of a new presentation method in 2011, the Éduc'alcool Fund and Environmental Fund deductions are included in net expenses. In 2013, these deductions stood at $8.5 million compared to $13.8 million the previous fiscal year.
5. Net expenses consist of selling, marketing, distribution and administrative expenses, from which advertising, promotional and miscellaneous revenues are deducted. They also include financial expenses net of financial income and the share in profit or loss of equity-accounted interests.
6. Including amortization expense.
7. The number of employees is expressed on a full-time equivalence basis.

The 2011, 2012 and 2013 financial information has been prepared in accordance with International Financial Reporting Standards (IFRS). The figures presented for previous years were prepared in accordance with the Canadian generally accepted accounting principles (GAAP) in effect during those fiscal years.

Ten-Year Historical Review (cont.)

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

2010[1]	2009[1]	2008	2007[2]	2006	2005[3]	2004
332.5	319.2	316.9	308.4	280.0	254.3	275.8
79.6	76.9	73.6	72.5	71.2	66.6	64.7
37.1	43.9	59.8	57.8	57.9	60.8	54.2
8.3	8.8	11.4	12.2	13.3	12.3	12.6
26.2	27.1	22.9	28.1	40.7	61.0	44.0
483.7	475.9	484.6	479.0	463.1	455.0	451.3
53.0%	52.9%	54.1%	54.4%	55.5%	55.3%	55.6%
34.0%	33.3%	33.1%	32.5%	32.5%	30.1%	31.1%
19.0%	19.6%	21.0%	21.9%	23.0%	25.2%	24.5%
5,265	5,260	5,337	5,264	5,235	4,494	4,803
416	414	414	414	408	403	398
395	398	397	395	400	403	403
8,833	8,611	8,231	7,532	7,243	7,633	7,148
1,822.1	1,759.0	1,703.8	1,687.1	1,660.9	1,633.1	1,595.7
1,349.7	1,215.4	1,215.4	1,166.9	1,166.9	1,152.6	1,127.6

Governance

Report of the Board of Directors

The Board of Directors of the Société des alcools du Québec ensures that the company's business is administered in compliance with the laws and regulations that govern it. The Board approves and adopts the company's main orientations and policies. During the 2012–2013 fiscal year, the Board was composed of the company's Chief Executive Officer and 13 independent members. During the year, one member, Jacques Tanguay, left the Board and, in conformance with the expertise and experience profiles established by the Board, the Quebec cabinet appointed Danièle Bergeron and Sylvain Lafrance to the Board. Thus, as at March 30, 2013, the company's Board of Directors consisted of seven women and six men, thereby meeting the gender-parity objective set by the government.

The members of the Board of Directors have diverse professional backgrounds and make their knowledge and skills available to the four Board committees, namely the Governance and Ethics Committee, Audit Committee, Human Resources Committee and Business Practices Committee.

Chaired by Norman Hébert Jr., the Board of Directors held nine meetings during the 2012–2013 fiscal year, including a private session at the end of each meeting. After each Board committee meeting, the Board received an oral report and the minutes of meeting summarizing the issues discussed at the meeting, thereby ensuring that the Board fulfilled all its regular duties related to the conduct of the company's business, as stipulated in the *Act respecting the governance of state-owned enterprises*.

In particular, the Board examined and approved the directors' expertise and experience profile and carried out the annual evaluation of its functioning and achievements.

At each Board meeting, management presented a report on the company's business and an update on the various projects under way and on the development of the strategic plan dashboard.

In addition, the Board adopted the 2013–2015 Strategic Plan and obtained a follow-up report on the progress of the initiatives stemming from this new plan.

At its meetings, the Board performed follow-up on the measures adopted by the company following the adoption of the *Act to implement certain provisions of the Budget Speech of 30 March 2010*, which aimed to return to a balanced budget in 2013–2014 and reduce the debt. The Board reviewed and approved the company's budget. On the recommendation of the Audit Committee, it approved the joint audit plan and external auditors' fees. It also approved the consolidated financial statements for the fiscal year ended March 30, 2013, and the annual report and it performed follow-up on the intermediary financial reports.

