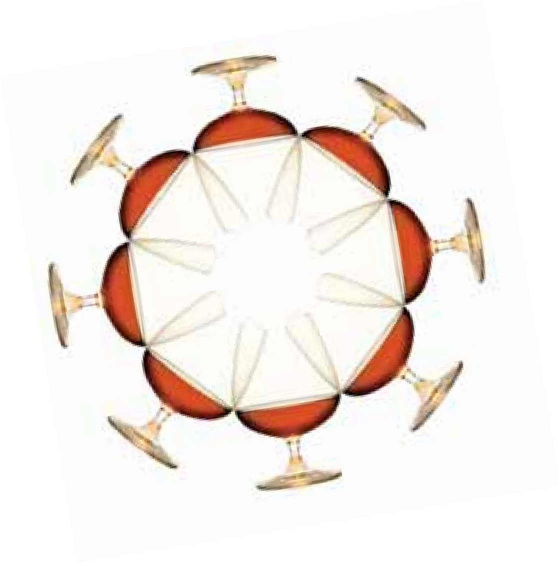
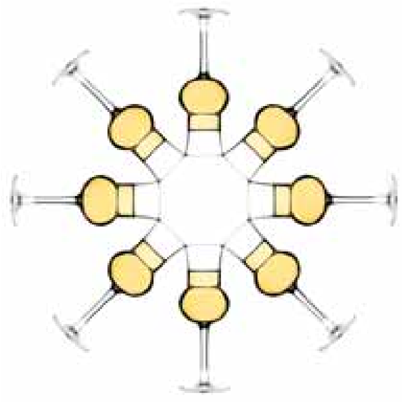
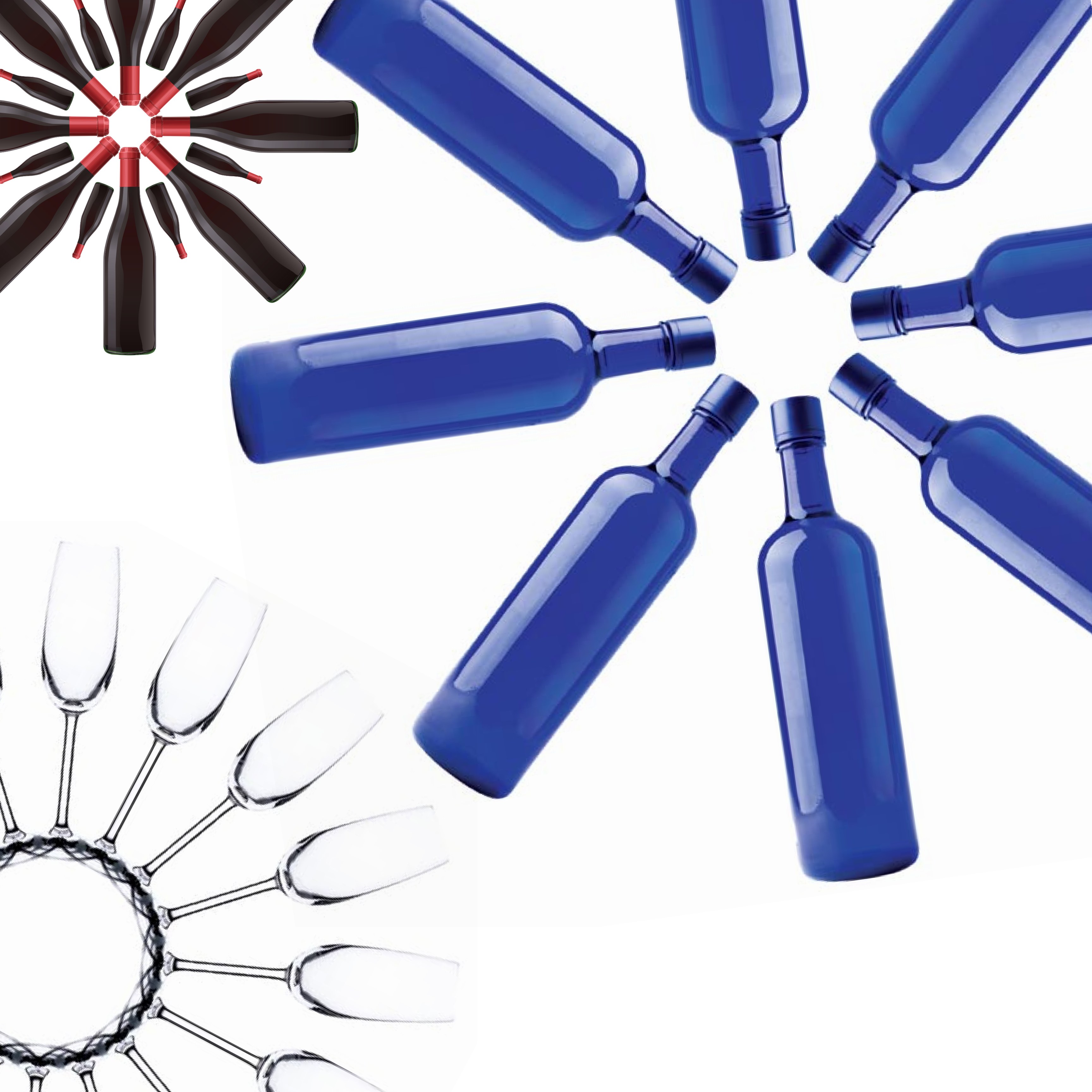
ENTHUSIASM KNOW-HOW INNOVATION

2010 ANNUAL REPORT

SAQ








DÉCOUVREZ
VOTRE PROFIL
DE GOÛT

HIGHLIGHTS

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

	2010	2009	Percentage increase (decrease)
Operating results			
Net sales	**2,542.2**	2,417.8	5.1
Gross margin	**1,344.0**	1,275.9	5.3
Net operating expenses[1]	**476.8**	469.2	1.6
Net earnings	**867.2**	806.7	7.5
Financial position			
Total assets	**627.8**	590.3	6.4
Property, plant and equipment and intangible assets	**225.8**	209.6	7.7
Net working capital	**(157.7)**	(140.5)	(12.2)
Long-term liabilities	**23.2**	24.3	(4.5)
Shareholder's equity	**44.8**	44.8	–
Net sales by network			
Outlets and specialized centres	**2,254.3**	2,140.9	5.3
Wholesale grocers	**287.9**	276.9	4.0
Total	**2,542.2**	2,417.8	5.1
Net sales by product category			
Wines	**1,900.3**	1,799.9	5.6
	142.3 L	137.0 L	3.9
Spirits	**551.4**	529.4	4.2
	20.3 L	19.6 L	3.6
Imported and microbrewery beers, ciders and coolers[2]	**90.5**	88.5	2.3
	11.4 L	11.5 L	(0.9)
Total	**2,542.2**	2,417.8	5.1
	174.0 L	168.1 L	3.5
Additional financial data			
Government revenue from operations	**1,624.6**	1,534.4	5.9
Total net sales to brewers and beer distributors[3]	**270.8**	231.2	17.1

1. After deduction of miscellaneous revenue and other income.
2. Also known as RTDs (ready-to-drinks), FABs (flavoured alcoholic beverages) and alcopops.
3. Sales made as an intermediary; not included in the sales figures.

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

The year just ended at the SAQ was not only about consolidating our gains but also about laying the groundwork for the future.

NORMAN HÉBERT JR.
CHAIRMAN OF THE BOARD OF DIRECTORS

When publishing its 2010–2012 Strategic Plan, the company measured the progress it has made in the last decade.

In fiscal 2009–2010, the SAQ made clear its current position in the Quebec retail business and in a rapidly transforming global industry. The company also mapped out a path that will enable it to continue offering Quebecers the best selection of products at the best prices.

A new vision
Inspired by enthusiasm, know-how and innovation, the SAQ consulted its employees, managers, unions, business partners and Board members to develop its Strategic Plan. To become a world leader in the selection and sale of wines and spirits—that is the new vision that will guide all of the company's actions in the coming years.

The year just ended saw the SAQ achieving exceptional results. Not only will the company deliver a record $867.2 million dividend to its shareholder but also, and more importantly, it continues to enjoy a customer satisfaction rate of over 90%.

A corporate citizen
Beyond its business mission, the SAQ fully assumes its role as a responsible citizen. Intent on strengthening its sales ethic, it implemented a series of measures in its outlets that have already produced results. Most notably, as measured by the mystery underage customer program, outlet employees refused to sell to minors an average 92% of the time.

Even as it assiduously carries out its mission, the SAQ constantly strives to increase its support of Quebec's community life. In 2009–2010, it donated a total of $7.3 million to the fundraising activities of some 400 organizations and the festivities connected with 80 events across Quebec.

Guiding business conduct
Composed of 12 members, the company's Board of Directors gained new expertise when Céline Blanchet came on board in October 2009. Her duties include sitting on the Human Resources Committee and the Business Practices Committee. On behalf of my colleagues, I wish her welcome and thank her for her contribution.

The Board met 12 times during the year to carry out its mandate, which is to lead the SAQ's business in conformance with the rules set out in the *Act respecting the governance of state-owned enterprises*.

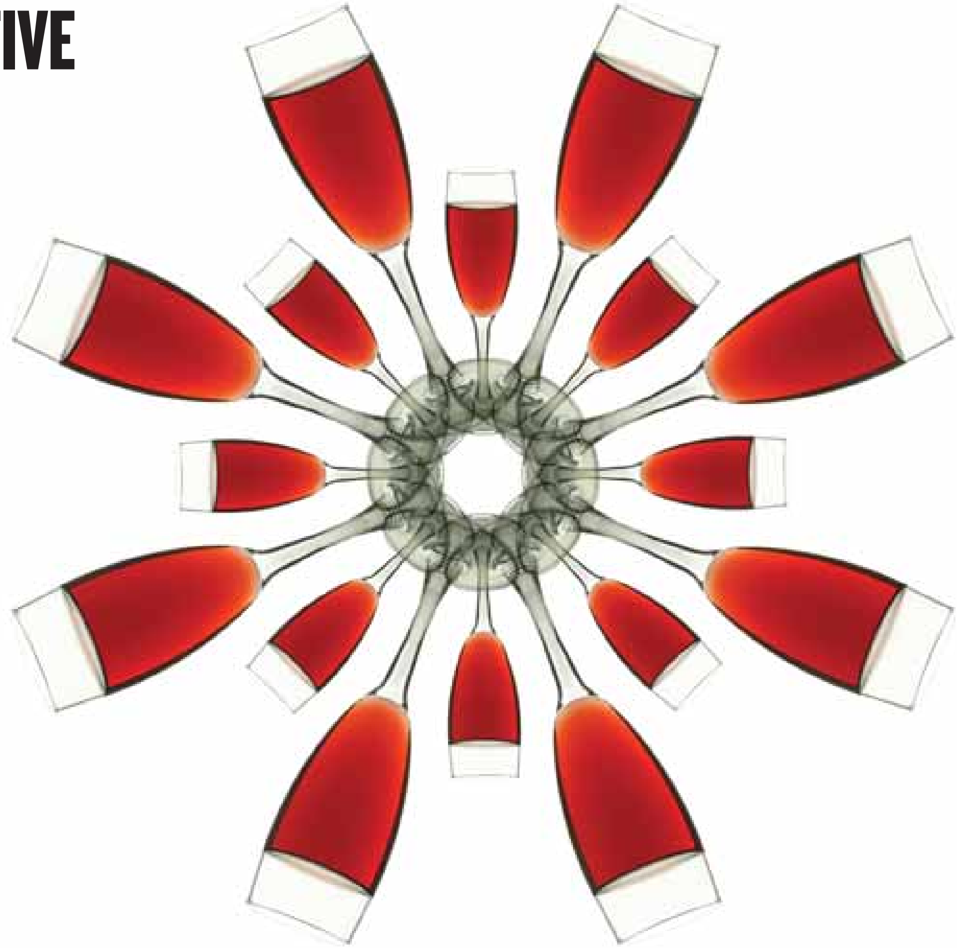
Bright outlook
One can only be optimistic about the SAQ's future. Although its business environment is undergoing a profound transformation, the company has all it requires to succeed. The rapidly changing global wine industry also brings its own set of challenges. In the coming years, the SAQ will need to seize every opportunity to consolidate the progress it has made and offer even more to Quebecers. It will accomplish this by continuing to constantly improve customers' shopping experience and taking actions aimed at strengthening its position internationally.

I am convinced that these challenges will be fully met by the management team now in place. I therefore want to take advantage of this opportunity to thank the team members and assure them of the Board's trust and support, for our greatest desire is to ensure the continued growth of an agile and successful company of which Quebecers can rightly be proud.

NORMAN HÉBERT JR.
Chairman of the Board of Directors

The SAQ is a well-performing company in sound financial health, as it has shown in several ways this year.

PHILIPPE DUVAL CHIEF EXECUTIVE OFFICER



Consolidated net sales totalled $2.54 billion, a 5.1% increase from last year.

In 2010, each dollar of sales cost 18.8 cents in operating expenses whereas it cost 24.3 cents in 2004.

Results that make us proud

At the end of fiscal 2009–2010, net earnings had reached $867 million, compared with $807 million last year, an increase of 7.5%. In five years, the SAQ's average bank indebtedness has decreased by $285 million or 85%. These results make us proud because they reflect credit on the company's some 7,000 employees, who work every day to convey their enthusiasm, put their know-how to use and demonstrate innovation.

Our strategic orientations

The SAQ's 2010–2012 Strategic Plan is built around four strategic orientations: the organization's agility; our reputation as a responsible corporate citizen; new growth paths within our industry; and, above all, our customers' shopping experience. It is the last of these that, every day, inspires actions aimed at offering consumers a broad range of quality products, superior advisory service and stores that stand out in the Quebec retail industry.

An exceptional shopping experience

Accordingly, fiscal 2009–2010 was marked by several achievements. The taste tag concept was extended throughout the network and has proved a resounding success with customers. The outlet environment is also constantly evolving. At the end of this year, more than 70 outlets could boast of a new, more user-friendly concept that encourages discovery.

In February, the SAQ inaugurated the new flagship outlet in its network. Located on Laurier Boulevard in Quebec City and combining the Signature and Sélection banners under a single roof, this new outlet raises the wine and spirits shopping experience to a uniquely high level.

Wine is a huge field and our employees are keen on exploring and learning more about this fascinating subject in order to share their knowledge with our customers. We support this initiative and invest 5% of our outlet employees' payroll in continuous training. This year alone, we organized some 65,000 hours of workshops and courses.

Committed to constantly refreshing the selection of products it sells, the company introduced no fewer than 110 new regular products and some 1,000 new specialty and Signature products this year. In all, some 10,500 products were made available through our various distribution channels.

Harmonious development

Having integrated the principles of sustainable development into all aspects of its operations, the SAQ is continuing its efforts in this area by implementing a residual materials management program in its outlets, expanding its offer of organic and eco-practical products and reducing energy consumption in its commercial and administrative facilities.

As an employer, the SAQ is extremely proud to be able to count on the commitment of its employees. Relying on a cooperative approach in an atmosphere of mutual trust, it signed a new labour agreement with two of its union partners, namely a seven-year agreement with its employees who belong to the Syndicat des Travailleurs(euses) de la Société des alcools du Québec (STTSAQ) and an eight-year agreement with its employees who are members of the Syndicat des employé(e)s de magasins et de bureaux de la SAQ (SEMB-SAQ CSN).

Preparing for the future
In every respect, fiscal 2009–2010 was a year of exceptional results, and it is these results that today enable us to prepare for the future. The SAQ is now a more agile company capable of building on its expertise.

When it comes to purchasing, the SAQ is in competition with other major players around the globe. To continue giving Quebecers access to a diverse selection of products offering a competitive quality-price ratio, we must be an exceptional retailer and demonstrate innovativeness. In short, we must be a world leader—and that is what we will strive to become in the coming years.

I want to thank all SAQ employees, the members of the Management Committee and the members of the Board of Directors for their enthusiasm, knowledge, discipline and trust. Without them, attaining our objectives, adopting the best standards and realizing our vision would be impossible.

PHILIPPE DUVAL
Chief Executive Officer

MANAGEMENT COMMITTEE

ALAIN BRUNET
Vice-President and
Chief Operating Officer

CATHERINE DAGENAIS
Vice-President –
Sales Network Operations

BENOIT DURAND
Vice-President –
Informational Resources

MADELEINE GAGNON
Vice-President –
Human Resources

RICHARD GENEST
Vice-President and
Chief Financial Officer

WILLIAM GEORGE
Vice-President –
Strategy and Business
Development

NATHALIE HAMEL
Vice-President –
Public Affairs and
Communications

SUZANNE PAQUIN
Secretary General
and Vice-President –
Legal Department

DANIEL SIMARD
Vice-President –
Procurement and
Merchandising

LUC VACHON
Vice-President –
Logistics and
Distribution


ALSACE
GRANDS FORMATS
AUTRES RÉGIONS
AUTRES PAYS
AUSTRALIE
AUSTRALIE
AUSTRALIE

NOBLE
VIN
— FRANCOIS RABELAIS
VINS
BORDEAUX
BORDEAUX
BORDEAUX
NOUVEL ARRIVAGE
NOUVEL ARRIVAGE

The SAQ now has one of the best retail sales networks in the Americas and the world.

