








The Jean Coutu Group (PJC) Inc.

www.jeancoutu.com

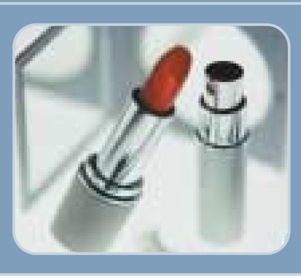
A CONSTANT PRESENCE IN FULL OPENNESS

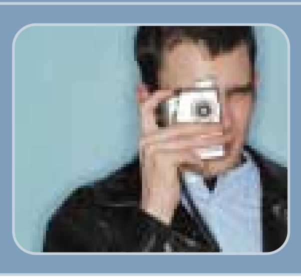
2002 Annual Report


COMPANY PROFILE

With over 30 years' experience, The Jean Coutu Group (PJC) Inc. is one of the top 10 names in retail sales and distribution of pharmaceutical and parapharmaceutical products in North America. Constantly listening to the needs and expectations of its customers, the Company has continued to innovate, evolve and adapt. Today, it establishes itself as a groundbreaking company. Indeed, in Eastern Canada and New England, the *Jean Coutu* and *Brooks Pharmacy* banners have become the reference in terms of high-quality service.

Thanks to its leading position and efficiency-driven development strategy, the Company plays an important role in the advancement of professional practice in pharmacies. Its rigour, sense of innovation and ability to adopt new methods allow it to take advantage of the development possibilities offered by an industry in full growth.





SUMMARY

CANADIAN PRESENCE

PJC JEAN COUTU

Quebec
Alma
Amos
Asbestos
Baie-Comeau
Baie-Saint-Paul
Beloeil
Berthierville
Blainville
Boisbriand
Bois-des-Filion
Candiac
Carleton
Chambly
Chandler
Châteauguay
Coaticook
Cowansville
Delson
Dolbeau
Donnacona
Drummondville
Farnham
Gaspé
Granby
Grande-Rivière
Grand-Mère
Gatineau
Aylmer
Buckingham
Gatineau
Hull
Île-Perrot
Îles-de-la-Madeleine
Joliette
La Plaine
La Tuque
Lac Mégantic
Lachenaie
Lachute
Laprairie
La Sarre
Laval
Chomedey
Duvernay
Fabreville
Saint-François
Sainte-Dorothée
Sainte-Rose
Vimont
Lavaltrie
Le Gardeur
Lévis
Charny
Saint-Jean-Chrysostôme
Saint-Nicolas
Longueuil
Boucherville
Brossard
Greenfield Park
Saint-Bruno
Saint-Hubert
Saint-Lambert
Louiseville
Magog
Malartic
Maniwaki
Mascouche
Matane
Mirabel
Mont-Laurier
Montmagny
Montreal
Anjou
Beaconsfield
Cartierville
Côte-Saint-Luc
Dollard-des-Ormeaux
Dorval
Île des Soeurs
Lachine
LaSalle
Île-Bizard
Montréal-Nord
Mont-Royal
Pierrefonds
Pointe-aux-Trembles
Rivière-des-Prairies
Saint-Laurent
Saint-Léonard
Verdun
Westmount
New-Richmond
Nicolet
Pointe-Gatineau
Quebec
Ancienne-Lorette
Beauport
Cap-Rouge
Charlesbourg
Loretteville
Sainte-Foy
Val-Bélair
Rawdon
Repentigny
Rimouski
Rivière-du-Loup
Roberval
Rosemère
Rouyn-Noranda
Saguenay
Chicoutimi
Jonquière
La Baie
Saint-Basile-le-Grand
Saint-Eustache
Saint-Georges-de-Beauce
Saint-Hilaire
Saint-Hyacinthe
Saint-Jean
Saint-Jérôme
Saint-Jovite
Saint-Marc-des-Carrières
Saint-Raymond-de-Portneuf
Saint-Sauveur-des-Monts
Sainte-Agathe
Sainte-Anne-de-Beaupré
Sainte-Anne-des-Monts
Sainte-Anne-des-Plaines
Sainte-Julie
Sainte-Marie-de-Beauce
Sainte-Marthe-sur-le-Lac
Sainte-Thérèse
Sept-Îles
Shawinigan
Sherbrooke
Rock-Forest
Sorel
Terrebonne
Thetford-Mines
Tracy
Trois-Rivières
Cap-de-la-Madeleine
Trois-Rivières Ouest
Val d'Or
Valleyfield
Varennes
Vaudreuil-Dorion
Victoriaville