Additionally, as stipulated in the aforementioned act, the Board adopted guidelines and measures for reducing expenses and increasing the company's productivity.

Specifically, the SAQ was required to realize a $40 million effort in fiscal 2012–2013. The adopted measures allowed the objective to be reached, with $32.2 million in productivity gains in the Sales and Logistics and Distribution divisions and $16.5 million in reductions in various expenditures. In conformance with the act, the company revised downward the target bonus based on the basic salary of senior executives by ten percentage points and the target bonuses of managerial staff by 30%. This reduction corresponds to a $2 million decrease in the performance-based additional compensation of senior executives and managers. In addition, the salary scale increase for executive and managerial staff was limited to 1.5%.

As regards operating expenses of an administrative nature, the company launched several initiatives that will enable it to reach the 10% reduction target by the end of fiscal 2013–2014 while taking its special characteristics into account. Advertising, training and travel expenses not incurred as part of the company's business mission were reduced in accordance with the established targets. As a result, a 28.8% savings was achieved.

Lastly, the Board of Directors evaluated the performance of the Chief Executive Officer and, based on the parameters established by the government, approved his compensation as well as that of the vice-presidents. In addition, on the recommendation of the Human Resources Committee, the Board adopted the compensation parameters applicable to the company's management and non-unionized personnel and revised the existing human resources policies and adopted new ones.

Board Committees

Governance and Ethics Committee

The main focus of the Governance and Ethics Committee is the company's governance rules and practices. It ensures that the company maintains the highest standards in this regard. It develops and submits for approval to the Board of Directors a code of ethics applicable to the company's directors, officers and employees as well as the expertise and experience profiles used in nominating all Board members except the Chief Executive Officer.

The Governance and Ethics Committee has seven independent members, including the chair, Louise Ménard. In fiscal 2012–2013, the committee met on six occasions and held a private session at the end of each of its meetings. The committee performed all the functions specified in section 22 of the *Act respecting the governance of state-owned enterprises*. In particular, the committee recommended to the Board of Directors that it:

- renew the Ombudsman's mandate;
- review the composition of the committees;
- revise the SAQ's Code of Ethics for Employees; and
- revise the SAQ's Règlement intérieur.

In addition, the Governance and Ethics Committee:

- performed follow-up on the Sustainable Development Plan;
- received and followed up on the Ombudsman's recommendations;
- approved the 2012–2013 continuous training program for directors and organized the holding of three workshops allowing directors to discuss issues related to the performance of their duties;
- reviewed the expertise and experience profiles of the Board members; and
- carried out the annual evaluation of its performance with respect to its terms of reference.

The committee also developed criteria for the annual evaluation of the Chairman of the Board and of the functioning of the Board and its committees and proposed them to the directors. This involved the directors' filling out a questionnaire on the composition and role of the Board and its committees and on the functioning and effectiveness of their meetings. The members of the Governance and Ethics Committee then analyzed the results of the evaluation of the Board and its committees and submitted them to the Board of Directors, which took cognizance of them.

Lastly, after each of its meetings, the committee reported on its activities to the Board of Directors.

Audit Committee

The Audit Committee is primarily concerned with the integrity of the company's financial information and ensures that the company's internal control mechanisms are adequate and effective. The committee is composed of six independent directors, two of whom are members of the Ordre des comptables professionnels agréés du Québec. The Audit Committee is chaired by Douglas M. Deruchie.

During the 2012–2013 fiscal year, the Audit Committee met four times and held a private session at the end of each of its meetings. It performed all the functions specified in section 24 of the *Act respecting the governance of state-owned enterprises*. In particular, the committee recommended to the Board of Directors that it:

- approve the company's financial statements, which the committee had examined with the joint auditors and determined that they accurately reflected the company's financial situation;
- approve the audit schedule and audit plan for the fiscal year ended March 30, 2013;
- approve the Internal Audit Department's 2012–2013 annual plan; and
- approve the financial review of the annual report.