NOURISHING ENTHUSIASM

Resolutely turned toward the future and determined to keep its clients at the centre of its business, the SAQ is clearly committed to accompanying Quebecers on their fascinating voyage through the world of wines and spirits. To accomplish this, it intends to continue offering the best selection of competitively priced products across Quebec.

The enthusiasm and know-how of its employees has given the SAQ one of the best retail sales networks in the Americas and the world. Its outlet network is exceptional for both its geographical distribution and the quality and diversity of the products on sale in its 416 outlets and 395 agencies and through SAQ.com.

Encouraged by the evolution in Quebecers' appreciation of alcoholic beverages, the SAQ sells some 10,500 products, carefully selected from among the planet's best. Rigorously analyzed in laboratory, they meet the highest quality standards, as they must in order to satisfy consumers who are increasingly curious, adventurous and informed. True to its commitment to stock a constantly renewed selection, the company introduced 1,140 products in its various networks during the last fiscal year, specifically 110 regular products, 462 specialty products and 568 Signature products. In putting together such a varied and high-quality offer, the SAQ does business with more than 2,500 agents and suppliers from more than 60 countries.

The concept of classifying wines through taste tags has met with success and been integrated into all SAQ outlets and agencies. In addition, it is now systematically used in SAQ publications such as *Tchin Tchin* magazine and the circulars. Aware of the concept's huge potential outside its own retail network, the SAQ has developed partnerships with several large grocery chains to enable them to implement taste tags in the wine sections of their own stores. Won over by the tags' simplicity and ease of use, Metro, Sobeys and Costco have integrated them into all their points of sale in the last year. Similarly, the SAQ has also proposed to its alcohol permit-holding customers that they use the taste tag concept to maximize their sales and enhance their wine lists. The Rôtisseries St-Hubert chain was the first to adopt this new concept and introduce it in all its restaurants. All told, Quebecers now have access to nearly 1,500 points of sale across the province where they can seamlessly experience the taste tag concept. •


FRANCE
FRANCE
LANGUEDOC-
ROUSSILLON
MERLOT
J.P. CHENET


9:42 AM
Présentement à la SAQ
ARRIVAGE
Premier de deux arrivages Cellier
EN VENTE MAINTENANT!
Retour
Fiche Produit
Disponibilité
CABERNET-SAUVIGNON CARMEN VALLE DEL MAIPO 2007
Prix courant : 12,90 $
COMMENTAIRE DE DÉGUSTATION
CHARDONNAY LIBAIO RUFFINO TOSCANA I.G.T 2008
Prix courant : 13,45 $

The offering aimed at the enthusiast and connoisseur segments has been transformed and grouped together under the prestigious SAQ Signature Services banner.

INNOVATION AT THE CUSTOMER'S SERVICE

Beyond its extensive product portfolio, the SAQ relies on the quality of its advisory services, on powerful information tools and on welcoming, user-friendly environments to constantly improve the shopping experience that it provides to its various customer segments.

Last year, the SAQ definitely moved closer to its restaurant, hotel and bar owner customers. To begin with, the SAQ now offers a new training session, *Le succès passe par vous !*, specially designed for waiters who know little about wine. Offered free of charge by the Les Connaisseurs training service, it enables service employees to better understand, recommend and serve wines and spirits and, consequently, increase sales.

The SAQ also inaugurated its first ever cash-and-carry outlet exclusively for permit holders. It gives them access to fast and personalized service, specialized advice and a broad range of regular and specialty wines arranged by country.

It was also during the year just ended that the SAQ inaugurated the new flagship outlet in its sales network. Located on Laurier Boulevard in Quebec City and combining the Signature and Sélection banners under a single roof, this new store sells more than 4,000 products, including a vast selection of new arrivals, in a space specifically designed to encourage wine discussions, browsing and tasting. It is not merely that the outlet concept has been reimagined, but also that the entire offering aimed at the enthusiast and connoisseur segments has been transformed and grouped together under the prestigious SAQ Signature Services banner. Combining Research and Product Development, the Courrier vinicole, the two SAQ Signature outlets and the wine cellar rental service, this new service group will allow the SAQ to improve its offer of niche products and increase the number of activities targeting these customers. They can now consult the new SAQ Signature Services activity calendar to know in advance the dates of Courrier vinicole sales operations, tastings, dinner conferences and wine country tours.

Reaching out to its mobile and increasingly connected customers, the SAQ has developed a new free iPhone and iPod touch application. It gives them instant access to a wealth of useful information about wines and spirits: product sheets with taste tags, suggested food and wine pairings, product availability, current promotions and an outlet locator.

To ensure that its clients have a positive shopping experience and are always well advised, the SAQ has developed an advisory service program based on greeting, approach, assistance and leave-taking. This year, the teams in all outlets were given training to help them master these four steps. At the end of fiscal 2009–2010, 412 outlets were in the certification process. Of these, 350 had qualified for one of the three certification levels and 197 had reached the gold level.

Always dedicated to providing quality service, the SAQ's Customer Service team answered more than 55,500 requests for information last year, including 43,000 calls and 12,500 email messages. A noteworthy development has been the major transformation in the means of communication used by SAQ customers, with online requests increasing 21% in the last year alone. •

The SAQ has exceeded the expectations of its shareholder, the Quebec Minister of Finance, for the fourth year in a row.

PERFORMING FOR QUEBECERS' BENEFIT

As the government corporation responsible for purchasing and selling wines and spirits in Quebec, the SAQ is constantly called upon to improve its performance in order to take full part in Quebec's economic development. In 2009–2010, for the first time in its nearly 90 years of existence, the company's consolidated net sales reached $2.54 billion, an increase of $124 million or 5.1% from the preceding fiscal year. The SAQ ended its fiscal year with consolidated net earnings of $867.2 million, up more than $60 million or 7.5% from the preceding year and 6.9% higher than the performance targets established in its budget. Thus the SAQ has exceeded the expectations of its shareholder, the Quebec Minister of Finance, for the fourth year in a row.

This large rise in the dividend, together with the increased collection of consumption taxes, resulted in revenues on the order of $1.273 billion for the Quebec government. When the amounts paid to the federal government are added in, a total of $1.625 billion in government revenues was generated by the SAQ's operations, a 5.9% increase.

Various initiatives during the year enabled the SAQ to continue improving its ratio of operating expenses to net sales. Specifically, 18.8 cents was spent for each dollar of sales recorded in fiscal 2009–2010, compared with 19.4 cents in fiscal 2008–2009.

Tight control of operating expenses and disciplined use of capital has enabled the SAQ to reduce its average bank indebtedness by $285 million, an impressive 85%, since 2004–2005.

In logistics and distribution, the SAQ continued to improve its operational processes and upgrade its equipment and technologies in order to optimize its delivery services. One notable achievement was the outlet service rate, which reached more than 95%. In addition, the warehouse inventory turnover rate improved by 5% from the preceding fiscal year, while the cases-per-hour performance rose 4.1%.

In demand and supply management, the SAQ introduced new performance indicators and upgraded its processes and management tools. Among other things, it set up a pilot project for managing the supply of Canadian and U.S. products, resulting in a 32% improvement in the turnover rate for these products. The company also implemented a computerized tool for tracking the movement of trailers and containers in the yards of the Montreal and Quebec City distribution centres in real time.

In 2009–2010, the SAQ acquired products worth more than $900 million, the equivalent of 10,000 containers, 4,500 trailers or 18 million cases. •


11

The SAQ, a world leader in the selection and sale of wines and spirits.

CULTIVATING KNOW-HOW

"The mandate of the Société des alcools du Québec is to sell alcoholic beverages. Its mission is to provide superior service to Quebecers in every region of the province by offering a broad range of quality products."

By the end of the period covered by its 2004–2009 Strategic Plan, the SAQ had achieved sound financial performance, improved its productivity and increased its share of the Quebec retail market. For its part, the 2010–2012 Strategic Plan is the result of a major consultation process involving some 400 managers, employees, unions, business partners and suppliers. Adopted during the fiscal year just ended, its vision is to make the SAQ a world leader in the selection and sale of wines and spirits. It calls for the SAQ, over the next three years, to devote itself primarily to enhancing customers' shopping experience, increasing its business agility, developing new growth paths within the alcoholic beverage industry and confirming its reputation as a socially responsible company.

In such a context, the training, motivation and commitment of its employees are more than ever the cornerstones of the SAQ's success. In acknowledgement of this fact, the government corporation has implemented or extended various practices designed to attract and retain talent. In particular, it has invested more than 5% of its outlet employees' payroll in training and conducted some 65,000 hours' worth of workshops and courses. The company has also carried out a new internal recruitment campaign for its outlet management succession program, which led to the selection and training of 34 candidates. Promoting the values of work, performance and talent, the SAQ held its annual Millésime recognition activity, at which it honoured the outstanding accomplishments and remarkable contributions of 72 employees in achieving its business objectives. Lastly, in occupational health and safety, the company developed and implemented a training session on handling heavy objects in outlets, which was attended by more than 1,000 employees.

The year just ended brought, among other things, the dawn of a new era in industrial peace. The SAQ signed a new seven-year collective agreement with its 850 employees who belong to the Syndicat des Travailleurs(euses) de la Société des alcools du Québec (STTSAQ). It then renewed the labour agreement with its 5,000 employees who are members of the Syndicat des employé(e)s de magasins et de bureaux de la SAQ (SEMB-SAQ CSN) for eight years. The signing of these two agreements ensures the SAQ of greater stability and the ability to continue its rigorous cost control program while maintaining a high level of quality in the services it provides to customers.

The SAQ is convinced that realizing its new vision will also require the continuous improvement of its business processes and procurement practices. It has therefore developed a new online proposal catalogue aimed at optimizing category management. Used by suppliers and their agents to file their bids in response to calls for tenders of regular products, the new catalogue is also a bank of spontaneous proposals for specialty products. This new tool will enable the SAQ reduce the time involved in getting products on the shelves even as it gives the company more flexibility for taking advantage of attractive business opportunities.

Committed to helping Quebec industry grow, the SAQ organized a trade mission to France involving ten cider makers invited by the Association des cidriculteurs artisans du Québec and representatives of the Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec (MAPAQ) and the Union des producteurs agricoles (UPA). The mission gave the participants the opportunity to meet several producers of cider, wine and Calvaldos and to discuss their production, transformation and marketing methods. •

The SAQ fully assumes its role as a responsible citizen and constantly strives to contribute more to Quebec's community life.

MAINTAINING BALANCE

The Société des alcools du Québec believes that a government corporation should not only serve as a model but also be innovative and show the greatest sensibility toward its human and physical environment. Accordingly, while rigorously carrying out its business mandate, it fully assumes its role as a responsible citizen and constantly strives to contribute more to Quebec's community life.

In fiscal 2009–2010, the SAQ moved forward with its various initiatives in the areas of sustainable development, responsible sales and community support. It partnered with some 400 organizations and 80 events across Quebec through its Donation and Sponsorship Program. The monetary value of this support totalled $7.3 million. The company also revised its Donation and Sponsorship Policy to include new focus areas, such as food aid.

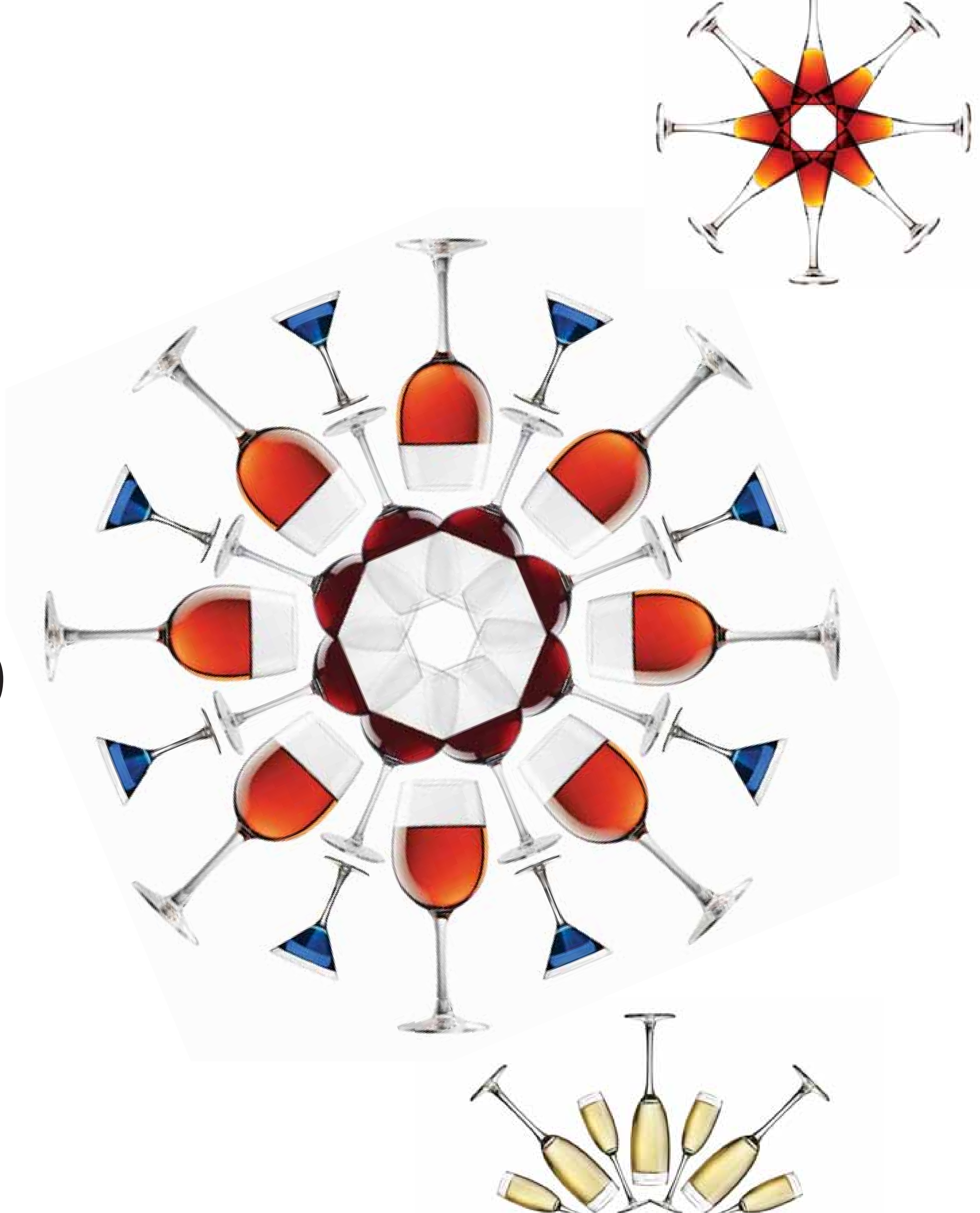
The SAQ has long been associated with the pleasures of the table and its first concern in this area is to contribute to organizations that work to ensure that all Quebecers have the quality foodstuffs they require to nourish themselves at all times. Last year, it invested more than $300,000 in two organizations active in the field, Banques alimentaires Québec and La Tablée des Chefs.

At the SAQ, refusing to sell alcohol to minors is an integral part of each employee's duties, and the actions taken to support employees in putting the company's sales ethic into practice clearly bore fruit: in 2009, staff asked for proof of age from 979,261 customers, a 47.7% increase from 2008. At the same time, the SAQ continued its underage mystery customer program to assess how well the sales ethic is being implemented in its outlets. The average results for the entire network increased from 86.6% in 2008 to 92.2% in 2009, a significant improvement of 5.6 percentage points.

For 20 years now, the SAQ's preferred means for promoting responsible consumption has been through Éduc'alcool. In 2009–2010, it raised and donated $2.7 million to this organization, which develops and deploys prevention, education and information programs aimed at helping young people and adults make responsible, enlightened decisions about alcohol consumption.

Among the important actions called for in its 2009–2010 Report on Sustainable Development, the SAQ carried out the first phase of the implementation of the recovery of residual materials (paperboard, paper, plastic, glass and metal) in its outlets. It also collaborated with the International Chair in Life Cycle Assessment of the Interuniversity Research Centre for the Life Cycle of Products, Processes and Services (CIRAIG) to analyze the life cycles of various types of wine containers. Along the same lines, it renewed until 2013 its partnership agreement with the Chaire SAQ sur la valorisation du verre dans les matériaux at the Université de Sherbrooke, whose main focus is developing uses for ground or crushed glass in concrete, cement and paving stones. The SAQ is also an ambassador member of the Table pour la récupération hors foyer, which provides financial support for municipal bodies, recyclable materials collection firms and bar, hotel and restaurant managers that implement a selective collection system. The company also began discussions with various glass suppliers with an eye to assessing the light glass market for wine bottling. •

TRENDS



Are Quebecers still as keen on wine?
Do they drink more or less than their Canadian counterparts?
Has the cocktail craze arrived in *la belle province*?

FAITHFUL TO THE FRUIT OF THE VINE

Quebecers' love for wine has lasted several years and is growing stronger. In the most recent financial year, nearly 78% of the bottles sold by the SAQ held wine while nearly 15% contained spirits. Over the last five years, volume sales of all alcoholic beverages have experienced average annual growth of 4.6%.