New Brunswick
Bathurst
Campbellton
Caraquet
Dieppe
Edmundston
Fredericton
Grand-Sault
Miramichi
Moncton
Riverview
Sackville
Shediac
Tracadie-Sheila

Ontario
Alexandria
Casselman
Cornwall
Embrun
Hawkesbury
Orleans
Rockland
Vanier

PJC CLINIC

Quebec
Alma
Asbestos
Caplan
Châteauguay
Deux-Montagnes
Drummondville
Gascons
Gatineau
Aylmer
Hull
Masson-Angers
Pointe-Gatineau
Laprairie
Laval
Lévis
Saint-Romuald
Longueuil
Greenfield Park
Macamic
Mont-Louis
Montreal
Pierrefonds
Verdun
Paspébiac
Percé
Quebec
Beauport
Restigouche
Saint-Hyacinthe

New Brunswick
Hillsborough
Neguac

Ontario
Vanier

AMERICAN PRESENCE

BROOKS PHARMACY

Connecticut
Avon
Bethel
Bloomfield
Bridgeport
Canaan
Cheshire
Colchester
Danbury
East Hampton
East Lyme
Essex
Fairfield
Groton
Hamden
Jewett City
Kensington
Milford
Monroe
Moosup
New Britain
New London
New Milford
Newtown
North Branford
Northford
Norwalk
Norwich
Pawcatuck
Portland
Putnam
Stafford Springs
Stamford
Stratford City
Terryville
Torrington
Uncasville
Wallingford
Warehouse Point
Watertown

Maine
Bangor
Brewer
Freeport
Gardiner
Kittery
Waterville

Massachusetts
Acton
Adams
Agawam
Allston
Amesbury
Andover
Ashland
Athol
Beverly
Billerica
Boston
Braintree
Bridgewater
Brighton
Brockton
Cambridge
Canton
Chelsea
Chicopee
Clinton
Concord
Dennisport
Dorchester
Dudley
Duxbury
Easthampton
Everett
Fairhaven
Fall River
Falmouth
Florence
Franklin
Gardner
Gloucester
Greenfield
Grt. Barrington
Haverhill
Hingham
Holbrook
Holden
Holyoke
Hudson
Hyannis
Hyde Park
Ipswich
Lawrence
Lee
Lowell
Lynn
Mansfield
Marlborough
Marshfield
Marston Mills
Mattapan
Medford
Melrose
Methuen
Middleboro
Milford
Millbury
Monson
New Bedford
Newburyport
North Adams
North Andover
North Attleboro
North Easton
North Grafton
North Leominster
North Quincy
North Reading
North Tewksbury
Norwell
Norwood
Orleans
Oxford
Palmer
Peabody
Pepperell
Pittsfield
Plainville
Plymouth
Quincy
Randolph
Reading
Revere
Rockland
Rockport
Roslindale
Saugus
Sharon
Shrewsbury
Somerset
Somerville
South Attleboro
South Boston
South Dartmouth
Southampton
Southbridge
Southwick
Springfield
Stoughton
Sturbridge
Sudbury
Swansea
Taunton
Tewksbury
Townsend
Turners Falls
Waltham
Ware
Wareham
Wayland
Webster
Wellesley
Westfield
Westford
West Springfield
Weymouth
Williamstown
Wilmington
Winchendon
Woburn
Worcester
Yarmouth Port

New Hampshire
Bedford
Berlin
Claremont
Concord
Derry
Dover
Durham
Hampton
Hooksett
Hudson
Keene
Laconia
Lee
Littleton
Londonderry
Manchester
Meredith
Milford
Nashua
Newmarket
Pelham
Peterborough
Plaistow
Portsmouth
Rochester
Salem
Stratham
West Lebanon

