



Information Bulletin

To all agents, suppliers and commercial delegations

FISCAL 2006-2007: THE SAQ REPORTS EARNINGS OF \$710M

At the end of fiscal 2006–2007, the SAQ reported gross sales of \$2.980 billion, a 7.8% increase from the preceding year. For their part, net earnings rose 8.1% to \$710.1 million, compared with \$656.9 million in fiscal 2005–2006. In volume terms (litres), sales grew 6.5%. Government revenue from operations, including tax revenues, totalled \$1.4 billion.

The improvement in the ratio of operating expenses to gross sales to 17.0% (compared with 17.7% in 2005–2006) and the significant reduction in bank indebtedness to \$89.5 million (compared with \$196.4 million in the preceding year) are indicative of more disciplined management. The ratio of net earnings to net sales was 32.6%, the best it has been in the last six years.

During the year, the SAQ sold its interest in Maison des Futailles, S.E.C. The disposal of this business investment, which was related to the implementation of its strategic plan, resulted in a gain of \$3.0 million.

Wine's share of the SAQ's total dollar sales continued to rise, reaching 76.8% (75.0% in 2005–2006) while spirits dropped slightly to 15.6% (16.0% in 2005–2006) and coolers fell to 5.9% (7.0% in 2005–2006). Beer brought up the rear with 1.4% of sales (1.5% in 2005–2006).

Most of the sales growth originated in the outlet network, whose sales volume continued to increase while that of the restaurant network and grocery and convenience store network remained stable.

"We are very pleased with these results, not because they are record-breaking but rather because they are the fruit of all employees' efforts to make the SAQ a better retailer and a more innovative company," said Sylvain Toutant, the SAQ's President and Chief Executive Officer. "The many initiatives in recent years to improve customer service and implement more disciplined management are bearing fruit and translating into solid sales growth and increased profitability, as called for in our strategic plan."

"Customer satisfaction is on the rise, reaching a record 97% in the most recent survey, conducted in August 2006," Mr. Toutant continued. "The in-outlet shopping experience is attracting and retaining more and more consumers. Quebecers' interest in and passion for the world of wine and spirits continues to grow healthily. The quality of our products and in-outlet service is constantly improving, in large part due to the enthusiasm of our employees."



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The actions taken to enhance the SAQ's overall offer of products and services in 2006–2007 included an increase in the availability of personnel on outlet sales floors during peak periods; new investments in training for employees and outlet-based wine advisors; the introduction of around 1,000 new products; and the launch of *Cellier* magazine, which is targeted at a more curious and demanding clientele.

The outlet network was upgraded through initiatives in 45 stores. Seven outlets were opened in new neighbourhoods while 39 other outlets were expanded, moved to more spacious premises or renovated. The SAQ also refreshed its SAQ Sélection concept, which is increasing its focus on customer self-training and the possibility of tasting products on site.

Responsible consumption, corporate governance and social involvement

Quebecers' annual alcohol consumption of 7.6 litres per capita is in line with the Canadian average and below Health Canada standards. Quebecers' consumption pattern is the most responsible in Canada, with alcoholic beverages being consumed more frequently but in smaller quantities than elsewhere in the country. Quebecers are also trending toward the consumption of higher-end products. The SAQ regularly carries out studies to track changes in Quebecers' consumption patterns and for several years has been involved in promoting responsible alcohol consumption.

Fiscal 2006–2007 also saw a major reform of the company's corporate governance practices. The SAQ now has a corporate governance model in which the duties of its directors have been significantly expanded and a set of new rules has been introduced. The reform was prompted by the new *Act respecting the governance of state-owned enterprises* adopted in December 2006, by internal analysis of the issue carried out by the Board with the assistance of an expert panel and by the recommendations made by the Quebec Auditor General in November 2006. The result will be a stronger organization better able to succeed in taking on the challenges of the coming years.

On the social front, the SAQ developed and implemented an integrated sustainable development plan and contributed a total of \$5.3 million to more than 400 events and fundraising campaigns. Under its donation and sponsorship policy, the SAQ aims mainly to work with popular events and fundraising activities for organizations active in areas related to the major issues of the day, namely health care, education and culture.

The 2007 Annual Report (French version) is available online: www.saq.com