In addition, the Audit Committee:

- approved the company's intermediary financial reports and took cognizance of the reports submitted to it by the Financial Information Disclosure Committee;
- periodically monitored the initiatives to optimize the company's resources and the savings achieved;
- took cognizance of the audits performed by the Internal Audit Department and monitored its annual plan;
- monitored the internal control certification programs;
- monitored the work of the company's Risk Management Committee; and
- carried out the annual evaluation of its performance with respect to its terms of reference.

Also, the committee periodically met in private with representatives of the Quebec Auditor General and the external auditors and verified the independence of the latter, whose fees for services rendered as at March 30, 2013, totalled $220,000.

Lastly, after each of its meetings, the committee reported on its activities to the Board of Directors.

Business Practices Committee

The terms of reference of the Business Practices Committee are to examine the company's current policies and business practices regarding the procurement and merchandising, including marketing and promotions, of its products. In addition, it ensures compliance with the Policy Regarding Contracts and Financial Commitments, including the development of the company's network or outlets and agencies. Lastly, it examines issues related to external communications and social responsibility.

The Business Practices Committee is composed of the company's Chief Executive Officer and seven independent members, one of whom is its chair, Pietro Perrino. In fiscal 2012–2013, the committee met eight times and held a private session at the end of each of its meetings. Among other things, the committee recommended to the Board of Directors that it:

- adopt the Outlet and Agency Network Development Program; and
- adopt the contract and financial commitment approval process.

More specifically, The Business Practices Committee:

- examined, on a quarterly basis, the integrity and implementation of the product procurement and withdrawal process; and
- examined and recommended to the Board the implementation criteria for operating an agency store and the agency evaluation criteria.

After each of its meetings, the committee reported on its activities to the Board of Directors. It also carried out the annual evaluation of its performance with respect to its terms of reference.

Human Resources Committee

The main terms of reference of the Human Resource Committee are to examine, recommend to the Board of Directors and monitor policies and strategic orientations relating to human resources management. It also develops the expertise and experience profile for the position of Chief Executive Officer and oversees succession planning for the company's officers.

The Human Resources Committee is composed of eight independent members, including its chair, Lucie Martel. During the 2012–2013 fiscal year, the committee met four times and held a private session at the end of each of its meetings. It performed all the functions specified in section 27 of the *Act respecting the governance of state-owned enterprises*. In particular, the committee recommended to the Board of Directors to:

- authorize the pay increases and bonuses for the company's officers and employees;
- adopt changes to several of the company's policies for which it is responsible, including the 2012–2013 compensation policy for management and non-unionized employees; and
- review the expertise and experience profile of the Chief Executive Officer.

In addition, the Human Resources Committee:

- monitored the succession management program for the company's officers;
- developed and recommended to the Board the annual objectives of the Chief Executive Officer;
- evaluated the performance of the Chief Executive Officer with respect to these objectives;
- reviewed the performance management evaluation for officers;
- performed close follow-up on the recommendations resulting from the occupational health and safety management-related resource optimization mandate;
- studied the strategic orientations of the Human Resources Division;
- studied the annual report on the composition of the workforce and movement of personnel; and
- carried out the annual evaluation of its performance with respect to its terms of reference.

Lastly, after each of its meetings, the committee reported on its activities to the Board of Directors.