This steady rise is due mainly to the dynamism of the wine category, whose litre sales increased an average of 5.6% a year over the same period.

Volume Sales by Product Category
(outlets and specialized centres)

77.9%

Wine

14.8%	5.4%	1.5%	0.4%
Spirits	Coolers	Beers	Ciders and other products

QUEBECERS' TASTES ARE BECOMING MORE REFINED

Quebecers' predilection for wine is unique in North America. This is the result not of chance but of the work of SAQ advisors, wine writers, sommeliers, chefs, restaurant owners, agents and producers who, year after year, help Quebecers make sense of the world of wine. Better informed, more curious and more daring than ever, Quebec consumers enjoy discovering new wines, new wine-producing countries, new appellations and new grape varieties.

For five years now, volume sales of regular and specialty still wines have seen average annual growth of 8.1% and 6.6% respectively. Last year, consumers spent an average of $14.81[1] per 750-ml bottle, confirming once again the qualitative evolution of Quebecers' taste in wine.

RED, THE COLOUR OF PASSION

For the sixth year in a row, Quebecers have remained true to their established consumption patterns when it comes to wine colours: 73% of customers' purchases are of red wines and 23% of white wines, with rosés accounting for the remaining 4%.

Still Wine Sales in Litres by Colour
(outlets and specialized centres)

4%	23%	73%
Rosé	White	Red

1. Regularly priced still wines.

QUEBEC IN YOUR GLASS

Despite the rigours of the northern climate, Quebec artisans brilliantly exploit the flavours of local terroirs to develop products that are as authentic and true to place as they are delicious. Wines, ciders, meads, cassis and maple liqueurs: production is diversified and quality is very high. All told, some 250 products from Quebec terroirs are sold by the SAQ. What's more, they are enjoying unprecedented success. Within the space of a year, the volume sales of these products have risen a significant 20.8%—an exceptional performance, especially when compared with the 4% average increase in the sales of all products at the SAQ during the same period.

The growing interest in products from Quebec terroirs appears to be more than a fad. During the last five years, volume sales of these products have seen solid average annual growth of 10.1%. For their part, annual net sales reached a record high this year, exceeding the $12.6 million mark.

Sales of Products from Quebec Terroirs

(outlets and specialized centres)

15.0%

Growth in net sales

20.8%

Growth in volume sales

	2010	2009
Net sales *(in thousands of dollars)*	**12,661.3**	11,013.9

	2010	2009
Litres *(in thousands of litres)*	**422.8**	350.1

CONSERVATIVE... YET DARING!

Quebec wine lovers have traditionally favoured wine from countries with long histories as wine producers. And although Quebecers' tastes have diversified over the last decade, this continued to be the case in 2010. Of all the bottles of wine sold this year, nearly one in three was French and more than one in five Italian. By themselves, these two countries' share of Quebec's still wine market exceeded 54%.

That being said, the most significant change in the last year related to the United States, which, for the first time ever, rose to third place among the wine-producing countries most popular with SAQ customers. With average annual growth in litre sales on the order of 20.2% over the last five years, American wines now hold 8.4% of the Quebec market, usurping two formidable adversaries: Argentinean wines (8.1% market share) and Spanish wines (7.5% market share). Among other noteworthy developments is the continued advance of wines from South Africa and New Zealand, which have experienced average annual growth of 53.9% and 46.6% respectively over the last five years.

Sales of Still Wines by Country of Origin

(in thousands of litres)
(outlets and specialized centres)

	2010	2009	2010 vs. 2009
France	**31,196**	30,204	3.3 %
Italy	**23,283**	22,127	5.2 %
United States	**8,378**	6,872	21.9 %
Argentina	**8,143**	8,508	(4.3)%
Spain	**7,480**	7,773	(3.8)%
Australia	**6,151**	5,738	7.2 %
Canada	**4,375**	4,729	(7.5)%
Chile	**3,348**	3,242	3.3 %
South Africa	**2,854**	2,207	29.3 %
Portugal	**2,748**	2,749	– %
New Zealand	**811**	659	23.1 %
Germany	**602**	575	4.7 %
Japan	**245**	254	(3.5)%
Romania	**220**	226	(2.7)%
Greece	**219**	220	(0.5)%
Bulgaria	**129**	140	(7.9)%
Total	**100,182**	96,223	4.1 %

Market Share of Still Wines by Country of Origin

(percentage of volume sales)
(outlets and specialized centres)

	2010	2009
France	**31.2 %**	31.4 %
Italy	**23.2 %**	23.0 %
United States	**8.4 %**	7.1 %
Argentina	**8.1 %**	8.8 %
Spain	**7.5 %**	8.1 %
Australia	**6.1 %**	6.0 %
Canada	**4.4 %**	4.9 %
Chile	**3.3 %**	3.4 %
South Africa	**2.9 %**	2.3 %
Portugal	**2.7 %**	2.9 %
New Zealand	**0.8 %**	0.7 %
Germany	**0.6 %**	0.6 %
Japan	**0.3 %**	0.3 %
Romania	**0.2 %**	0.2 %
Greece	**0.2 %**	0.2 %
Bulgaria	**0.1 %**	0.1 %

A UNIQUE CONSUMPTION PATTERN

According to the latest Statistics Canada data, the per capita consumption of spirits in Quebec and Canada remains relatively stable when compared with the 2007 data. And while beer continues to be the most consumed alcoholic beverage in the country, wine consumption continues to rise from sea to sea to sea.

In Quebec, the total consumption of absolute alcohol per person increased slightly, from 8.1 litres a year in 2007 to 8.3 litres in 2009. This places Quebec sixth among the 12 Canadian provinces and territories.

From a volume standpoint, Quebec is currently the province with the highest average per capita consumption of wine, specifically 21.4 litres a year. At the same time, Quebec ranks last when it comes to spirits, with an average consumption of 4.1 litres a year or 3.6 litres less than the Canadian average. The new data confirm that Quebecers' consumption patterns of wines as well as spirits are clearly different from those of other Canadians.

Per Capita Consumption in Quebec by Persons Age 15 and Over[1]
Fiscal years 1999–2000 to 2008–2009

	2000	2001	2002	2003	2004	2005[2]	2006	2007	2008	**2009**
Wines										
in litres	15.3	16.3	16.9	17.4	18.0	17.7	18.8	20.2	20.9	**21.4**
in dollars	164.2	181.8	196.6	215.5	230.8	230.0	252.2	271.0	283.0	**294.2**
Beers										
in litres	95.3	93.3	95.0	93.9	93.6	95.0	95.5	94.4	92.2	**94.5**
in dollars	327.6	318.2	339.6	368.7	369.4	354.9	366.6	360.3	361.6	**370.3**
Spirits										
in litres	2.7	2.9	3.6	4.1	4.0	3.6	4.0	4.1	4.0	**4.1**
in dollars	64.8	69.8	76.2	80.8	81.8	74.2	83.2	89.0	90.9	**92.8**
Total										
in litres	**113.3**	**112.5**	**115.5**	**115.4**	**115.6**	**116.3**	**118.3**	**118.7**	**117.1**	**120.0**
in dollars	**556.6**	**569.7**	**612.4**	**665.0**	**682.1**	**659.1**	**701.9**	**720.3**	**735.4**	**757.3**

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

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

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

2008–2009 fiscal year

Provinces	Total (in litres of absolute alcohol)	Rank	Wines (in litres)	Rank	Beers (in litres)	Rank	Spirits (in litres)	Rank	Amount (in dollars)	Rank
Yukon Territory	13.0	1	20.5	2	134.5	1	15.0	1	1 217.4	1
Alberta	9.4	2	15.9	4	92.7	4	10.9	3	712.8	7
Newfoundland and Labrador	9.1	3	7.3	12	96.5	2	11.7	2	865.1	3
Northwest Territories and Nunavut	8.6	4	8.9	10	80.1	10	10.8	5	943.6	2
British Columbia	8.6	5	19.7	3	76.6	11	9.1	9	790.0	4
Quebec	**8.3**	**6**	**21.4**	**1**	**94.5**	**3**	**4.1**	**12**	**757.3**	**5**
Prince Edward Island	8.2	7	10.1	8	82.0	7	10.4	7	676.1	8
Nova Scotia	8.1	8	10.2	6	83.0	5	10.8	5	749.4	6
Manitoba	8.0	9	9.6	9	82.4	6	9.5	8	627.5	12
Saskatchewan	8.0	10	8.5	11	81.6	8	10.9	3	649.3	10
Ontario	7.6	11	13.7	5	76.5	12	8.1	10	627.7	11
New Brunswick	7.1	12	10.2	6	80.9	9	7.3	11	656.5	9
Canada	**8.2**		**15.9**		**83.5**		**7.6**		**698.7**	

1. Source: Statistics Canada.


VODKAS
COGNACS
LIQUEURS ET CRÈMES

QUEBECERS ARE WARMING TO RUM AND VODKA

Although spirits are very popular in the other Canadian provinces and territories, the consumption of spirits in Quebec is stagnant at slightly more than 4 litres per person per year. Moreover, the average annual increase in volume sales of spirits has lagged behind that of all products sold for the last five years (2.8% versus 4.6%). As a result, spirits' market share has shrunk from 16.3% in 2004–2005 to 14.8% in 2009–2010.

While liqueurs continue holding on to a nearly 24% share of the spirits market, they don't contribute significantly to the category's growth.

Instead, it is rum and vodka that are gaining in popularity, with annual average growth rates of 6.1% and 5.7% over the last five years. However, fiscal 2009–2010 appeared to signal a renewal in interest for the products in this category, with modest growth of 3.3%.

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

	2010	2009	Share in 2010
Liqueur	4,816	4,605	23.7 %
Vodka	4,625	4,423	22.8 %
Rum	3,401	3,253	16.7 %
Whisky	2,529	2,419	12.5 %
Gin	2,163	2,069	10.6 %
Brandy	1,962	1,876	9.7 %
Alcohol	453	433	2.2 %
Other spirits	365	582	1.8 %
Total Spirits	**20,314**	**19,660**	
Spirits' market share	**14.8 %**	**14.9 %**	

STAY-AT-HOME CONSUMERS

It's a fact: Quebecers are known for their reasonable consumption of alcohol, preferring to drink better and in smaller quantities but more often. Also, last year's data confirm that they tend to consume alcoholic beverages in the comfort of their home. With an annual growth rate of 6.2%, sales to consumers have the wind in their sails. In 2009–2010, nearly eight out of ten purchases were made by individual consumers.

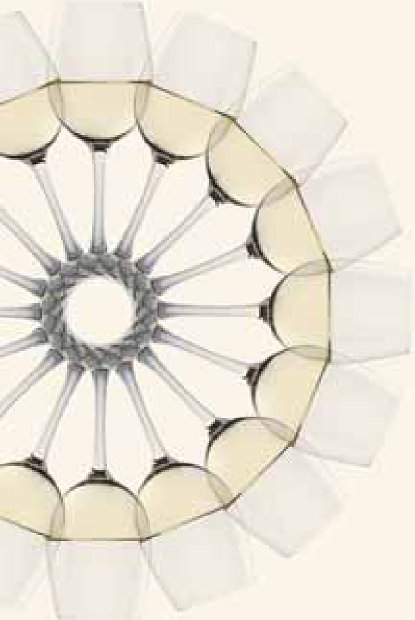
Conversely, sales to hotel owners, restaurateurs and bar owners that hold permits issued by the Régie des alcools, des courses et des jeux du Québec have decreased by an average of 2.2% a year over the last five years, while the same group's market share fell from 16.6% to 15.3% over the last financial year. For their part, sales to SAQ agencies, diplomatic missions, ship chandlers, airlines and duty-free shops posted a significant 6.3% increase from last year.

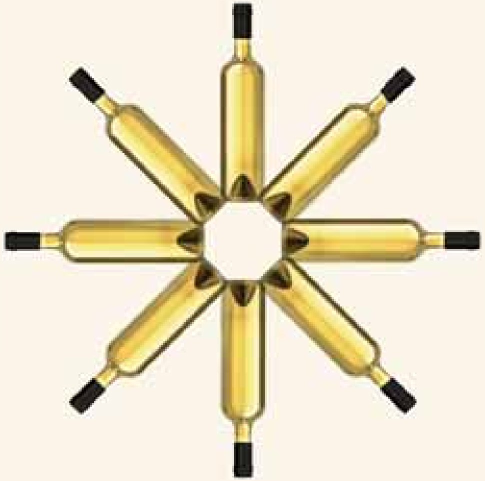
Sales by Type of Customer

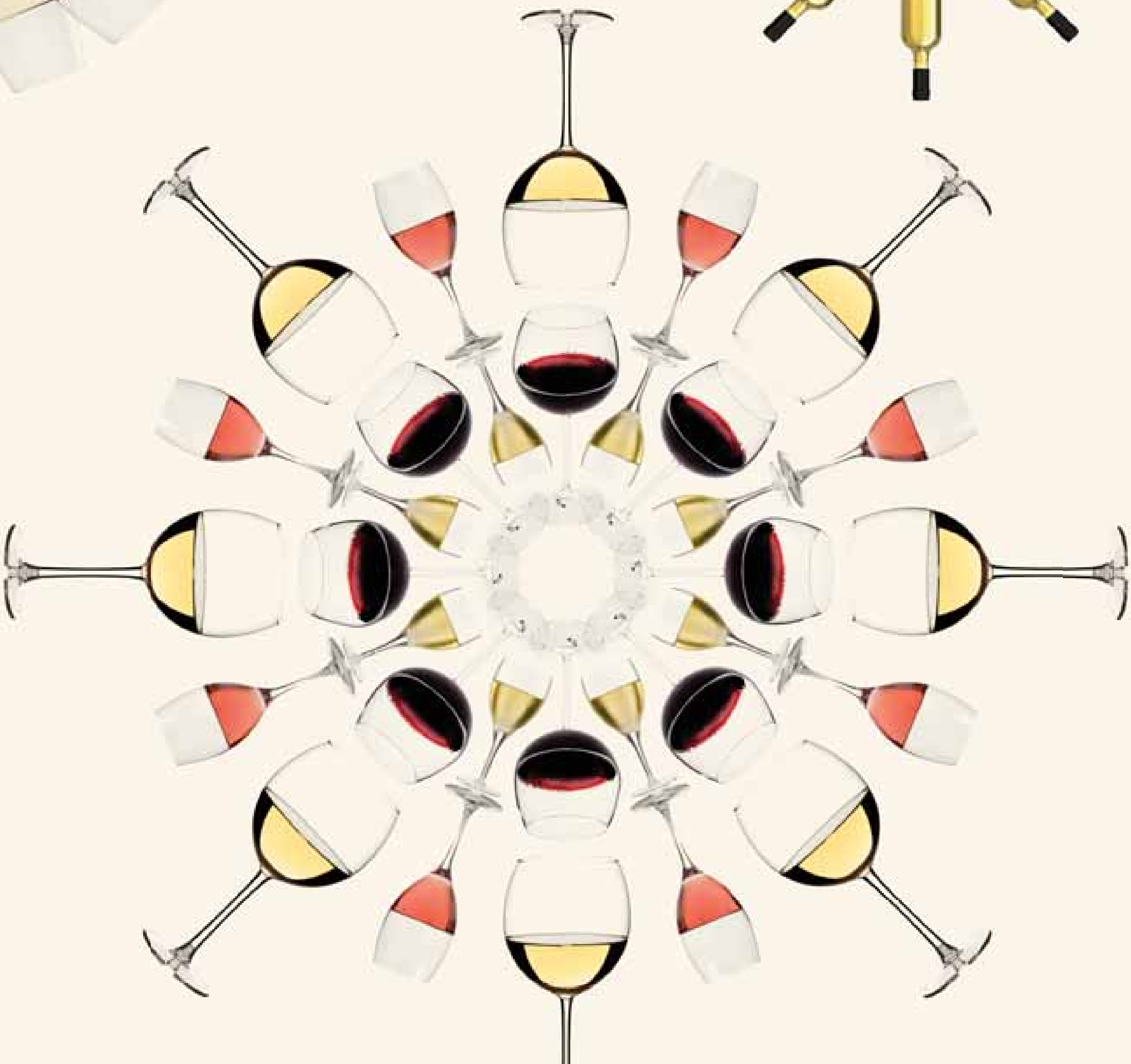
(in litres)
(outlets and specialized centres)

	2010	2009	AAGR*	**2010 vs. 2009**	**Share in 2010**
Consumers	**109,094**	103,438	6.2 %	5.5 %	**79.4 %**
Permit holders	**21,084**	21,864	(2.2)%	(3.6)%	**15.4 %**
Agencies and other customers	**7,192**	6,765	3.6 %	6.3 %	**5.2 %**
Total	**137,370**	**132,067**	**4.6 %**	**4.0 %**	**100 %**

* Average annual growth rate over the last five years.