New York
Chestertown
North Creek

Rhode Island
Barrington
Bristol
Central Falls
Coventry
Cranston
Cumberland
East Providence
Johnston
Middletown
Narragansett
Newport
North Kingstown
North Providence
North Scituate
Pawtucket
Portsmouth
Providence
Slatersville
Smithfield
Tiverton
Wakefield
Warwick
Westerly
West Warwick
Woonsocket

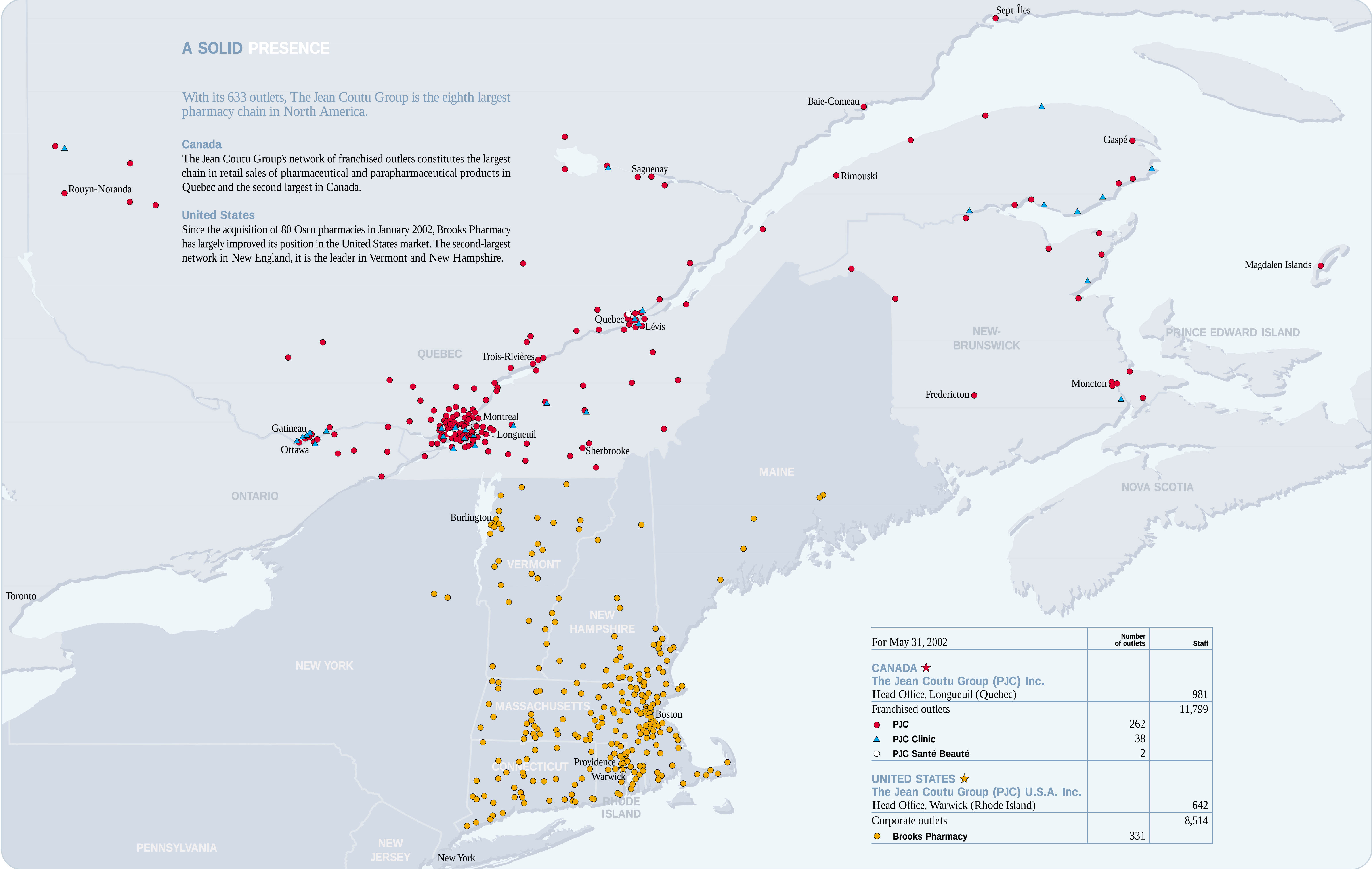
Vermont
Barre
Bellows Falls
Bennington
Bethel
Brandon
Brattleboro
Bristol
Burlington
Colchester
Enosburg Falls
Essex Junction
Hardwick
Ludlow
Lyndonville
Middlebury
Milton
Montpelier
Morrisville
Newport
Northfield
Randolph
Rutland
Shelburne
South Burlington
Springfield
St. Albans
St. Johnsbury
Williston
Windsor
Winooski