Directors' Attendance at Meetings of the Board and Board Committees

2012–2013 fiscal year

Directors	BoD	BPC	GEC	AC	HRC
Number of meetings	9	8	6	4	4
Norman Hébert Jr.*	9/9	6/8	5/6	3/4	4/4
Philippe Duval	9/9	8/8	N/A	N/A	N/A
Danièle Bergeron[1]	6/6	N/A	N/A	2/2	2/2
Céline Blanchet	9/9	8/8	N/A	N/A	4/4
Johanne Brunet	7/9	7/8	N/A	3/4	N/A
Liliane Colpron	6/9	6/8	5/6	N/A	N/A
Douglas M. Deruchie	9/9	6/8	N/A	4/4	N/A
Nicole Diamond-Gélinas	9/9	N/A	5/6	4/4	N/A
Sylvain Lafrance[1]	6/6	N/A	2/3	N/A	2/2
Lucie Martel	9/9	N/A	6/6	N/A	4/4
Louise Ménard	9/9	N/A	6/6	N/A	4/4
Pietro Perrino	9/9	8/8	N/A	4/4	N/A
Jacques Tanguay[2]	4/6	4/5	N/A	N/A	2/2
Jean-Marie Toulouse	8/9	N/A	5/6	N/A	3/4

*Ex officio member of all Board committees.
1. Appointed on June 27, 2012.
2. Stepped down on November 27, 2012.

BoD: Board of Directors – one schedule change and one addition
BPC: Business Practices Committee
GEC: Governance and Ethics Committee – one unscheduled meeting
AC: Audit Committee
HRC: Human Resources Committee – one schedule change

The directors justify their absences from regular meetings of a committee or the Board to the SAQ's Secretary General.

Directors' Compensation

2012–2013 fiscal year
(in Canadian dollars)

Norman Hébert jr.[1, 2, 3, 4, 5]	$ 39,598
Danièle Bergeron[1, 4, 5]	$ 6,331
Céline Blanchet[1, 2, 5]	$ 19,194
Johanne Brunet[1, 2, 4]	$ 18,657
Liliane Colpron[1, 2, 3]	$ 17,314
Douglas M. Deruchie[1, 2, 4]	$ 22,171
Nicole Diamond-Gélinas[1, 3, 4]	$ 17,583
Sylvain Lafrance[1, 3, 5]	$ 5,788
Lucie Martel[1, 3, 5]	$ 21,902
Louise Ménard[1, 3, 5]	$ 22,708
Pietro Perrino[1, 2, 4]	$ 22,713
Jacques Tanguay[1, 3, 5]	$ 17,029
Jean-Marie Toulouse[1, 3, 5]	$ 17,841
Total	**$248,829**

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

Total annual compensation, including meeting fees, payable to the directors under Order-in-Council 610-2006 enacted on June 28, 2006, and increased by 1% on April 1, 2012.

Compensation Paid to the Five Most Highly Compensated Officers

2012–2013 fiscal year
(in Canadian dollars)

Name	Title	Base salary as at April 1, 2012	Annual bonus program	Other forms of compensation*
Philippe Duval	Chief Executive Officer	343,882	17,194	9,171
Alain Brunet	Vice-President and Chief Operating Officer	274,391	49,391	12,587
Richard Genest	Vice-President and Chief Financial Officer	244,580	44,024	7,655
Luc Vachon	Vice-President, Logistics and Distribution	236,876	42,637	14,368
Catherine Dagenais	Vice-President, Sales Network Operations	214,602	38,628	21,377

*Taxable benefits based on the 2012 calendar year and 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 Gilles Pharand. The Ombudsman fields complaints from employees and business partners who believe they have not received a response or a satisfactory response from the person(s) responsible at the SAQ. He analyzes and handles these complaints in a confidential and fair manner.

Reporting directly to the Board of Directors, the Ombudsman is not answerable to the SAQ's administrative hierarchy nor is he an employee of it, ensuring that he enjoys complete independence from management. He is neither a defender of the SAQ nor an advocate for the complainant; he is a neutral and accessible intermediary and is required to be impartial.

The Ombudsman has the power to make recommendations to the Board of Directors and twice a year submits a report on his activities to the Governance and Ethics Committee. 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 member.