FINANCES

ACCOUNTABILITY REPORT

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

Operating Results

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

	2011	2010		2009		2008		2007[1]	
	Forecast	Actual[2]	Forecast[2]	Actual[2]	Forecast	Actual	Forecast	Actual	Forecast
Net sales	**2,635.1**	2,542.2	2,450.4	2,417.8	2,370.8	2,293.9	2,241.8	2,173.8	2,142.0
Gross margin	**1,397.4**	1,344.0	1,291.9	1,275.9	1,274.6	1,239.1	1,216.7	1,180.8	1,180.7
Net operating expenses[3, 4]	**510.8**	476.8	480.4	469.2	477.5	478.2	471.7	472.8	478.5
Net earnings	**886.6**	867.2	811.5	806.7	797.1	760.9	745.0	708.0	702.2

1. 53-week fiscal year.
2. Due to the adoption of a new accounting standard on inventories in fiscal 2008–2009, direct shipping costs are now deducted from operating expenses and charged to the cost of sales. In 2009–2010, direct shipping costs totalled $14.4 million compared to $14.8 million for the previous fiscal year.
3. After deduction of other revenue and other income.
4. Due to the adoption of a new presentation method, the Éduc'alcool fund and Environmental fund deductions are included in the operating expenses of the fiscal 2010–2011 budget.

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

Investments in Property, Plant and Equipment and Intangible Assets

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

	2011 Forecast	2010 Actual	2009 Actual	2008 Actual	2007[1] Actual
Capital projects – distribution and administrative centres	**24,722.5**	11,240.8	6,692.0	8,239.5	8,662.7
Outlet network development	**15,462.9**	10,420.8	8,880.7	5,058.1	4,051.5
Information systems development	**20,455.2**	19,324.4	9,380.5	5,863.5	3,946.4
Rolling stock and mobile equipment	**2,718.5**	2,273.2	3,127.1	1,204.0	1,300.1
Specific equipment	**574.8**	956.8	959.4	720.0	1,012.9
Total	**63,933.9**	44,216.0	29,039.7	21,085.1	18,973.6

1. 53-week fiscal year.

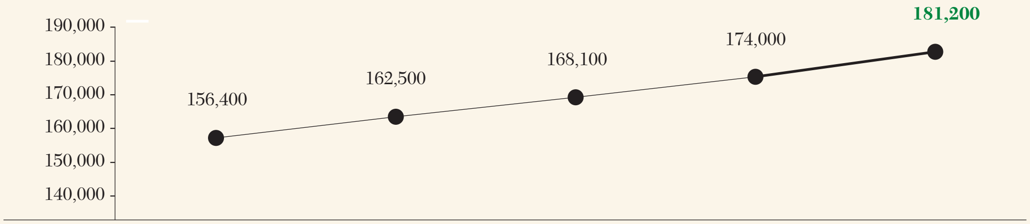
Certain comparative figures have been reclassified to conform to the current year's presentation.

COMMERCIAL DATA

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

Sales Growth by Volume

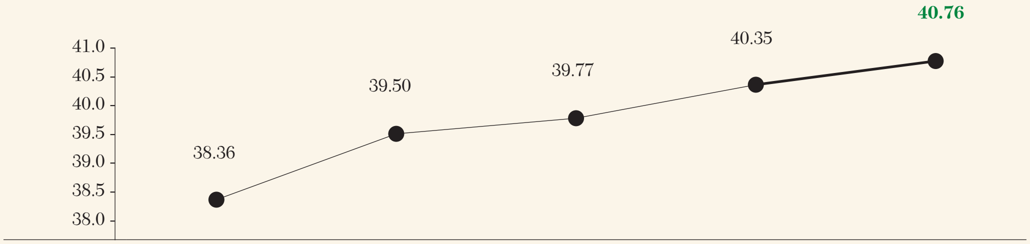
(in thousands of litres)



	2007[1] Actual	2008 Actual	2009 Actual	2010 Actual	**2011 Forecast**
Percentage increase (decrease)	6.5	3.9	3.4	3.5	**4.1**

Growth in Average Purchase per Outlet[2]

(in dollars)



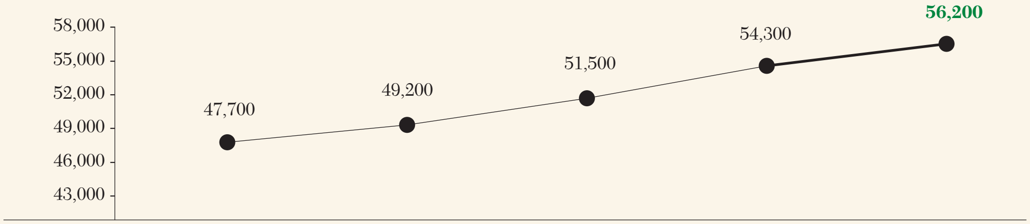
	2007[1] Actual	2008 Actual	2009 Actual	2010 Actual	**2011 Forecast**
Percentage increase (decrease)	0.3	3.0	0.7	1.5	**1.0**

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

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

Growth in Customer Traffic in SAQ Outlets[1]

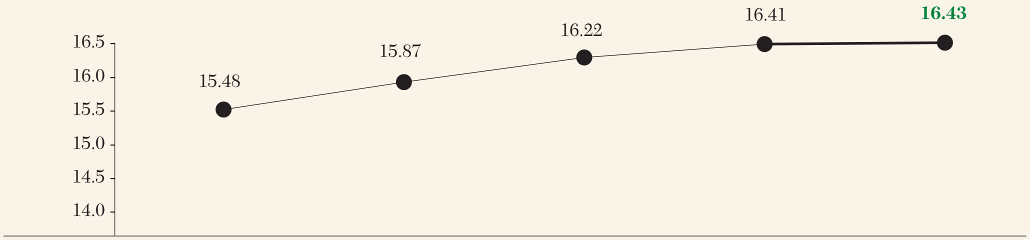
(in thousands of transactions)



	2007[2] Actual	2008 Actual	2009 Actual	2010 Actual	**2011 Forecast**
Percentage increase (decrease)	9.7	3.1	4.7	5.4	**3.5**

Growth in Average Sales Price per Litre[3]

(in dollars)



	2007[2] Actual	2008 Actual	2009 Actual	2010 Actual	**2011 Forecast**
Percentage increase (decrease)	1.5	2.5	2.2	1.2	**0.1**

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

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

FINANCIAL REVIEW

Management's Discussion and Analysis (MD&A) should be read in conjunction with the consolidated financial statements and accompanying notes presented hereafter. This analysis contains statements that are based on estimates and assumptions about future results. Given the uncertainty and risk inherent to such forward-looking statements, actual results could differ significantly from expected results. In addition, certain financial and operating figures from previous fiscal years have been reclassified to conform to the presentation adopted for the current fiscal year. The information contained in this MD&A presents the significant events that have occurred up to May 20, 2010.

Overview

The SAQ fared well during fiscal 2009-2010 despite difficult economic conditions that have put pressure on retail business in general for some months now. In these circumstances, the company posted consolidated net earnings of $867.2 million at the end of the fiscal year ended March 27, 2010, a substantial increase of $60.5 million or 7.5% from the previous fiscal year. The company also closed fiscal 2009-2010 with consolidated net sales in excess of $2.5 billion. Government revenue from operations, in the form of dividends, consumer taxes, and duties, exceeded $1.6 billion. At the end of the fiscal year, the SAQ's sole shareholder, the Quebec Minister of Finance, declared a dividend of $867.2 million. These results are record highs for sales, net earnings and dividends.

Consolidated financial statements

The consolidated financial statements as at March 27, 2010 and as at March 28, 2009 include the accounts of the SAQ and its share in the assets and liabilities and revenues and expenses of Société d'investissement M.-S., S.E.C., a joint venture in which the SAQ holds a 50% interest. This interest is accounted for using the proportionate consolidation method. For fiscal 2009–2010, the SAQ's share in the joint venture's operating results stood at $0.2 million.

Net sales

For fiscal 2009–2010, consolidated net sales from the SAQ's entire sales and distribution network totalled $2.542 billion, an increase of $124.4 million or 5.1%. The corresponding volume sales were 174 million litres, up 3.5% from 168.1 million litres the previous fiscal year.

By sales network

The outlet and specialized centre network had net sales of $2.254 billion in fiscal 2009–2010, up $113.4 million or 5.3% from fiscal 2008–2009. The corresponding volume sales grew from 132.1 million litres to 137.4 million litres, an increase of 4%.

The average purchase per outlet by consumers was $40.35 in fiscal 2009–2010 versus $39.77 the previous fiscal year. Overall, the average net sales price per litre in the SAQ network rose 1.2% to total $16.41 compared to $16.22 last year.

An improved quality-price ratio for many products thanks to an optimized price negotiation process, targeted promotional campaigns featuring attractive discounts, quality service delivery and, needless to say, Quebecers' growing enthusiasm for wine and alcoholic beverages in general, all combined to explain this business success.

Sales in the wholesale grocer network increased 4% from the previous fiscal year to reach $287.9 million. Volume sales grew 1.7% to total 36.6 million litres. Over the past three fiscal years, net sales in this complementary network have grown by 10.5%.

Over the past decade, the outlet and specialized centre network has seen its net sales grow by 106%, while sales in the wholesale grocer network have increased 36%. Volume sales in the two networks grew by 74% and 14%, respectively, during that time.

By product category

Net sales of all major product categories increased during fiscal 2009–2010. The wine category, with net sales exceeding $1.900 billion, showed noteworthy growth of $100 million or 5.6% compared to the previous fiscal year. This highly diverse product category accounted for more than 80% of the overall increase in consolidated net sales for the fiscal year. Corresponding volume sales increased by 3.9%, reaching 142.3 million litres in fiscal 2009–2010.

At $551.4 million, net sales of spirits, which are sold solely in the outlet and specialized centre network, continued to grow, rising $22 million or 4.2% from 2008–2009. For the first time, volume sales in this product category topped 20 million litres, rising 3.6% to total 20.3 million litres.

The spirits category, which accounts for less than 12% of overall volume sales, generated close to 22% of the company's total net sales in 2009–2010.

Lastly, net sales in the imported and microbrewery beers, ciders and coolers category increased by 2.3% in 2009–2010 to stand at $90.5 million. The corresponding volume sales remained relatively stable at 11.4 million litres. It should be noted that sales in this product category have barely increased in the past seven years. The shift in demand towards the wine category, which has seen its market share grow steadily, and sales of imported beers in the grocery and convenience store network, explains this stagnation.

Cost of sales and gross margin

Cost of sales includes the acquisition cost of products, the land and sea freight expenses incurred to ship goods to the SAQ's various distribution centres and points of sale, and the related federal taxes and duties. For fiscal 2009–2010, cost of sales stood at $1.198 billion compared to $1.142 billion in fiscal 2008–2009. As a result, the SAQ had a gross margin of $1.344 billion for fiscal 2009–2010 compared to $1.276 billion the previous fiscal year, an increase of more than $68 million or 5.3%.

There was essentially no change in the gross margin ratio, which was 52.9% for fiscal 2009–2010 versus 52.8% the previous fiscal year.

Operating expenses

Consolidated net operating expenses consist of selling, marketing, distribution, and administrative expenses as well as financial and amortization expenses, from which other revenue is deducted. Thus defined, consolidated net operating expenses totalled $476.8 million at the end of fiscal 2009–2010 compared to $469.2 million the previous fiscal year, up $7.6 million or 1.6%.

Compensation and employee social benefits, which account for almost 70% of consolidated net operating expenses, stood at $332.5 million versus $319.2 million for fiscal 2008–2009. The $13.3 million or 4.2% increase was primarily attributable to statutory salary increases granted to employees under current collective agreements. Expressed as a percentage of consolidated net sales, the human resource expenses were 13.1% of consolidated net sales compared to 13.2% the previous fiscal year.

Building occupancy expenses (and the related amortization expense), which is the second largest category of operating expense, increased by $2.7 million or 3.5% to total $79.6 million. Higher rental market prices for commercial space drove an increase in rental costs. In recent years, the SAQ has set forth a number of initiatives to leverage its commercial and administrative spaces and thereby limit the annual increase in this expense category.

Consolidated net operating expenses represented 18.8% of consolidated net sales in fiscal 2009–2010 compared to 19.4% the previous fiscal year. This is the lowest it has been in the past 13 fiscal years.

Compensation and Employee Social Benefits

(in millions of dollars)

	2010	2009
Compensation		
Salaries and wages	**$262.4**	$250.1
Overtime	**4.3**	4.5
Other human resource expenses	**11.7**	11.8
	278.4	266.4
Employee social benefits	**54.1**	52.8
Total	**$332.5**	$319.2

Net earnings and comprehensive income

The SAQ closed the fiscal year with consolidated net earnings of $867.2 million, up $60.5 million or 7.5%. Consolidated net earnings accounted for 34.1% of consolidated net sales compared to 33.4% for fiscal 2008–2009, the best operating performance in the past decade.

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

Government revenue

As a government corporation, the SAQ pays substantial amounts to two levels of government. By definition, government revenue consists of the declared dividend plus payments of various consumer taxes as well as excise taxes and customs duties. For fiscal 2009–2010, this revenue from SAQ operations peaked at $1.625 billion compared to $1.534 billion the previous fiscal year, an increase of more than $90 million.

Amounts paid to the Quebec treasury totalled $1.273 billion, an increase of $76.3 million or 6.4%. The increase was clearly due to a higher dividend but also to increased collection of consumer taxes, which is directly tied to higher retail sales.

Amounts paid to the federal government approached $352 million, up $13.9 million or 4.1%, due in part to higher excise taxes and customs duties payments, which reflect supply and distribution volumes, and in part to increased collection of goods and services tax.

Over the past decade, the SAQ's business activities generated more than $12.8 billion in revenue for two levels of government, an increase of more than 78% during that period.

Government Revenue from Operations

(in millions of dollars)

	2010	2009
Government of Quebec		
Declared dividend	$ 867.2	$ 806.0
Provincial sales tax	230.5	218.5
Specific tax	134.3	129.5
Specific permit holder tax	40.9	42.6
	1,272.9	1,196.6
Government of Canada		
Excise taxes and customs duties	205.2	198.9
Goods and services tax	146.5	138.9
	351.7	337.8
Total	$1,624.6	$1,534.4

Investments in property, plant and equipment and intangible assets

During fiscal 2009–2010, the SAQ invested $44.2 million in property, plant and equipment and intangible assets. Close to $17.2 million was used to improve its commercial and administrative spaces by installing more modern and functional facilities. An amount of $4.5 million was used to purchase a building next to the Montreal distribution centre, most of which is used to store products. More than $19.3 million went towards designing and developing new information systems, almost half of that amount for a point-of-sale management system that is now being deployed. Other investments included replacements and additions to rolling stock and specific equipment, mainly in support of distribution activities. All investments in property, plant and equipment and intangible assets were funded from internally generated funds.

Financial position

As at March 27, 2010, the SAQ's total assets stood at $627.8 million compared to $590.3 million in fiscal 2008–2009. The increase owes primarily to a higher carrying value of cash items ($16.4 million) and long-term assets ($16.2 million). At that date, the carrying values of inventories and long-term assets had balance sheet weightings comparable to those prevailing at the end of the previous fiscal year. As at March 27, 2010, the working capital ratio was stable compared to the previous fiscal year (0.72 versus 0.73 as at March 28, 2009).

At fiscal year-end, current liabilities showed a net increase of $38.5 million. Accounts payable and accrued liabilities and dividend payable increased by $25.3 million and $50.2 million, respectively. However, term loans of $37 million outstanding at the end of the previous fiscal year were repaid, as the significant cash flows generated in recent years have been used to greatly reduce short-term debt. As for long-term liabilities, they did not change significantly when compared to the end of fiscal 2008-2009.

Lastly, the company had satisfactory management ratios in the areas of collecting trade accounts receivable, managing inventory turnover and settling accounts payable. On the strength of substantial internally generated funds, stable working capital and low long-term debt levels, the SAQ's financial position remained sound throughout the past fiscal year.

Cash flows

The SAQ's activities generated close to $16.4 million in net cash in fiscal 2009–2010, whereas net cash of $0.4 million had been used in the previous fiscal year.

At $915 million, cash flows from operating activities experienced a significant, $80.4 million increase when compared to the previous fiscal year. This variance is essentially attributable to the higher net earnings and to changes in non-cash working capital items, offset by a lower amortization of intangible assets.

Investing activities resulted in net outflows of $43.2 million in fiscal 2009–2010 compared to $25.8 million the previous fiscal year. The variance comes mainly from investments in property, plant and equipment and intangible assets that affected cash.

Financing activities used net cash of $855.4 million in fiscal 2009–2010 versus $809.2 million the previous fiscal year. The variance is explained by the repayment of short-term loans combined with higher shareholder distributions.

As at March 27, 2010, the cash balance stood at $44.1 million compared to $27.7 million at the previous fiscal year-end.

Financing of activities

Because dividend advances are periodically paid to its sole shareholder, the Quebec Minister of Finance, the SAQ must rely on outside sources to finance its operations. In this respect, the company is authorized by its Board of Directors and the Government of Quebec to contract term loans for a maximum amount outstanding of $400 million.

During the fiscal year, the average term loan balance was $51.6 million versus $76.4 million in fiscal 2008–2009. The loan balance reached a maximum of $170 million compared to $194 million in fiscal 2008–2009. At fiscal year-end, the balance sheet included a $16 million term investment in cash items and was showing a loan balance of nil versus $37 million as at March 28, 2009.