A SOLID PRESENCE

With its 633 outlets, The Jean Coutu Group is the eighth largest pharmacy chain in North America.

Canada
The Jean Coutu Group's network of franchised outlets constitutes the largest chain in retail sales of pharmaceutical and parapharmaceutical products in Quebec and the second largest in Canada.

United States
Since the acquisition of 80 Osco pharmacies in January 2002, Brooks Pharmacy has largely improved its position in the United States market. The second-largest network in New England, it is the leader in Vermont and New Hampshire.



For May 31, 2002	Number of outlets	Staff
CANADA ★		
The Jean Coutu Group (PJC) Inc.		
Head Office, Longueuil (Quebec)		981
Franchised outlets		11,799
● **PJC**	262	
▲ **PJC Clinic**	38	
○ **PJC Santé Beauté**	2	
UNITED STATES ★		
The Jean Coutu Group (PJC) U.S.A. Inc.		
Head Office, Warwick (Rhode Island)		642
Corporate outlets		8,514
● **Brooks Pharmacy**	331	

Graphic design: Eldorado design communications

FINANCIAL HIGHLIGHTS

Years ended May 31	2002	2001	2000	1999	1998
(in thousands of dollars except per share data and ratios)					
Financial performances					
Sales and other revenues					
Canada	1,515,765	1,363,156	1,226,433	1,111,354	1,001,458
United States	2,070,421	1,561,688	1,351,259	1,178,016	938,616
Total	3,586,186	2,924,844	2,577,692	2,289,370	1,940,074
Earnings before income taxes	209,592	163,170	133,535	119,457	98,375
Net earnings	139,879	105,941	86,191	74,307	63,236
Cash flow	177,842	146,437	131,094	114,519	84,777
Financial position					
Real estate	218,645	182,302	163,266	154,291	148,785
Capital assets	415,495	224,733	202,676	185,028	151,950
Total assets	1,661,605	1,230,805	1,032,671	920,101	851,206
Shareholders' equity	946,059	831,927	588,578	509,465	446,732
Per share data					
Net earnings (basic) (1)	1.24	0.98	0.82	0.70	0.60
Cash flow (1)	1.58	1.35	1.24	1.09	0.81
Dividends (1)	0.19	0.16	0.12	0.10	0.08
Shareholders' equity (1)	8.40	7.68	5.58	4.83	4.24
Financial ratios					
Working capital	2.02:1	2.62:1	1.82:1	1.84:1	1.33:1
Long-term debt on equity	0.38:1	0.17:1	0.28:1	0.36:1	0.19:1
Return on average shareholders' equity (%)	15.7	14.9	15.7	15.5	15.3
Network performances					
Franchised outlets (Canada)	2,264,451	2,065,244	1,880,891	1,742,610	1,681,000
Corporate outlets (United States)	2,040,698	1,534,436	1,330,750	1,158,689	922,281
Total	4,305,149	3,599,680	3,211,641	2,901,299	2,603,281
Share information					
High (1)	39.45	27.95	18.13	19.50	12.70
Low (1)	23.65	17.10	13.48	9.50	6.50
Close (1)	38.25	26.45	15.00	16.13	11.75

(1) *On September 29, 2000, the Company subdivided its Class A Subordinate Voting Shares and Class B Shares on the basis of two new shares for each existing share. The per share data has been calculated considering the share subdivision.*

Fiscal year ended May 31, 2002

- The revenues exceed 3.5 billion dollars, an increase of 22.6% compared to the previous financial year.
- Net earnings rose 32.0% compared to the results obtained a year earlier.
- The assets amount more than 1.6 billion dollars, an increase of 35.0% compared to May 31, 2001.