For more information, please see the Ombudsman section under the About tab on SAQ.com.

Members of the 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)
- Independent member (Order-in-Council 1219-2011)

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 and has chaired Concordia University's Board of Governors since July 2010. Mr. Hébert was co-chair of the 2010 Centraide of Greater Montreal campaign and of the 2011–2012 Fondation Hôpital Charles-LeMoyne fundraising campaign. 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)
- Renewal on February 16, 2011, for a three-year term (Order-in-Council 106-2011)

Chief Executive Officer

- SAQ

Possessing a degree in industrial relations from the Université de Montréal, Philippe Duval has acquired extensive experience in human resources, sales and management. He has held various positions in companies such as Société de développement de la Baie-James, Delisle Canada, Aéroports de Montréal, Uniboard Canada and Molson Canada. He holds a university certificate in corporate governance from the Collège des administrateurs of Université Laval, qualifying him for the title Administrateur de sociétés certifié. He joined the SAQ in 2003 as Vice-President, Human Resources, and was appointed Vice-President, Sales Network Operation and Development, in February 2006. He has been the SAQ's Chief Executive Officer since June 2008. In 2012, he was president of the Canadian Association of Liquor Jurisdictions and received the title of Fellow – Distinguished Professional from the Ordre des conseillers en ressources humaines agréés. He was also called the tenth most influential personality in the French wine industry by *La Revue du vin de France in April 2013*. He currently chairs the board of directors of the Parc d'affaires La Rolland de Sainte-Adèle.

Danièle Bergeron

Director

- Appointed on June 27, 2012, for a four-year term (Order-in-Council 685-2012)
- Independent member (Order-in-Council 685-2012)

President

- Mobilia

Holding a master's degree in business administration (EMBA McGill–HEC Montréal) since 2011, Danièle Bergeron has acquired solid management experience in the retail sector. From 1981 to 2006, she worked in merchandising and contributed to the success of La Maison Ogilvy, where she was Executive Vice-President, Retail Division. She then joined Boutique Jacob as Vice-President, Products. In 2008, she developed and carried out the acquisition of a large Canadian retailer. Since 2011, she has been President of the furniture retailer Mobilia. She is also a member of the Fédération des chambres de commerce du Québec, the Réseau des Femmes d'affaires du Québec and the Cercle Omer DeSerres.

Céline Blanchet

Director

- Appointed on October 7, 2009, for a two-year term (Order-in-Council 1075-2009)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

Vice-President, Corporate Affairs

- DeSerres Inc.

The holder of a bachelor's in economics and a law degree from Université Laval, Céline Blanchet has been a member of the Barreau du Québec since 1985. She also holds a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratice de sociétés certifiée. She works in the retail sector as Vice-President, Corporate Affairs, at DeSerres Inc. She was formerly Senior Manager, Public Affairs, at Laurentian Bank of Canada, before which she held various professional positions at Hydro-Québec and with the Quebec government. Until recently, she chaired the board of directors of Association d'entraide Le Chaînon inc. She sits on the boards of directors of IQ FIER inc., the Conseil québécois du commerce de détail and the Canadian Committee of the House of Canadian Students in Paris.

Johanne Brunet

Director

- Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

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. She also holds a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratice de sociétés certifiée. Ms. Brunet received the 1999 Action femmes d'affaires award from the Board of Trade of Metropolitan Montreal and was a finalist for the 2013 Business Professor of the Year award conferred by the renowned weekly *The Economist*. She worked as head of external production and acquisitions at Société Radio-Canada before becoming Senior Vice-President at TV5-Amériques. She also holds a seat on the boards of the Théâtre du Rideau Vert and the Société d'habitation et de développement de Montréal (SHDM) as well as others in England.