Financing of the company's activities on the money market resulted in financial charges of $0.2 million, down by almost $2 million from the previous fiscal year. This change was due in part to a near 234-basis-point reduction in the average interest rate paid on loans in fiscal 2009–2010 and in part to a $24.8 million decrease in the net average balance of loans.

Changes in accounting policies

The SAQ adopted new accounting standards at the start of fiscal 2009–2010, as indicated in Note 4 to the consolidated financial statements. The adoption of standards on goodwill and intangible assets (CICA Handbook Section 3064) and financial instruments (CICA Handbook Section 3862) had no impact on the measurement of items in the company's consolidated financial statements. However, the adoption of these standards requires additional disclosures in the consolidated financial statements.

International Financial Reporting Standards

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

Like Canadian GAAP, IFRS is a single set of standards based on professional judgment. Since 2005, they have been applied in about 100 countries worldwide, mainly European Union countries and Australia. IFRS convergence plans are also being implemented in Japan and China.

The SAQ has developed an IFRS conversion plan and created a work team to implement it. A project governance committee has also been formed. To simplify the transition, the following timetable was adopted:

- 2008: diagnostic analysis
- 2009: changes to financial processes and systems, staff training, IFRS selections
- 2010: preparation of financial statements and notes under IFRS, preparation of 2010–2011 comparative figures under IFRS
- 2011: preparation of 2010–2011 comparative figures under IFRS (end), transition to IFRS (disclosure of 2010–2011 comparative figures under IFRS).

Over the past fiscal year, the company has continued to work on assessing the impact of the new accounting standards on its business activities, financial and management processes and systems, internal control framework and consolidated financial statements. It has made choices regarding the transition date relief measures available under IFRS 1 and regarding the accounting policies that will be applied thereafter. To date, the main issues identified are related to property, plant and equipment and employee future benefits.

Internal control framework

To align its financial governance rules with best governance practices, the SAQ has adopted a financial disclosure policy and implemented a control framework, the purposes of which are to provide assurance that the company is fulfilling its obligations and mitigating disclosure-related risks. To this end, the company has implemented a series of measures and introduced complete documentation in order to improve the effectiveness of its financial reporting controls and procedures.

This documentation was developed based on the recognized principles of the Treadway Commission's COSO (Committee of Sponsoring Organizations) framework, which is used by public companies. This new control framework is helping to ensure an even more structured approach to governance.

Over the past fiscal year, the SAQ has continued evaluating the effectiveness of financial reporting controls and procedures. Again this year, the evaluation showed that the controls are being applied effectively.

Risks and uncertainties

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

As such, the SAQ's results partially reflect economic conditions prevailing in its operating territory. A slowdown in the Quebec economy could have unfavourable impacts on the consumption of products sold by SAQ and, consequently, on its operating performance. Therefore, demand for the company's alcoholic beverages and the resulting profitability depend on, among other things, growth in the disposable income of customers.

Retail business is an evolving and highly competitive market. Today's consumers are more informed, curious and adventurous than ever, demanding higher quality, better value and increasingly personalized advice and service. To ensure growth, the SAQ must respond to market competition coming from many offerings made to consumers that seek to capture a growing share of their discretionary spending. The company therefore organizes its strategies and actions around mitigating this business risk.

Responding to changing needs and satisfying diverse customer groups are constant priorities for the SAQ. Through a vast distribution and sales network built up over the years and operated efficiently today, the company offers a wide range of quality products and services. Numerous strategies and initiatives have been successfully deployed to create a constantly changing product offering, well targeted merchandising campaigns, friendly environments that enhance the shopping experience, and a competent and enthusiastic staff. These strong assets help mitigate the company's market risk exposure.

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

Outlook

The SAQ's management is especially pleased with the fiscal 2009–2010 results. The company's strong performance confirms its sound management approach and the mobilization of its employees around the business plans. Over the next fiscal year, the organization will continue to deploy the initiatives set out in its new Strategic Plan, recently adopted by the Government of Quebec. The plan focuses on examining new business opportunities and implementing measures to optimize business and administrative practices.

Staff development will also be at the core of the strategies that will be implemented in order to build increasingly skilled and committed teams, a prerequisite to meeting the growing needs of various customer groups and ensuring the company's reputation for excellence within the business community.

The company expects to realize net earnings of $887 million for fiscal 2010–2011, an increase of almost $20 million or 2.2%.

Net Sales by Network
(in millions of dollars)

	2006	2007[1]	2008	2009	2010
Outlets and specialized centres	1,753.2	1,913.3	2,029.5	2,140.9	**2,254.3**
Wholesale grocers	260.4	260.5	264.4	276.9	**287.9**
Total	2,013.6	2,173.8	2,293.9	2,417.8	**2,542.2**

Net Sales by Product Category
(in millions of dollars)

	2006	2007[1]	2008	2009	2010
Wines	1,470.3	1,601.8	1,700.4	1,799.9	**1,900.3**
Spirits	460.0	492.4	513.6	529.4	**551.4**
Imported and microbrewery beers, ciders and coolers	83.3	79.6	79.9	88.5	**90.5**
Total	2,013.6	2,173.8	2,293.9	2,417.8	**2,542.2**

1. 53-week fiscal year.

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

Operating Results
(in millions of dollars)

	2006	2007[1]	2008	2009[2]	**2010[2]**
Net sales	2,013.6	2,173.8	2,293.9	2,417.8	**2,542.2**
Cost of sales	899.4	993.0	1,054.8	1,141.9	**1,198.2**
Net earnings	656.9	708.0	760.9	806.7	**867.2**
Net operating expenses[3]	457.3	472.8	478.2	469.2	**476.8**

Government Revenue from Operations
(in millions of dollars)

	2006	2007[1]	2008	2009	**2010**
Declared dividend	657.0	709.0	762.0	806.0	**867.2**
Taxes and duties paid to governments	647.7	687.7	713.8	728.4	**757.4**
Total	1,304.7	1,396.7	1,475.8	1,534.4	**1,624.6**

Asset Mix
(in millions of dollars)

	2006	2007[1]	2008	2009	**2010**
Inventories	265.2	238.0	277.2	294.9	**302.1**
Property, plant and equipment and intangible assets	272.4	240.2	214.4	209.6	**225.8**
Other assets	121.2	94.8	100.9	85.8	**99.9**
Total	658.8	573.0	592.5	590.3	**627.8**

1. 53-week fiscal year.
2. Due to the adoption of a new accounting standard on inventories in fiscal 2008–2009, direct shipping costs are now deducted from operating expenses and charged to the cost of sales. In 2009–2010, direct shipping costs totalled $14.4 million compared to $14.8 million the previous fiscal year.
3. After deduction of other revenue and other income.

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

Breakdown of the Sales Price

Local spirits, 750 ml format

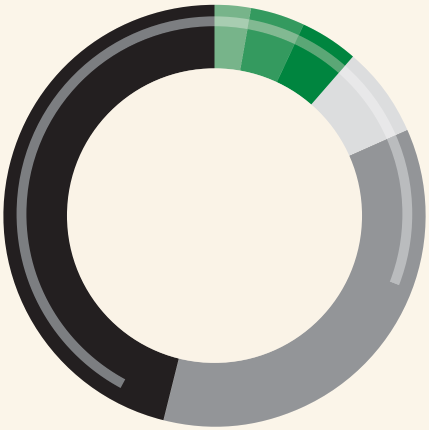
(in dollars and percentages)
March 27, 2010

Markup[1]	$11.59	52.8%
Supplier price, in Canadian dollars, including shipping	$ 3.68	16.8%
Excise taxes paid to the Government of Canada	$ 3.51	16.0%
Provincial sales tax	$ 1.53	7.0%
Federal goods and services tax	$ 0.97	4.4%
Specific taxes paid to the Government of Quebec	$ 0.67	3.0%
Retail price *(per bottle)*	$21.95	100%

Imported wine, 750 ml format

(in dollars and percentages)
March 27, 2010

Markup[1]	$ 7.33	46.0%
Supplier price, in Canadian dollars, including shipping	$ 5.65	35.4%
Provincial sales tax	$ 1.11	7.0%
Federal goods and services tax	$ 0.71	4.4%
Specific taxes paid to the Government of Quebec	$ 0.67	4.2%
Customs duties and excise taxes paid to the Government of Canada	$ 0.48	3.0%
Retail price *(per bottle)*	$15.95	100%



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

MANAGEMENT'S REPORT

The following consolidated financial statements have been prepared by the management of the Société des alcools du Québec (the SAQ) and approved by its Board of Directors. Management is responsible for the 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 and with Canadian generally accepted accounting principles. They 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 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 fulfils its obligations for financial reporting and internal controls. The Board performs this function through its Audit Committee, which consists solely of independent directors. The Committee periodically reviews the consolidated financial statements and examines the reports on the accounting policies and methods and on the internal control systems. The external auditors may, without restriction, meet the Audit Committee to discuss any audit-related issues.

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

PHILIPPE DUVAL
Chief Executive Officer

RICHARD GENEST
Vice-President and Chief Financial Officer

Montreal, May 20, 2010

AUDITORS' REPORT

To the Minister of Finance,

We have audited the consolidated balance sheet of the Société des alcools du Québec as at March 27, 2010 and the consolidated statements of earnings and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the management of the Société des alcools du Québec. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Société des alcools du Québec as at March 27, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Auditor General Act* (R.S.Q. chapter. V-5.01), we report that, in our opinion, considering the adoption of the new accounting policies described in Note 4, these principles have been applied on a basis consistent with that of the previous year.

The Auditor General of Québec,

Renaud Lachance FCA auditor

RENAUD LACHANCE, FCA auditor

Raymond Chabot Grant Thornton LLP[1]

RAYMOND CHABOT GRANT THORNTON LLP

Montreal, May 20, 2010

[1] Chartered accountant auditor permit No. 7023.

CONSOLIDATED EARNINGS AND COMPREHENSIVE INCOME

Fiscal year ended March 27, 2010
(in thousands of dollars)

	2010	2009
Net sales (Note 5)	$2,542,191	$2,417,786
Cost of sales (Note 5)	1,198,203	1,141,887
Gross margin (Note 5)	1,343,988	1,275,899
Operating expenses		
Selling and marketing, distribution and administrative expenses (Note 6)	498,553	482,254
Financial expenses (Note 7)	563	2,460
Amortization of property, plant and equipment	22,072	22,490
Amortization of intangible assets	5,102	10,484
	526,290	517,688
Other revenue		
Advertising, promotional and miscellaneous	49,515	48,503
Net earnings and comprehensive income	$ 867,213	$ 806,714

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

CONSOLIDATED RETAINED EARNINGS

Fiscal year ended March 27, 2010
(in thousands of dollars)

	2010	2009
Balance, beginning of fiscal year	$ 14,808	$ 14,094
Net earnings	867,213	806,714
	882,021	820,808
Dividend	(867,213)	(806,000)
Balance, end of fiscal year	$ 14,808	$ 14,808

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

CONSOLIDATED BALANCE SHEET

March 27, 2010
(in thousands of dollars)

	2010	2009
Assets		
Current assets		
Cash and cash equivalents (Note 20)	**$ 44,101**	$ 27,722
Trade and other accounts receivable (Note 8)	**45,624**	44,846
Inventories (Note 9)	**302,124**	294,900
Deposits and prepaid expenses	**10,170**	13,253
	402,019	380,721
Property, plant and equipment (Note 10)	**202,475**	190,213
Intangible assets (Note 11)	**23,276**	19,375
	$627,770	$590,309
Liabilities		
Current liabilities		
Loans (Note 12)	**$ –**	$ 36,998
Accounts payable and accrued liabilities (Note 13)	**326,523**	301,190
Dividend payable	**233,213**	183,000
	559,736	521,188
Capital lease obligation (Note 14)	**1,765**	3,298
Liability – cumulative sick leave credits (Note 16)	**17,733**	17,759
Accrued benefit liability – pension plan (Note 16)	**3,728**	3,256
	582,962	545,501
Shareholder's equity (Note 17)		
Share capital	**30,000**	30,000
Retained earnings	**14,808**	14,808
	44,808	44,808
	$627,770	$590,309

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

On behalf of the Board of Directors

NORMAN HÉBERT JR.
Chairman of the Board of Directors

CHANTAL BÉLANGER
Audit Committee Chair

CONSOLIDATED CASH FLOWS

Fiscal year ended March 27, 2010
(in thousands of dollars)

	2010	2009
Operating activities		
Net earnings	$867,213	$806,714
Items not affecting cash:		
Amortization of property, plant and equipment	22,072	22,490
Amortization of intangible assets	5,102	10,484
Loss on disposal of property, plant and equipment	822	59
Sick leave credits expense	2,967	3,554
Pension plan expense	520	892
	898,696	844,193
Net change in non-cash working capital items (Note 20)	19,317	(5,779)
Benefits paid by cumulative sick leave credits plan and the pension plan	(3,041)	(3,821)
Cash flows from operating activities	914,972	834,593
Investing activities		
Acquisitions of property, plant and equipment	(34,206)	(19,307)
Acquisitions of intangible assets	(9,072)	(7,304)
Proceeds from disposal of property, plant and equipment	57	786
Cash flows from investing activities	(43,221)	(25,825)
Financing activities		
Net change in loans	(36,998)	(5,991)
Reimbursement of the capital lease obligation	(1,374)	(1,231)
Dividend paid	(817,000)	(802,000)
Cash flows from financing activities	(855,372)	(809,222)
Net increase (decrease) in cash and cash equivalents	16,379	(454)
Cash and cash equivalents, beginning of fiscal year	27,722	28,176
Cash and cash equivalents, end of fiscal year	$ 44,101	$ 27,722

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 27, 2010
(tabular amounts in thousands of dollars)

1. STATUTES AND NATURE OF ACTIVITIES

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

2. FISCAL YEAR

The SAQ's fiscal year ends on the last Saturday in March. The fiscal years ended March 27, 2010, and March 28, 2009, each comprise 52 weeks of operations.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Revenue recognition

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

Recognition of considerations received from suppliers

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

Operating leases

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the balance sheet date, whereas other assets are translated at the exchange rate in effect on the transaction date. Revenues and expenses denominated in foreign currencies are translated at the exchange rate in effect on the transaction date. Exchange gains and losses are recognized in earnings for the fiscal year. Exchange gains of $1.8 million have been included in the earnings for fiscal 2010 ($3.2 million in losses in 2009).

Financial instruments

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

The SAQ has classified its financial instruments as follows:

Cash and cash equivalents are classified as "Assets held for trading" and are measured at fair value.

Trade and other accounts receivable are classified as "Loans and receivables." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method. For the SAQ, this measurement usually equals cost.

Loans, accounts payable and accrued liabilities (except for government taxes and duties payable and the current portion of a capital lease obligation) as well as the dividend payable are classified as "Other financial liabilities." They are initially measured at fair value. Subsequently, they are measured at amortized cost using the effective interest rate method. For the SAQ, this measurement usually equals cost. The interest expense and transaction costs related to "Other financial liabilities" are presented in the consolidated statement of earnings under "Financial expenses."

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

Embedded derivatives

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

At March 27, 2010, and March 28, 2009, the SAQ was not holding any financial instrument or contract with embedded derivatives that needed to be separated from the host contract.

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with an acquisition date to maturity of three months or less.

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 inventories of alcoholic beverages includes the cost of acquisition, freight in, related customs duties and excise taxes, as well as the direct shipping costs incurred to make products available at the different points of sale.

Property, plant and equipment

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

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

<u>Building rented under a capital lease</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Intangible assets

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

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

Impairment of long-lived assets

Long-lived assets are tested for recoverability when events or changes in circumstance indicate that their carrying value may not be recoverable. The carrying value of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The amount by which the carrying value exceeds the fair value is charged to the earnings of the period during which the impairment has been determined.

Employee benefit plans

<u>Cumulative sick leave credits</u>

The SAQ administers a defined benefit plan that guarantees the payment of sick leave credits to most of its employees. The future benefit cost associated with payment of sick leave credits accumulated by SAQ employees participating 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 employees. The actuarial calculations use the most likely assumptions established by management with respect to compensation increase, the age of retirement, and the rate at which sick leave credits are used.

The SAQ amortizes the unrecognized cumulative net actuarial gains and losses that are greater than 10% of the benefit obligation of cumulative sick leave credits over the average remaining service period of active employees participating in the plan. For the fiscal years ended March 27, 2010, and March 28, 2009, this period was 14 years.

<u>Pension plans</u>

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

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

The excess of the net cumulative actuarial gains (net cumulative actuarial losses) over 10% of the accrued benefit obligation is amortized over the average remaining service period of the active employee group covered by the plan. For the fiscal year ended March 27, 2010, this period was 4.5 years (4.1 years for fiscal 2009).

4. CHANGES IN ACCOUNTING POLICIES

Fiscal year ended March 27, 2010

Goodwill and intangible assets

On March 29, 2009, in accordance with transitional provisions, the SAQ adopted Section 3064 of the Canadian Institute of Chartered Accountants Handbook (CICA), "Goodwill and Intangible Assets," which replaced Section 3062, "Goodwill and Other Intangible Assets," and Section 3450, "Research and Development Costs." The new section sets out the recognition, measurement and presentation standards applicable to goodwill and intangible assets, including intangible assets developed internally. This section applies retrospectively with a restatement of comparative figures.