"HELPING AND GIVING ADVICE IS LARGELY A MATTER OF EMPATHY. I AM HAPPY TO SAY THAT MY CAREER AS A PHARMACIST IS ALL ABOUT CARING ABOUT PEOPLE."

A GROWING **PRESENCE**
SERVING AN EVER-INCREASING CLIENTELE

Jean Coutu
Chairman of the Board and Chief Executive Officer The Jean Coutu Group (PJC) Inc.

François J. Coutu
President and Chief Operating Officer The Jean Coutu Group (PJC) Inc.

Michel Coutu
President and Chief Executive Officer The Jean Coutu Group (PJC) U.S.A. Inc.

Similarly to the results obtained during the previous years, those of fiscal 2001-2002 confirm once again the pertinence and appropriateness of the actions that were taken to reinforce The Jean Coutu Group's leading position. Both the Canadian and American pharmacy networks recorded a major increase in sales. For the fiscal year ended May 31, 2002, The Jean Coutu Group (PJC) Inc. saw its sales reach $3.59 billion, an increase of 22.6% compared with the previous fiscal year. This increase in revenues, combined with healthy management and a constant quest for efficiency and rigour, resulted in a substantial improvement of the Company's profitability. Net earnings for fiscal 2001-2002 settled at $139.9 million ($1.24 per share), an increase of 32.0% in comparison with last year.

8th largest network of pharmacies in North America.

Our ever-increasing pharmaceutical presence is undoubtedly the factor that contributed the most to this strong performance. Two things explain this growing presence: the increase in the number of outlets, and our ability to satisfy the needs of a larger clientele. Without a doubt, the purchase of 80 Osco pharmacies in the United States proved to be the year's highlight. Furthermore, we continued to implement tools and programs to allow the staff at each outlet to be even more available to our customers.

An industry on its own

While several industries have felt the repercussions of a global economic slowdown, the retail sales of pharmaceutical and parapharmaceutical products continue to progress at a steady pace. Several factors contribute to this upsurge. One major factor is demography, since the growing number of elderly people results in an ever-increasing number of people who use some type of medication or another. One more element that comes into play: each year, new drugs are added to the list of available medication, including several that treat illnesses for which there used to be no treatment.

Higher pharmacy volume impacts both the amount of activity and work management in pharmacies, and consequently, pharmacists must use the necessary means to serve a greater number of customers. Within the context of the shift toward ambulatory care, the pharmacist is the most accessible health professional and is increasingly called upon for health-related advice. Aware of this situation, we continue to develop by putting into practice a strategy focusing on the ongoing quest for greater efficiency.

Aiming for quality

Within the context of this strategy, the actions we take aim at ensuring that we offer our clientele a presence of the highest quality. The excellence of our services will therefore allow our stores to become the number-one health & beauty destination of a growing number of customers.

To reach this goal, our efforts focus on four objectives:

- expanding the scope of our Canadian and American networks, and implementing programs to constantly improve existing stores;
- ensuring that each pharmacist can be as available as possible to his/her clientele and be able to offer top-notch professional service;
- listening to our customers to create a warm environment, where they easily find what they are looking for, and where they obtain appropriate advice;
- utilizing modern management tools and methods to continually be able to offer the right product, at the right time, at the right price.

Relying on proximity…

Our pharmacies are known as "proximity" stores, meaning that we are close to people and that we will go out of our way to help them find the personalized service they have come to expect. The notion of the friend they find at our pharmacies is still pertinent, and this is what makes us a household name and allows us to progress. Indeed, walking into a Jean Coutu or Brooks pharmacy, customers feel right at home and easily find everything they need. They never have to walk great distances to locate what they are looking for, and know they can count on professional, courteous staff to help them during their shopping experience.