Liliane Colpron

Director

- Appointed on January 19, 2011, for a four-year term (Order-in-Council 23-2011)
- Independent member (Order-in-Council 1219-2011)

President and Founder

- Boulangerie Première Moisson

A visionary and woman of action, Liliane Colpron founded Boulangeries Mansion in 1980. In 1992, she took on a new challenge when she created Boulangerie Première Moisson, the company to which she has since devoted herself. As president, she manages the company with her children. In constant growth since its founding, the company employs more than 1,200 persons across Quebec.

Douglas M. Deruchie

Chair of the Audit Committee

Director
- Appointed on January 19, 2011, for a four-year term (Order-in-Council 23-2011)
- Independent member (Order-in-Council 1219-2011)

Chartered Professional Accountant

The holder of a bachelor of commerce degree from Carlton University and a chartered accountant diploma from the Canadian Institute of Chartered Accountants since 1967, Douglas M. Deruchie began his career in 1964 at KPMG and was transferred to the firm's the Taxation Department in Toronto in 1968. In 1971, he was transferred to KPMG in Montreal, made a partner in 1973 and a senior partner in 1980. He later joined Rietmans Canada Ltd. as Director of Finance.

Nicole Diamond-Gélinas

Director
- Appointed on November 30, 2011, for a four-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

President
- Aspasie Inc.

Holding a bachelor's in education and an administration degree from Université Laval, Nicole Diamond-Gélinas has been president of Aspasie Inc., a family-owned manufacturer of colour merchandising solutions, since 1976. She is also President of Plastifil Inc., a family-owned manufacturer specializing in plastic extrusion and injection, pre-printing and printing, and President of Trois-Rivières Ford Lincoln Inc. In addition, she has a sound knowledge of management, securities, information technology, international business dealings and group leadership and dynamics. She also holds a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratice de sociétés certifiée, and is a member of the Ordre des administrateurs agréés.

Sylvain Lafrance

Director
- Appointed on June 27, 2012, for a four-year term (Order-in-Council 685-2012)
- Independent member (Order-in-Council 685-2012)

Adjunct Professor and Director
- Media and Management Centre HEC Montréal

After studying at Ottawa University and the Centre de formation des journalistes de Paris, Sylvain Lafrance obtained a master's degree in public administration from ÉNAP and, in 1978, began working as a journalist at Radio-Canada. He subsequently became Vice-President, French Radio, of the crown corporation in 1998 and Senior Vice-President for all French-language services in 2005. As such, he oversaw the integration of the radio, television and Internet-based services, creating one of the largest French-language public broadcasting groups in the world and the only one of its kind in North America. Meanwhile, he chaired the board of directors of ARTV from 2002 to 2010 and represented Canada on the board of TV5Monde. Since 2011, he has been an adjunct professor and director of HEC Montréal's Media and Management Centre.

Lucie Martel

Chair of the Human Resources Committee

Director

- Appointed on January 19, 2011, for a four-year term (Order-in-Council 23-2011)
- Independent member (Order-in-Council 1219-2011)

Senior Vice President and Chief Human Resources Officer

- Intact Financial Corporation

With a degree in industrial relations from the Université de Montréal, Lucie Martel has been Senior Vice President and Chief Human Resources Officer of Intact Financial Corporation since September 2011. In her current position, she is responsible for developing human resources strategies, policies and programs. Prior to that, she was Senior Vice President, Human Resources, at AXA Canada. She has more than 30 years' experience in strategic management of human resources and labour relations at companies including Laurentian Bank, where she was Vice-President, Human Resources Management and Development, Direct Film and Uniroyal.

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)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

President

- Groupe Méfor inc.

Holding a law degree from the Université de Montréal, Louise Ménard has also obtained a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying her for the title Administratice de sociétés certifiée. She is currently a member of the board of directors, chair of the corporate governance committee and a member of the human resources committee of ProMetric Life Sciences Inc. Ms. Ménard was previously Vice-President, Corporate and Legal Affairs and Secretary at Sodarcan Inc. She was a member of the board of directors of Assuris Inc.; secretary of the board of directors of the Montreal Heart Institute Foundation as well as a member of the foundation's executive and human resources committee; chair of the advisory board of Nomad Logic Inc.; and chair of the board of directors of Alena Capital Inc.