The adoption of these new standards had no impact on the SAQ's consolidated financial statements.

Financial instruments

In June 2009, the CICA amended Handbook Section 3862, "Financial Instruments – Disclosures." These amendments introduce new financial disclosure requirements on the fair value measurement of financial instruments. Financial instruments measured at fair value must now be classified according to a three-level hierarchy based on the type of inputs used in making 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 quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., prices) or indirectly (i.e., derived from prices); and

Level 3: inputs that are not based on observable market inputs (unobservable inputs).

The amendments also require enhanced disclosure about the nature and extent of the financial instrument liquidity risk to which an entity is exposed. This change applies to fiscal years ended as of September 30, 2009. Applying the recommendations of this section only affected disclosures and did not have an impact on the SAQ's consolidated financial statements.

Future fiscal years

International Financial Reporting Standards

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

The SAQ has completed the planning and diagnostic activities of its transition plan. It has made choices regarding the transition date relief measures available under IFRS 1 and regarding the accounting policies that will be applied thereafter. At this time, the SAQ is assessing how the application of these new accounting standards will impact its business activities, processes, financial and management systems, internal control framework, and consolidated financial statements.

5. NET SALES, COST OF SALES AND GROSS MARGIN

	2010			2009		
	Outlets and specialized centres	**Wholesale grocers**	**Total**	Outlets and specialized centres	Wholesale grocers	Total
Net sales	**$2,254,266**	**$ 287,925**	**$2,542,191**	$2,140,871	$ 276,915	$2,417,786
Cost of sales	**1,051,076**	**147,127**	**1,198,203**	1,001,218	140,669	1,141,887
Gross margin	**$1,203,190**	**$ 140,798**	**$1,343,988**	$1,139,653	$ 136,246	$1,275,899

The SAQ's net sales do not include beer sales made to holders of a brewer's permit or to holders of a beer distributor's permit. 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 margins for the SAQ. The SAQ does, however, collect service fees for them. The net sales and cost of sales arising from these transactions totalled $270.8 million in fiscal 2010 ($231.2 million in fiscal 2009).

6. SELLING AND MARKETING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	2010	2009
Compensation and employee social benefits	**$332,480**	$319,166
Building occupancy expenses	**69,427**	66,971
Equipment use and supply expenses	**19,658**	20,298
Freight out and communications	**8,318**	8,811
Other operating expenses	**68,670**	67,008
	$498,553	$482,254

7. FINANCIAL EXPENSES

	2010	2009
Financial expenses related to “Other financial liabilities”		
Interest on loans taken out with the Caisse de dépôt et placement du Québec, a government organization that carries out trust activities	**$ 56**	$ 671
Other interest on short-term loans	**123**	1,431
	179	2,102
Interest relating to a capital lease obligation	**446**	589
	625	2,691
Less: Interest income on investments, bank balances and other	**(62)**	(231)
	$563	$2,460

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

	2010	2009
Wholesale grocers	**$11,955**	$15,416
Licensed establishments, institutions and other commercial accounts	**33,669**	29,430
	$45,624	$44,846

9. INVENTORIES

	2010	2009
Alcoholic beverages[1]	$299,236	$292,159
Miscellaneous supplies	2,888	2,741
	$302,124	$294,900

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

10. PROPERTY, PLANT AND EQUIPMENT

	2010			2009
	Cost	Accumulated amortization	Unamortized cost	Unamortized cost
Land	$ 11,357	$ –	$ 11,357	$ 10,706
Buildings	170,893	59,232	111,661	93,561
Furniture and equipment[1]	178,260	124,544	53,716	58,865
Rolling stock	17,196	12,057	5,139	5,263
Leasehold improvements[1]	50,163	33,663	16,500	17,358
Paving and parking	4,359	3,106	1,253	1,204
	432,228	232,602	199,626	186,957
Building rented under a capital lease	16,280	13,431	2,849	3,256
	$448,508	$246,033	$202,475	$190,213

1. Outlet development work with a capitalized value of $17.6 million was in progress as at March 27, 2010 ($7.7 million as at March 28, 2009) and is not amortized.

The total cost and total accumulated amortization of property, plant and equipment as at March 28, 2009, was $421.3 million and $231.1 million, respectively.

11. INTANGIBLE ASSETS

	2010			2009
	Cost	Accumulated amortization	Unamortized cost	Unamortized cost
Acquired software and licences	$ 14,525	$ 12,292	$ 2,233	$ 1,346
Internally developed software[1]	134,703	113,660	21,043	18,029
	$149,228	$125,952	$ 23,276	$ 19,375

1. Internally developed software with a capitalized value of $12.8 million was in progress as at March 27, 2010 ($10.2 million as at March 28, 2009) and is not amortized.

The total cost and total accumulated amortization of intangible assets as at March 28, 2009, was $140.2 million and $120.8 million, respectively.

12. LOANS

	2010	2009
Loans	$ –	$36,998

Loans as at March 28, 2009, consisted of two loans totalling $37.0 million, including one $29.5 million loan from 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 loans were bearing interest at rates of 0.51% and 0.52% and matured in four days or less.

At March 27, 2010, the SAQ had two bank credit facilities, including a $10 million line of credit maturing on September 30, 2010. Amounts drawn on this line of credit bear interest at the prime rate, which was 2.25% as at March 27, 2010 (2.5% at March 28, 2009). A second credit facility of $300 million was fully available at March 27, 2010, and March 28, 2009. This credit is available in the form of bank overdrafts bearing interest at the prime rate or in the form of advances bearing interest at a fixed rate corresponding to the financial institution's cost of funds plus a margin to be determined. This credit is repayable on demand.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2010	2009
Accounts payable and accrued liabilities[1]	$150,773	$135,711
Government taxes and duties payable	88,306	87,793
Compensation and employee social benefits payable	85,911	76,312
Current portion of a capital lease obligation	1,533	1,374
	$326,523	$301,190

1. The SAQ has agreed to help fund various programs aimed at protecting and improving the environment. It therefore devotes a portion of its sales to this purpose. The excess of the cumulative deductions from sales over the charges incurred, presented in accounts payable and accrued liabilities, totalled $7.5 million as at March 27, 2010 ($8.9 million as at March 28, 2009).

14. CAPITAL LEASE OBLIGATION

	2010	2009
The obligation related to the rental of a building, repayable through April 11, 2012, in monthly instalments of $0.15 million, including interest calculated at an annual rate of 11%, capitalized semi-annually.	$ 3,298	$ 4,672
Less: Current portion	(1,533)	(1,374)
	$ 1,765	$ 3,298

		Principal	Interest	Total
Payments in future fiscal years:	2011	$1,533	$ 287	$1,820
	2012	1,711	109	1,820
	2013	54	1	55
		$3,298	$ 397	$3,695

15. INTEREST IN A JOINT VENTURE

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

	2010	2009
Earnings		
Operating expenses	$308	$583
Interest income	–	(5)
Amortization	19	80
	327	658
Other revenue	549	699
Net earnings	$222	$ 41
Balance sheet		
Current assets	$383	$295
Long-lived assets	–	18
	$383	$313
Current liabilities	$ 60	$212
Shareholder's equity	323	101
	$383	$313
Cash flows		
Cash flows from operating activities	$140	$114

16. EMPLOYEE FUTURE BENEFITS

Defined benefit plans

The employees of the SAQ participate in the Government and Public Employees Retirement Plan (RREGOP), the Civil Service Superannuation Plan (CSSP) and the Pension Plan for Management (PPM). These multiemployer pension plans have defined benefits and guarantee payment of pension and death benefits. The SAQ's obligation under these plans is limited to its employer contributions. The rates of contribution to these pension plans remained unchanged, i.e., 8.19% of the applicable payroll for the RREGOP, 7.25% for the CSSP, and 10.54% for the PPM.

For accounting purposes, the SAQ measures its benefit obligations as at December 31 of each year for the cumulative sick leave credit plan and at the end of each fiscal year for the supplemental pension plan for senior management. The most recent actuarial valuation for funding purposes of the cumulative sick leave credit plan was completed on December 31, 2007, and the next valuation must be completed by December 31, 2010. The most recent actuarial valuation for funding purposes of the supplemental pension plan for senior management was completed on March 27, 2010, and the next valuation must be completed by March 30, 2013.

16. EMPLOYEE FUTURE BENEFITS (CONT.)

Total cash payments

The total cash payment for employee future benefits for fiscal 2010, consisting of the SAQ's contributions to the government employee pension plans and the amounts paid directly to the beneficiaries of the supplemental pension plan for senior management and of the cumulative sick leave credit plan, amounted to $16.4 million ($16.9 million in 2009).

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

	Cumulative sick leave credit plan		Supplemental pension plan for senior management	
	2010	2009	**2010**	2009
Accrued benefit obligation and funded status - deficit	**$24,989**	$21,853	**$ 4,962**	$ 3,470
Balance of unamortized amounts	**(7,256)**	(4,094)	**(1,234)**	(214)
Accrued benefit liabilities appearing on the SAQ's balance sheet	**$17,733**	$17,759	**$ 3,728**	$ 3,256

Cost of employee future benefits recognized during the fiscal year

	2010	2009
Cumulative sick leave credit plan	**$ 2,967**	$ 3,554
Supplemental pension plan for senior management	**$ 520**	$ 892
Government employee pension plans (multiemployer plans)[1]	**$13,320**	$13,053

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

16. EMPLOYEE FUTURE BENEFITS (CONT.)

Benefits paid
Benefits paid by the cumulative sick leave credits plan totalled $3.0 million in 2010 ($3.8 million in 2009), while those paid by the supplemental pension plan for senior management amounted to $0.04 million ($0.03 million in 2009).

Significant assumptions
The significant assumptions used to recognize employee future benefits are as follows:

	Cumulative sick leave credit plan		Supplemental pension plan for senior management	
	2010	2009	**2010**	2009
Accrued benefit obligation at fiscal year-end				
Discount rate	**5.25%**	6.75%	**5.25%**	7.00%
Rate of compensation increase	**3.00%**	3.00%	**3.50%**	3.50%
Rate of use of sick leave credits	*	*	**–**	–
*From 45% to 65% depending on the employee group				
Benefit costs for the fiscal year				
Discount rate	**6.75%**	5.00%	**7.00%**	5.00%
Rate of compensation increase	**3.00%**	3.00%	**3.50%**	3.50%
Rate of use of sick leave credits	*	*	**–**	–
*From 45% to 65% depending on the employee group				

17. SHAREHOLDER'S EQUITY

Share capital
The SAQ is a joint stock company whose shares are part of the public domain and are allotted to the Quebec Minister of Finance. The SAQ's authorized share capital consists of 300,000 shares having a par value of $100 each and that were issued and paid as at March 27, 2010, and March 28, 2009.

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

For fiscal 2010, the Quebec Minister of Finance declared a dividend of $867.2 million ($806 million in 2009).

Accumulated other comprehensive income
For the fiscal years ended March 27, 2010, and March 28, 2009, the SAQ had no transactions affecting comprehensive income and, consequently, had no opening or closing balances for accumulated other comprehensive income.

18. CAPITAL MANAGEMENT

The SAQ's capital includes shareholder's equity, the capital lease obligation, the dividend payable and loans. For fiscal 2010, it did not make any change to the manner in which it manages capital, continuing to do so 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 earnings 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 loans to a maximum amount outstanding of $400 million. This limit was respected during the fiscal year.

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

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

	2010	2009
Shareholder's equity	$ 44,808	$ 44,808
Capital lease obligation[1]	3,298	4,672
Dividend payable	233,213	183,000
Loans	–	36,998
	$281,319	$269,478

1. Including current portion.

19. CONTINGENCIES AND COMMITMENTS

Contingencies
In the normal course of business, the SAQ is party to claims and lawsuits, mostly involving damages, totalling close to $3.6 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, no settlement that might arise from such claims would have a significant impact on the SAQ's consolidated financial statements.

Commitments
Under its operating leases, the SAQ has committed to paying a total amount of $337.1 million to lease outlets. Payments for future fiscal years amount to:

2011	$ 45,292
2012	$ 43,203
2013	$ 38,701
2014	$ 34,913
2015	$ 31,937
2016–2025	$143,081

Environment
The SAQ's activities are subject to the environmental laws, regulations and guidelines enacted by the various governments. Management considers that environmental risk is being handled adequately and that there is no current or potential liability in this area.

20. CASH FLOW INFORMATION

	2010	2009
Interest paid included in cash flows from operating activities	**$ 626**	$ 2,700
The net change in non-cash working capital items breaks down as follows:		
Trade and other accounts receivable	**$ (778)**	$ 1,832
Inventories	**(7,224)**	(16,714)
Deposits and prepaid expenses	**3,083**	12,823
Accounts payable and accrued liabilities	**24,236**	(3,720)
	$19,317	$ (5,779)
Non-cash investing activities:		
Acquisitions of property, plant and equipment and intangible assets financed by accounts payable and accrued liabilities	**$ 3,367**	$ 2,429
Cash and cash equivalents, end of fiscal year[1]	**$44,101**	$27,722

1. As at March 27, 2010, includes a short-term investment of $16.0 million entered into with the Caisse de dépôt et placement du Québec, at a rate of 0.25% and maturing on March 29, 2010.

21. FINANCIAL INSTRUMENTS

Fair value of financial instruments

	2010		2009	
	Fair value	**Book value**	Fair value	Book value
Capital lease obligation	**$3,425**	**$3,298**	$5,228	$4,672

The fair value of the capital lease obligation is estimated using the present value of future monthly payments under current financing agreements at interest rates offered on the market to the SAQ (Level 2 inputs) for loans with similar conditions and maturity dates, capitalized semi-annually and maturing in April 2012. That rate was 3.86% in 2010 (3.66% in 2009).

The fair value of other short-term financial instruments approximates the book value given that the instruments will be realized or settled in less than a year or are due on demand. These financial instruments include trade and other accounts receivable, loans, accounts payable and accrued liabilities (excluding government taxes and duties payable and the current portion of a capital lease obligation) and the dividend payable.

The fair value of cash and cash equivalents is determined using the Level 1 inputs.

22. RISK MANAGEMENT

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

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

Financial risks
Interest rate risk
Bank deposits and certificates of deposit as well as loans and amounts drawn on credit facilities, performed on a daily basis, expose the SAQ to cash flow risk resulting from interest rate fluctuations. For fiscal 2010, the average balance of these financial assets and liabilities corresponds to a net loan of $51.6 million ($76.4 million in 2009). The financial liabilities bore interest at rates ranging from 0.25% to 2.5% during the fiscal year (0.51% to 5.25% in 2009) and had maturities ranging from 1 to 8 days in 2010 and 2009.

For fiscal 2010, if the interest rates on its financial assets and liabilities had varied by 50 basis points upwards or downwards, the SAQ's net earnings would have been higher or lower by $0.3 million, respectively ($0.4 million for fiscal 2009).

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

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

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

Foreign exchange risk
The SAQ is exposed to foreign exchange risk due to certain accounts payable denominated in foreign currencies. As at March 27, 2010, these accounts payable totalled 6.3 million euros and US$1.3 million (4.8 million euros and US$1.5 million as at March 28, 2009).

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

	2010	2009
Euro	$202,615	$221,618
U.S. dollar	28,389	31,039
Other currencies	5,169	4,973
	$236,173	$257,630

If the exchange rates on currencies purchased during the fiscal year had moved up or down by 5%, the SAQ's cost of sales would have been higher or lower by approximately $12 million, respectively ($13 million in 2009). Given the sales price adjustment policy applicable to the SAQ's products, which allows for several adjustments over the year subject to certain conditions, the impact of such a change in the SAQ's gross margin and net earnings would not have been significant.

22. RISK MANAGEMENT (CONT.)

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

As at March 27, 2010, the SAQ had a forward contract of less than 12 months denominated in euros. The outstanding amount totalled 2.6 million euros and the forward price was 1.3979. The fair value of this contract was $0.05 million (Level 2 input) and is included in accounts payable and accrued liabilities. As at March 28, 2009, the SAQ had no outstanding forward exchange contracts.

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 shown on the SAQ's consolidated balance sheet as financial assets exposed to credit risk less provisions for losses is the maximum amount exposed to credit risk.

Cash flows

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.

Trade and other accounts receivable

The SAQ believes that its exposure to the credit risk tied to sales of alcoholic beverages and other goods and services is limited due to the diversity and size of its customer base. For certain customers, the SAQ requires collateral security. The SAQ's policy is to have certain customers undergo a credit check. Moreover, the balance of trade and other accounts receivable is managed and examined on a continuous basis and, consequently, the SAQ's exposure to credit losses is not significant.

The table below shows the age of trade and other accounts receivable and the related provision for bad debt. The provision was made based on the age of the accounts and the status of customer accounts.

	2010	2009
Current and less than 8 days	**$37,405**	$37,927
From 8 to 30 days	**5,902**	6,070
More than 30 days	**3,353**	1,861
	46,660	45,858
Provision for bad debt	**(1,036)**	(1,012)
	$45,624	$44,846

The change in the provision for bad debt is as follows:

	2010	2009
Balance, beginning of fiscal year	**$1,012**	$ 976
Reversal of provision	**122**	13
Write-off of receivables	**(108)**	(74)
Impairment loss	**10**	97
Balance, end of fiscal year	**$1,036**	$1,012

22. RISK MANAGEMENT (CONT.)

Liquidity risk

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

The financial liabilities have a contractual maturity of less than one year, except for the capital lease.

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

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

23. RELATED PARTY TRANSACTIONS

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

24. COMPARATIVE FIGURES

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

QUARTERLY RESULTS

Fiscal years ended March 27, 2010 and March 28, 2009
(unaudited data)

	2010				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
Financial results *(in millions of dollars)*					
Net sales	2,542.2	492.6	916.3	578.2	555.1
Gross margin	1,344.0	261.7	479.6	310.9	291.8
Net operating expenses[1]	476.8	124.0	146.3	101.7	104.8
Net earnings	867.2	137.7	333.3	209.2	187.0
Dividend paid	817.0	251.0	206.0	137.0	223.0
Net sales by network *(in millions of dollars)*					
Outlets and specialized centres	2,254.3	440.2	810.8	515.3	488.0
Wholesale grocers	287.9	52.4	105.5	62.9	67.1
Total	2,542.2	492.6	916.3	578.2	555.1
Volume sales by network *(in millions of litres)*					
Outlets and specialized centres	137.4	26.6	47.0	33.2	30.6
Wholesale grocers	36.6	6.9	13.1	8.0	8.6
Total	174.0	33.5	60.1	41.2	39.2
Sales volume by product category *(in millions of litres)*					
Wines	142.3	27.8	49.8	32.9	31.8
Spirits	20.3	4.0	7.4	4.6	4.3
Imported and microbrewery beers, ciders and coolers	11.4	1.7	2.9	3.7	3.1
Total	174.0	33.5	60.1	41.2	39.2
Other financial data *(in millions of dollars and in millions of litres)*					
Net sales to brewers and beer distributors[2]	270.8	53.9	68.3	83.7	64.9
Beer sold to brewers and beer distributors[2]	201.0 L	41.3	48.2	65.7	45.8

1. After deduction of other revenue.
2. Sales made as an agent; not included in the sales figures.

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

	2009				
	Fiscal year	Q4	Q3	Q2	Q1
Number of weeks	52	12	16	12	12
Financial results *(in millions of dollars)*					
Net sales	2,417.8	468.4	880.1	551.8	517.5
Gross margin	1,275.9	245.7	463.5	294.6	272.1
Net operating expenses[1]	469.2	117.0	143.0	102.9	106.3
Net earnings	806.7	128.7	320.5	191.7	165.8
Dividend paid	802.0	248.0	202.0	134.0	218.0
Net sales by network *(in millions of dollars)*					
Outlets and specialized centres	2,140.9	412.4	784.2	488.0	456.3
Wholesale grocers	276.9	56.0	95.9	63.8	61.2
Total	2,417.8	468.4	880.1	551.8	517.5
Volume sales by network *(in millions of litres)*					
Outlets and specialized centres	132.1	25.4	45.6	31.8	29.3
Wholesale grocers	36.0	7.4	12.4	8.2	8.0
Total	168.1	32.8	58.0	40.0	37.3
Sales volume by product category *(in millions of litres)*					
Wines	137.0	27.4	47.7	31.9	30.0
Spirits	19.6	3.7	7.3	4.5	4.1
Imported and microbrewery beers, ciders and coolers	11.5	1.7	3.0	3.6	3.2
Total	168.1	32.8	58.0	40.0	37.3
Other financial data *(in millions of dollars and in millions of litres)*					
Net sales to brewers and beer distributors[2]	231.2	40.3	67.9	63.0	60.0
Beer sold to brewers and beer distributors[2]	167.3 L	27.9	53.7	45.6	40.1

TEN-YEAR HISTORICAL REVIEW

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

	2010[1]	2009[1]	2008
Operating results *(in millions of dollars)*			
Net sales	**2,542.2**	2,417.8	2,293.9
Gross margin	**1,344.0**	1,275.9	1,239.1
Net operating expenses[4]	**476.8**	469.2	478.2
Net earnings	**867.2**	806.7	760.9
Financial position *(in millions of dollars)*			
Total assets	**627.8**	590.3	592.5
Property, plant and equipment and intangible assets	**225.8**	209.6	214.4
Net working capital	**(157.7)**	(140.5)	(146.2)
Long-term liabilities	**23.2**	24.3	25.1
Shareholder's equity	**44.8**	44.8	43.1
Cash flows *(in millions of dollars)*			
Cash flows from operating activities	**915.0**	834.6	816.5
Acquisitions of property, plant and equipment and intangible assets	**43.3**	26.6	21.1
Dividend paid	**817.0**	802.0	742.0

1. Due to the adoption of a new accounting standard on inventories in 2008–2009, direct shipping costs are now deducted from operating expenses and charged to cost of sales. In 2009–2010, direct shipping costs totalled $14.4 million compared to $14.8 million for the previous fiscal year.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.
4. After deduction of other revenue and other income.

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

2007[2]	2006	2005[3]	2004	2003	2002	2001[2]
2,173.8	2,013.6	1,805.3	1,831.6	1,719.9	1,570.8	1,443.7
1,180.8	1,114.2	995.5	1,016.9	934.3	845.4	786.0
472.8	457.3	449.7	446.1	393.9	356.7	314.7
708.0	656.9	545.8	570.8	540.4	488.7	471.3
573.0	658.8	682.8	742.6	651.6	575.8	492.9
240.2	272.4	295.4	313.7	297.4	214.6	163.5
(171.6)	(203.6)	(227.5)	(242.8)	(230.7)	(148.8)	(99.2)
24.4	46.4	47.5	52.2	53.4	54.5	53.0
44.2	35.6	35.6	34.9	34.1	33.7	32.0
769.0	679.5	727.5	523.3	580.5	544.4	417.9
19.0	24.9	32.2	57.4	110.7	72.0	74.3
674.0	598.0	558.0	606.0	509.0	441.0	529.0

Fiscal years ended the last Saturday in March *(unaudited data)*	**2010**	2009	2008
Net sales by network *(in millions of dollars and in millions of litres)*			
Outlets and specialized centres	**2,254.3**	2,140.9	2,029.5
	137.4 L	132.1	127.9
Wholesale grocers	**287.9**	276.9	264.4
	36.6 L	36.0	34.6
Total	**2,542.2**	2,417.8	2,293.9
	174.0 L	168.1	162.5
Net sales by product category *(in millions of dollars and in millions of litres)*			
Wines	**1,900.3**	1,799.9	1,700.4
	142.3 L	137.0	131.9
Spirits	**551.4**	529.4	513.6
	20.3 L	19.6	19.4
Imported and microbrewery beers, ciders and coolers	**90.5**	88.5	79.9
	11.4 L	11.5	11.2
Total	**2,542.2**	2,417.8	2,293.9
	174.0 L	168.1	162.5
Other financial data *(in millions of dollars and in millions of litres)*			
Net sales to brewers and beer distributors[3]	**270.8**	231.2	209.3
Beer sold to brewers and beer distributors[3]	**201.0 L**	167.3	148.2

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

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

2007[1]	2006	2005[2]	2004	2003	2002	2001[1]
1,913.3	1,753.2	1,506.0	1,581.7	1,487.6	1,349.9	1,222.5
123.6	114.9	101.2	108.2	105.3	97.7	89.0
260.5	260.4	299.3	249.9	232.3	220.9	221.2
32.8	31.9	34.9	29.4	28.9	29.2	30.4
2,173.8	2,013.6	1,805.3	1,831.6	1,719.9	1,570.8	1,443.7
156.4	146.8	136.1	137.6	134.2	126.9	119.4
1,601.8	1,470.3	1,312.0	1,322.4	1,221.9	1,104.6	1,015.9
126.0	116.7	107.6	109.0	105.3	100.9	97.1
492.4	460.0	405.0	427.5	414.2	400.7	385.3
19.0	18.2	16.1	17.3	16.9	16.7	16.5
79.6	83.3	88.3	81.7	83.8	65.5	42.5
11.4	11.9	12.4	11.3	12.0	9.3	5.8
2,173.8	2,013.6	1,805.3	1,831.6	1,719.9	1,570.8	1,443.7
156.4	146.8	136.1	137.6	134.2	126.9	119.4
190.3	159.5	181.6	238.5	150.1	121.2	102.5
132.4	122.8	131.7	203.6	110.1	84.4	83.8

Fiscal years ended the last Saturday in March *(unaudited data)*	**2010**[1]	2009[1]	2008
Net operating expenses[4] *(in millions of dollars)*			
Compensation and employee social benefits	**332.5**	319.2	316.9
Building occupancy expenses[5]	**79.6**	76.9	73.6
Equipment use and supply expenses[5]	**37.1**	43.9	59.8
Freight out and communications	**8.3**	8.8	11.4
Other operating expenses[4]	**19.3**	20.4	16.5
Total	**476.8**	469.2	478.2
Operating ratios *(as a percentage of net sales)*			
Gross margin	**52.9 %**	52.8%	54.0%
Net earnings	**34.1 %**	33.4%	33.2%
Net operating expenses[4]	**18.8 %**	19.4%	20.8%
Other data *(at fiscal year-end)*			
Number of employees[6]	**5,265**	5,260	5,337
Number of outlets	**416**	414	414
Number of agencies	**395**	398	397
Number of products offered for sale	**8,833**	8,611	8,231
Surface area of business premises *(in thousands of square feet)*			
Outlets	**1,822.1**	1,759.0	1,703.8
Distribution centres	**1,349.7**	1,215.4	1,215.4

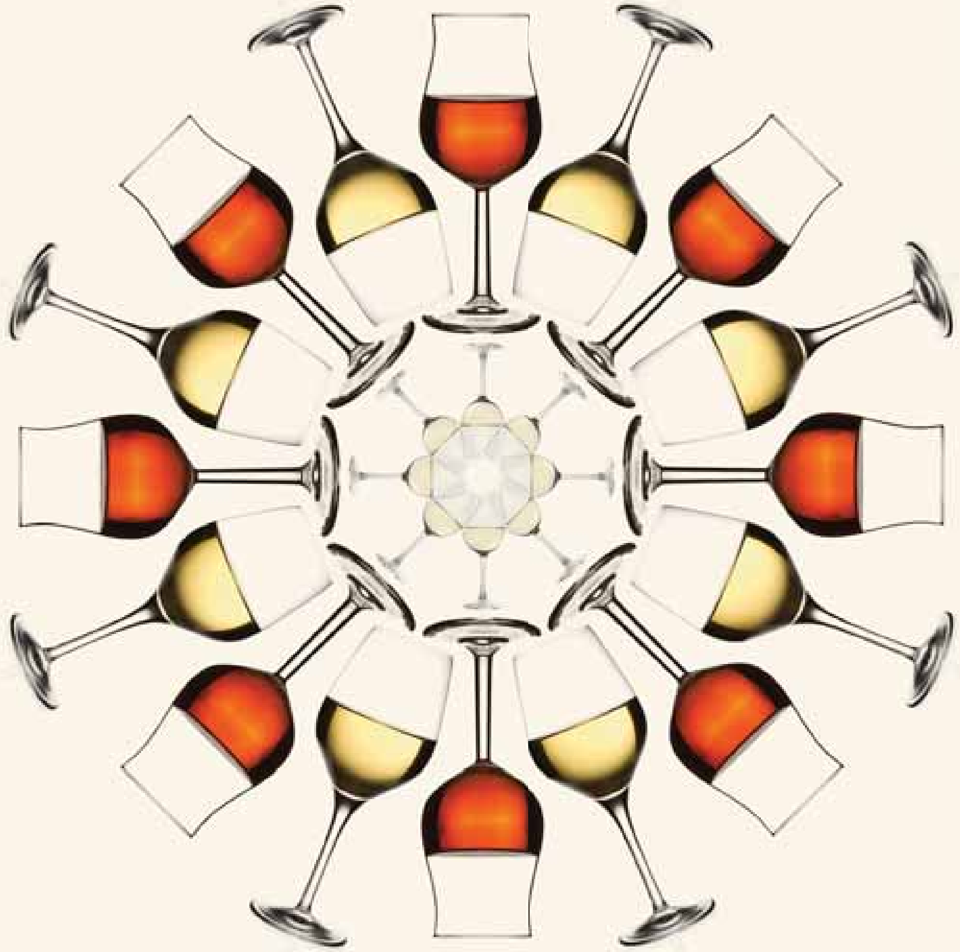
1. Due to the adoption of a new accounting standard on inventories in 2008–2009, shipping costs are now deducted from operating expenses and charged to cost of sales. In 2009–2010, direct shipping costs totalled $14.4 million compared to $14.8 million for the previous fiscal year.
2. 53-week fiscal year.
3. The fiscal year was disrupted by a labour dispute.

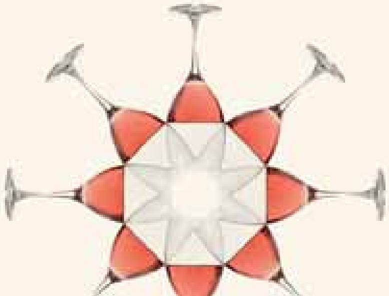
2007[2]	2006	2005[3]	2004	2003	2002	2001[2]
308.4	280.0	254.3	275.8	252.3	224.6	202.2
72.5	71.2	66.6	64.7	57.4	47.8	40.8
57.8	57.9	60.8	54.2	42.9	34.6	27.1
12.2	13.3	12.3	12.6	12.2	10.5	7.8
21.9	34.9	55.7	38.8	29.1	39.2	36.8
472.8	457.3	449.7	446.1	393.9	356.7	314.7
54.3%	55.3%	55.1%	55.5%	54.3%	53.8%	54.4%
32.6%	32.6%	30.2%	31.2%	31.4%	31.1%	32.6%
21.7%	22.7%	24.9%	24.3%	22.9%	22.7%	21.8%
5,264	5,235	4,494	4,803	4,511	4,242	4,078
414	408	403	398	398	380	370
395	400	403	403	401	399	252
7,532	7,243	7,633	7,148	6,755	7,250	7,386
1,687.1	1,660.9	1,633.1	1,595.7	1,542.9	1,306.3	1,404.0
1,166.9	1,166.9	1,152.6	1,127.6	983.0	877.9	848.1

4. After deduction of other revenue and other income.
5. Including amortization expense.
6. The number of employees is expressed on a full-time equivalence basis.

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

GOVERNANCE





BOARD OF DIRECTORS

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

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

Chaired by Norman Hébert Jr., the Board of Directors met 12 times during the 2009–2010 fiscal year and performed all its regular duties related to the conduct of the company's business. It reviewed and approved the budget, annual financial statements and annual report. It also approved the joint audit pan, the human resources policies, the compensation standards and rates of remuneration and the other terms and conditions of employment applicable to the company's executives and employees. In addition, after each meeting of its committees, the Board received an oral report and the minutes of meeting summarizing the issues discussed at the meeting.

Beyond the company's regular activities, the 2009–2010 fiscal year was marked by several significant developments. Most notably, and in conformance with section 15.1 of the *Act respecting the governance of state-owned enterprises*, the Board adopted the 2010–2012 Strategic Plan of the Société des alcools du Québec, which was approved by the Conseil des ministres on November 25, 2009.

The Board also recommended to the government the monetary and normative parameters pertaining to the settlement of the collective agreements with two of the company's unions, namely the Syndicat des employé(e)s de magasins et de bureaux (SEMB) and the Syndicat des Travailleurs(euses) de la Société des alcools du Québec (STTSAQ). Covering eight and seven years respectively, the agreements were signed in fiscal 2009–2010.

Lastly, in compliance with section 15.15 of the *Act respecting the governance of state-owned enterprises*, the SAQ's Board of Directors ensures that follow-up on the performance indicators and corporate dashboard is performed periodically.

BOARD COMMITTEES

Governance and Ethics Committee
The Governance and Ethics Committee is chaired by Louise Ménard. It has five members, who met on four occasions in fiscal 2009–2010.

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

Among other things, it reviewed the expertise and experience profiles for the appointment of members of the Board of Directors and the evaluation criteria for the Chairman and the Board members and of the Board's operation. It also oversaw the annual evaluation of the Board committees and of the Board of Directors.

In addition, it examined the results of the implementation of the Vise 25 sales ethic program in the outlet network.

The Governance and Ethics Committee also monitored the implementation of the SAQ's Sustainable Development Plan.

It examined the twice-yearly reports submitted by the Ombudsman – Business Relations and Employees of the Société des alcools du Québec and recommended that the Board of Directors renew his mandate for a one-year term ending in October 2010.

Lastly, it organized a training session for Board members regarding the supply chain and the logistics and distribution of products sold by the Société des alcools du Québec.

Audit Committee
The Audit Committee is chaired by Chantal Bélanger. It has six members, two of whom are members of the Ordre des comptables généraux agréés du Québec. In fiscal 2009–2010, the Audit Committee held eight meetings.