Pietro Perrino

Chair of the Business Practices Committee

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)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

President

- Pergui Groupe Conseil inc.

Pietro Perrino holds a master's degree in business administration from the Université du Québec à Montréal. He also has a certificate in corporate governance from the Collège des administrateurs de sociétés of Université Laval, qualifying him for the title Administrateur de sociétés certifié. In March 1999, he founded Pergui Groupe Conseil inc., where he advises corporate executives on their strategic positioning and business development strategies.

Jean-Marie Toulouse

Director

- Appointed on August 7, 2007, for a four-year term (Order-in-Council 623-2007)
- Renewal on November 30, 2011, for a three-year term (Order-in-Council 1216-2011)
- Independent member (Order-in-Council 1219-2011)

Emeritus professor

- HEC Montréal

Jean-Marie Toulouse, PhD (social psychology, Université de Montréal), Postdoctoral Fellow (business administration, UCLA), is an emeritus professor at HEC Montréal, where he taught business strategy and entrepreneurship and 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 a seat on several boards of directors. He is an officer of the Ordre national du Québec and a member of the Royal Society of Canada.

Personnel

(by gender and by division)
(as at March 30, 2013)

Division	Women	Men	Total
Chief Executive Officer	9	12	21
Finance	104	39	143
Human Resources	84	22	106
Information Technology	69	194	263
Logistics and Distribution	114	758	872
Operations	5	6	11
Procurement and Merchandising	108	42	150
Public Affairs and Communications	32	5	37
Real Estate and Engineering	85	225	310
Sales Network Operations	3,127	2,654	5,781
Secretary General and Legal	17	11	28
Total	**3,754**	**3,968**	**7,722**

Code of Ethics for Employees

Developed with input from all the company's divisions and in effect since December 1, 2008, the SAQ's Code of Ethics for Employees is a useful reference tool that allows 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 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 integrated into an evolutionary business process

Policy on the Use and Quality of the French Language

On February 8, 1999, the Société des alcools du Québec adopted a language policy that takes into account its commercial nature and determines how the French Language Charter will be applied in the company. In addition, in March 2011, the Quebec government adopted a new policy on the use and quality of French in the government, the *Politique linguistique gouvernementale relative à l'emploi et à la qualité de la langue française dans l'administration*.

In conformance with section 26 of the new policy, the Chief Executive Officer designated a representative to monitor the application of the Charter of the French Language, its regulations and the government policies affecting language and created a standing committee, which reports to him. The committee is composed of the designated representative and seven members, whose terms of reference are to ensure that the company's language policy is implemented.

During the 2012–2013 fiscal year, the standing committee held two meetings and began reviewing the Société des alcools du Québec's institutional language policy. In addition, the designated representative continued working with the Office québécois de la langue française to ensure compliance with the policy.

Review of Achievements with Respect to Information Resources

In compliance with the *Act respecting the governance and management of the information resources of public bodies and government enterprises*, the SAQ performs comprehensive follow-up on its technological progress and the related benefits for the company. During the 2012–2013 fiscal year, the company's Board of Directors carried out a thorough review of the annual and three-year program of information resource activities and projects as well as the annual review of the projects' achievements and benefits.