Specifically, it recommended to the Board of Directors that the financial statements be approved. It determined that the statements accurately reflected the company's financial situation and that the various internal control mechanisms in place were appropriate and effective. In this connection, the committee also periodically monitors the controls relating to the communication of the company's financial information.

The committee oversaw and participated fully in the process leading to the transition to and implementation of the International Financial Reporting Standards (IFRS).

In addition, the committee performed follow-up on the Risk Management Committee's work on implementing an effective risk management process.

The committee recommended to the Board of Directors that it approve an annual audit plan, and performed follow-up on the plan for optimizing outlet-based human resources and occupational health and safety management.

Lastly, it implemented the new direction of the Internal Audit Department and supervised its activities. In addition to periodically supervising the external auditors, it met with them and with representatives of the Auditor General to discuss and adopt the company's joint audit plan. The fees billed to the company and its related parties by the external auditors for professional services rendered between May 16, 2009, and May 20, 2010, totalled $240,000.

Business Practices Committee
Chaired by Yves Archambault, the Business Practices Committee is and made up of seven members. In fiscal 2009–2010, the committee met eight times.

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

To perform all the duties delegated to it by the Board of Directors, the committee reviewed the Procurement and Merchandising Policy and recommended its adoption to the Board of Directors. It also provided periodic follow-up of the outlet network and agency development plan, revised the Private Order Policy and updated the Policy Regarding Contracts and Financial Commitments. Lastly, the Board of Directors adopted the revised Donation and Sponsorship Policy, which now includes new focus areas, such as food aid.

Human Resources Committee
The Human Resources Committee is chaired by Adam Turner. It has seven members.

The committee's main terms of reference are to ensure that policies relating to human resources are implemented and maintained. In fiscal 2009–2010, the Human Resources Committee held eight meetings, at which it performed all the regular functions specified in section 27 of the *Act respecting the governance of state-owned enterprises*.

Among other things, it recommended to the Board of Directors the approval of the compensation structure and employment conditions of the company's executives and non-unionized employees, took part in the review of managerial positions and recommended to the Board of Directors the evaluation criteria for the Chief Executive Officer.

In addition, it monitored the work of the bargaining committee for the collective agreements with the Syndicat des employé(e)s de magasins et de bureaux (SEMB) and the Syndicat des Travailleurs(euses) de la Société des alcools du Québec and proposed that the Board of Directors recommend to the Quebec government the monetary and normative parameters for obtaining an agreement with the two unions.

It also recommended to the Audit Committee that the annual resource optimization mandate focus on occupational health and safety, and it performed follow-up on this mandate.

Lastly, the committee examined the succession plan for the company's executives and took note of the results of the 2009 talent review for vice-president and manager positions.

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

2009–2010 Fiscal Year

Directors	Board of Directors	Business Practices Committee	Governance and Ethics Committee	Audit Committee	Human Resources Committee
Meetings	12[1]	8[2]	4[3]	8[4]	8[5]
Norman Hébert jr.	11/12	1/8	1/4	3/8	4/8
Philippe Duval	11/12	8/8	N/A	N/A	N/A
Yves Archambault	10/12	7/8	N/A	N/A	8/8
Chantal Bélanger	12/12	N/A	4/4	8/8	N/A
Céline Blanchet*	6/6	3/4	N/A	N/A	2/3
Johanne Brunet	11/12	8/8	N/A	7/8	N/A
Louise Ménard	12/12	N/A	4/4	N/A	8/8
Gary Mintz	7/12	6/8	3/4	N/A	N/A
Robert Morier	11/12	N/A	N/A	8/8	8/8
Pietro Perrino	12/12	8/8	N/A	8/8	N/A
Jean-Marie Toulouse	7/12	N/A	4/4	N/A	7/8
Adam Turner	7/12	N/A	N/A	6/8	8/8

1. Four unscheduled meetings and one meeting whose date was changed.
2. One unscheduled meeting.
3. One unscheduled meeting.
4. Three unscheduled meetings and one meeting whose date was changed.
5. Three unscheduled meetings.

* Céline Blanchet was appointed on October 7, 2009.

Compensation Paid to the Five Highest-Paid Officers

(in dollars)

2009–2010 Fiscal Year

Name	Title	Base salary	Annual bonus program	Other forms of compensation*
Philippe Duval	Chief Executive Officer	$284,267	$42,640	$ 6,081
Alain Brunet	Vice-President and Chief Operating Officer	$234,150	$70,245	$ 9,767
Richard Genest	Vice-President and Chief Financial Officer	$219,541	$65,862	$ 8,668
Luc Vachon	Vice-President – Logistics and Distribution	$211,610	$63,483	$10,395
Benoit Durand	Vice-President – Informational Resources	$194,738	$58,421	$25,223

* Taxable benefits based on the 2009 calendar year and related to the purchase of alcoholic beverages, use of a car, membership in a professional order and group insurance.

Directors' Compensation in 2009–2010

(in dollars)

Norman Hébert jr.[1, 2, 3, 4, 5]	$ 31,704
Yves Archambault[1, 2, 5]	$ 23,346
Chantal Bélanger[1, 3, 4]	$ 22,816
Céline Blanchet[1, 2, 5]	$ 10,081
Johanne Brunet[1, 2, 4]	$ 21,224
Louise Ménard[1, 3, 5]	$ 22,816
Gary Mintz[1, 2, 3]	$ 16,183
Robert Morier[1, 4, 5]	$ 20,959
Pietro Perrino[1, 2, 4]	$ 21,755
Jean-Marie Toulouse[1, 3, 5]	$ 16,979
Adam Turner[1, 4, 5]	$ 21,489
Total	**$ 229,352**

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

Note: Compensation payable to the company directors under Order-in-Council 610-2006 enacted on June 28, 2006, and increased by 2% annually.

Personnel (by sex and by division)

Profile of the workforce as at March 27, 2010

Division	**Women**	**Men**	**Total**
Chief Executive Officer	5	5	**10**
Finance	162	246	**408**
Human Resources	68	17	**85**
Informational Resources	67	171	**238**
Logistics and Distribution	100	679	**779**
Operations	28	19	**47**
Procurement and Merchandising	93	43	**136**
Public Affairs and Communications	35	6	**41**
Sales Network Operations	2,765	2,607	**5,372**
Secretary General and Legal	16	8	**24**
Strategy and Business Development	1	1	**2**
Total	**3,340**	**3,802**	**7,142**

BOARD OF DIRECTORS

NORMAN HÉBERT JR.

Chairman of the Board of Directors

- Appointed on November 15, 2006, for a two-year term (Order-in-Council 1043-2006)
- Renewal on January 28, 2009, for a five-year term (Order-in-Council 47-2009)

President and Chief Executive Officer

- Groupe Park Avenue inc.

Norman Hébert Jr. holds a law degree from the University of Ottawa and a bachelor's degree in commerce from Concordia University. He has been President and Chief Executive Officer of Groupe Park Avenue inc. since 1991. Mr. Hébert sits on Concordia University's Board of Governors and is co-chair of the 2010 Centraide of Greater Montreal 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)

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 including 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.

YVES ARCHAMBAULT

Chair of the Business Practices Committee

Director

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

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

CHANTAL BÉLANGER

Chair of the Audit Committee

Director

- Appointed on December 18, 2002, for a two-year term (Order-in-Council 1507-2002)
- Renewal on November 16, 2005, for a two-year term (Order-in-Council 1085-2005)
- Second renewal on August 27, 2008, for a two-year term (Order-in-Council 798-2008)

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

CÉLINE BLANCHET

Director

- Appointed on October 7, 2009, for a two-year term (Order-in-Council 1075-2009)

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. She currently holds a seat on the board of directors of several organizations, including the Canadian Bar Association – Quebec Branch, Le Chaînon 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)

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. In 1999, Ms. Brunet received the Action femmes d'affaires award from the Board of Trade of Metropolitan Montreal. She worked as head of external production and acquisitions at Société Radio-Canada before becoming Senior Vice-President at TV5-Amériques. She holds a seat on the boards of Vivavision Inc., Théâtre du Rideau Vert and the Société d'habitation et de développement de Montréal (SHDM) as well as others in the United Kingdom.

LOUISE MÉNARD

Chair of the Governance and Ethics Committee

Director

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

President

- Groupe Méfor inc.

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 President of Groupe Méfor 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. (2004–2007); secretary of the board of directors of the Montreal Heart Institute Foundation (1990–2006) as well as a member of the foundation's executive and human resources committee; chair of the advisory board of Nomad Logic Inc. (2001–2002); and chair of the board of directors of Alena Capital Inc. (2000–2002). She is also a member of the board of directors and chair of the corporate governance committee of ProMetric Life Sciences Inc. and holds a seat on the boards of On the Tip of the Toes Foundation and is governor of the Montreal Heart Institute Foundation.

GARY MINTZ

Director

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

Vice-President, Industrial Sales

- American Iron and Metal Company Inc. (AIM)

Gary Mintz has a commerce degree from McGill University and a master's degree in business administration (MBA) from Concordia University. He has been Vice-President, Industrial Sales, for American Iron and Metal Company Inc. for 26 years. Mr. Mintz also serves as a volunteer with numerous charitable organizations, including the Sir Mortimer B. Davis Jewish General Hospital and the Notre-Dame Hospital.

ROBERT MORIER

Director

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

President

- Robert Morier Inc.

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

PIETRO PERRINO

Director

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

President

- Pergui Groupe Conseil inc.

Vice-president

- VM Cap

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. Mr. Perrino is also chairman of the board of ZoomMed.

JEAN-MARIE TOULOUSE

Director

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

Professor

- HEC Montréal

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

ADAM TURNER

Chair of the Human Resources Committee

Director

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

President

- Divco ltée

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

CODE OF ETHICS FOR EMPLOYEES

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

THE OMBUDSMAN: IN ALL FAIRNESS

The position of Ombudsman – Business Relations and Employees has been entrusted to a person with a wealth of experience: Jacques Desmeules, President and Chief Executive Officer of the SAQ from 1971 to 1978. The Ombudsman's role is to field complaints from business partners and employees who believe they have not received a satisfactory response from the SAQ. He must analyze and respond to these complaints in a fair manner. The Ombudsman, who reports directly to the Board of Directors, enjoys complete independence from SAQ management so that he can carry out his mandate with total impartiality. He has the power to make recommendations to the Board of Directors, to whom he submits a report on his activities twice a year, as he did in 2009–2010. In the last year, he dealt with many cases relating to employee relations and the SAQ's business practices, and gave his recommendations. In addition to being a member of the Forum of Canadian Ombudsman, the SAQ's Ombudsman subscribes to the code of ethics of the International Ombudsman Association (IOA), of which he is a certified member.

ACCESS TO INFORMATION AND THE PROTECTION OF PERSONAL INFORMATION 2009–2010 REPORT

The passage of Bill 86 amending the *Act respecting access to documents held by public bodies and the protection of personal information* provided for the application of the *Regulation respecting the distribution of information and the protection of personal information*, which requires all public bodies to distribute specific documents through their websites. This requirement is part of the government's drive to be more transparent to citizens by giving them easier access, through the Web, to documents held by public bodies.

Committee on Access to Information and the Protection of Personal Information

The Committee on Access to Information and the Protection of Personal Information Committee was formed on June 12, 2008. Its terms of reference are to support the SAQ's Chief Executive Officer in carrying out his duties and obligations under the *Act respecting access to documents held by public bodies and the protection of personal information* and the *Regulation respecting the distribution of information and the protection of personal information*.

The committee met five times during the 2009–2010 fiscal year. Among other things, it assessed the specific measures to be complied with regarding the protection of personal information. Consequently, it recommended to the SAQ's Management Committee that it adopt a video surveillance directive in November 2009. In addition, it organized training sessions in order to increase awareness among and train all SAQ employees and members of management regarding the company's obligations and practices related to access to information and the protection of personal information. These meetings also provided the opportunity to present the directives regarding the management and protection of employees' personal information and access to SAQ documents. The maintaining of the register of personal information released was also considered.

Document distribution

With respect to the distribution of documents, an Access to Information section has been added to the SAQ's website. As of November 27, 2009, it includes the documents whose distribution is required under section 4 of the *Regulation respecting the distribution of information and the protection of personal information*. The coming into effect of these new provisions also provided an opportunity to review some of our practices, bring them into line with the reform and prepare for the automatic distribution of the documents concerned. A revision of the document classification plan as well as a review of the inventory of personal information files and the register of personal information released were also carried out.

Handling of access-to-information requests

In 2009, the person in charge of access to documents and the protection of personal information at the SAQ handled 290 requests that were sent to her.

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.

SECTION 4 (CONT.)

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:

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

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

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

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

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

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

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

SECTION 9.

Final Provisions

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

It shall not be retroactive.

SCHEDULE I

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

Act respecting the Société des alcools du Québec
{Conflict of interest}

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

{Disclosure of interest}

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

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.

SCHEDULE 1 (CONT.)

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.

SCHEDULE 1 (CONT.)

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 ___________ 20________.

____ ____

Witness Director

SCHEDULE 3

Warning

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

Declaration:

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

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

Nature of the relationship or the interest

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

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

Nature of the relationship or the interest

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

3. To the best of my knowledge, the list of the duties that I, my employer, the legal entity, the company, or the corporation of which <u>a member of my immediate family is or I am</u> 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 the interest

Association	Duties	Member	Purpose

____

Signature Position Date

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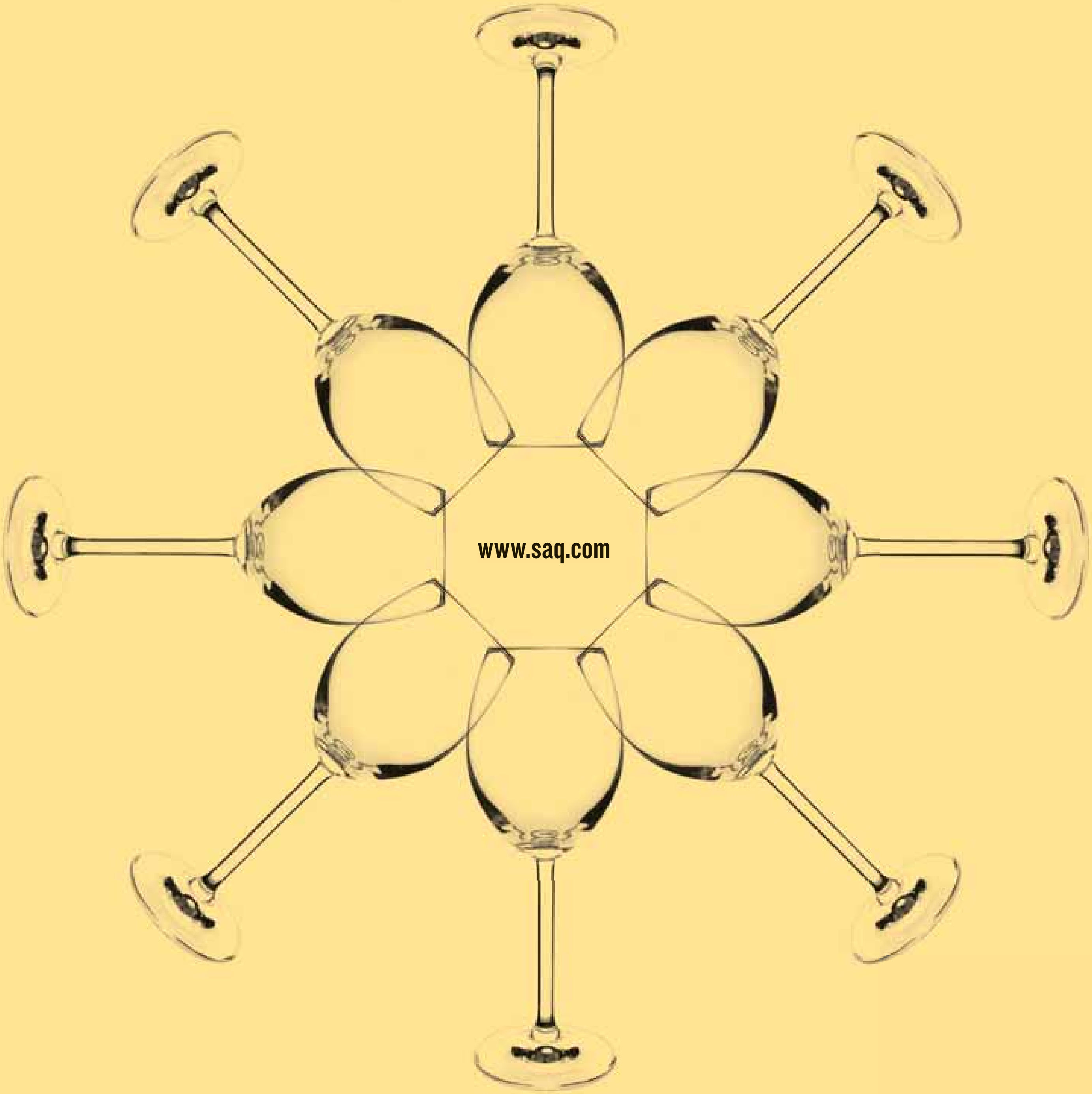
The use of the masculine form to denote persons of either gender is intended solely to facilitate reading.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