The reviews showed excellent results in improving the customer experience and increasing operational effectiveness, including the avoidance of future costs. The main achievements of the fiscal year just ended are summarized below:

- The launch of the new version of SAQ.com simplified the buying process for customers, led to an increase in online sales and made available more detailed and complete information about the products.
- The use of new technological applications enabled the SAQ to improve its transaction controls, reduce the number of service interruptions, more easily apply its promotional programs, support fast technology change and standardize and optimize processes.
- The SAQ's adoption of certain freeware and shareware programs allowed the company to be more flexible in evolving its platforms.
- The SAQ's switch to a subscription service model for certain software packages enabled the company to ensure its platforms are always up-to-date and to reduce the risks related to the replacement of outdated systems no longer supported by its network.
- Implementing new office automation tools increased the flexibility of the company's employees and enabled them to access new fast, mobile telecommunications systems.
- Implementing technological applications maintenance and compliance projects brought intangible benefits to the SAQ, including better risk management, avoiding penalties and being able to support business continuity by accepting credit card transactions in compliance with the established standards.

Access to Information and the Protection of Personal Information

2012–2013 report

As required by the *Regulation respecting the distribution of information and the protection of personal information* (R.R.Q., c. A-2.1, r. 2), the SAQ publishes a yearly report on the activities performed with respect to access to information and the protection of personal information.

Report on access requests received by the SAQ (from April 1, 2012, to March 31, 2013)

In the 2012–2013 fiscal year, the SAQ received 107 requests, specifically 90 requests for access to documents and 17 requests for access to personal information. The following table presents a detailed breakdown of how the requests received by the SAQ were handled:

Requests accepted in full	56
Requests partly accepted	30
Requests refused	14
Documents not held by the SAQ	7
Abandoned requests	0
Requests for review before the Commission d'accès à l'information (CAI)	2
Requests for review	2

Reasons for refusal*

The specified reasons for refusal related to sections 9 to 15 (application and interpretation) of the *Act respecting access to documents held by public bodies and the protection of personal information* (R.S.Q., c. A 2.1) in 23% of the cases, to sections 21 to 24 (financial and commercial information) in 57% of the cases, to sections 53 to 59 (necessity of protecting the confidential nature of personal information) in 23% of the cases, to sections 30 to 40 (information affecting administrative or political decisions) in 27% of the cases, to sections 28 to 29.1 (information affecting security) in 2% of the cases and to section 137.1 (request for authorization to ignore an application that is obviously improper) in 4.5% of the cases.

Average request processing time

The SAQ's average response time is 16 days. No request was subject to reasonable accommodation measures.

*More than one reason for refusal may be cited when handling a request. The reasons for refusal mentioned in partially accepted and refused requests are included in the calculations.

Code of Ethics and Professional Conduct for the 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 regulations respecting the ethical principles and rules of professional conduct applicable to public office holders

QUEBEC CIVIL CODE

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 __________________ 201 ___.

Witness ______________________________ Director ____________________________

Schedule 3

Warning

To understand the scope of his obligations, the declarant 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 duties that a member of my immediate family performs or I perform or of interests that a member of my immediate family holds or I hold in the following corporations, as this term is defined in the Code of Ethics and Professional Conduct:

Nature of the relationship or 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 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 that 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, perform(s) in the following associations, as this term is defined in the Code of Ethics and Professional Conduct:

Nature of the relationship or interest

Association	Duties	Member	Purpose

Signature	Position	Date

Publication management
Nathalie Hamel, Vice-President, Public Affairs and Communications
Michèle Cloutier, Manager, Corporate Communication

Writing of the general section and coordination
Geneviève Ferron
Marie-Claude Nantel
Jean-Pierre Ouellet

Writing of the financial section
Édith Filion, Manager, Financial Planning
Chantal Lévesque, Manager, Corporate Accounting and Taxation
Sylvie Raymond, Manager, Accounting Services
Michaël Halley, Assistant Manager, Price and Information Management
Louise Beaudreau
George Hajjar
Rachel Jeannite
Nathalie McDuff
Johanne Mondou
Annie Perrier

Writing of the governance section
Martine Comtois, Manager, Office of the Secretary General

Printing coordination
Johanne Blouin

Revision
Monique Thouin

Concept and graphic design
CG3 inc. | Communications | Graphisme

In this document, the masculine form is used solely to facilitate reading and without discriminatory intent.

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Good-bye!