… and teamwork

The Jean Coutu Group could not have been so prosperous without the outstanding work of its staff and franchisees. Throughout the entire Company there are dynamic individuals who are constantly on the lookout for innovative solutions to meet the challenges of growth. Without these people, their presence of mind, their rigour, their devotion, their propensity for teamwork, and their tremendous loyalty, The Jean Coutu Group would not be what it is today. The pooling of the various teams' competences and knowledge is a definite advantage, and one on which we continue to build the Company.

1st

largest network of pharmacies in Quebec, and second in Canada.

Outlook

During the last fiscal year, we succeeded once again in proving that we had the necessary resources to efficiently manage our growth and increase our presence in the North American market. The results we have obtained are convincing, and the experience we have gained allows us to look to the future with enthusiasm.

In all likelihood, the demand for medication will continue to grow in the years to come. It is by being constantly present and ready to act at the right moment that we can develop the appropriate plan of action to take advantage of this growth, and continue the development of our Canadian and American networks of stores. We are still interested in acquiring existing pharmacies, as long as they do not weaken what we have managed to build up to now. We are also getting ready to open new pharmacies in each of our markets during the next year, in areas offering potential for growth. These modern outlets will be built by integrating the knowledge we have gained in our 33 years of experience.

To reach these goals, we will continue to capitalize on our strengths: our reputation, the distribution of our pharmacies on the market, the commitment of our employees and franchisees, and the high quality of all our services and products. These strengths are a major advantage when it comes to hiring new pharmacists, a most important factor at a time when the number of new graduates is lower than the demand.

In short, if we hold today a leading position, our greatest challenge will be to demonstrate a sense of creativity, of rigour, and of insight to maintain our leadership.

Jean Coutu
Chairman of the Board
and Chief Executive Officer
The Jean Coutu Group (PJC) Inc.

François J. Coutu
President and
Chief Operating Officer
The Jean Coutu Group (PJC) Inc.

Michel Coutu
President and Chief Executive Officer
The Jean Coutu Group (PJC)
U.S.A. Inc.

THE CANADIAN MANAGEMENT TEAM

DYNAMIC AND DEVOTED INDIVIDUALS

Sitting *(First row)*

Alain Lafortune
Vice-President, Purchasing, Merchandising and Advertising

Carole Bouthillette
Vice-President, Finance

Louis Coutu
Vice-President, Commercial Policies

Jacques Masse
Vice-Chairman of the Board

Richard Mayrand
Vice-President, Professional Activities

Johanne Meloche
Vice-President, Cosmetics, Exclusive Brands and Beauty Programs

Standing *(Second row)*

Normand Messier
Vice-President, Real Estate

Jean-Pierre Normandin
Vice-President, Distribution Centre

Denis Courcy
Vice-President, Human Resources

Michel Boucher
Vice-President, Information Systems

Jacques Lamoureux
Vice-President, Operations

Yvon Béchard
Senior Executive Vice-President and Assistant Secretary

Yvon Goyer
Vice-President, Services and Promotions

François J. Coutu
President and Chief Operating Officer

A GROWING MARKET

The demand for prescription and over-the-counter drugs continues to increase at a steady pace. In Canada, retail pharmacies filled over 312 million prescriptions in 2001, an increase of 7.6% compared with 2000. In the United States, the growth rate was 5.8%, reaching a total of over 3 billion prescriptions filled in 2001.

THE AMERICAN MANAGEMENT TEAM

DYNAMIC AND DEVOTED INDIVIDUALS

First row

William Z. Welsh, Jr.
Executive Vice-President and
Chief Operating Officer

Michel Coutu
President and
Chief Executive Officer

Second row

Randy Wyrofsky
Senior Vice-President, Finance
and Chief Financial Officer

C. Daniel Haron
Vice-President,
Pharmacy and Professional Affairs

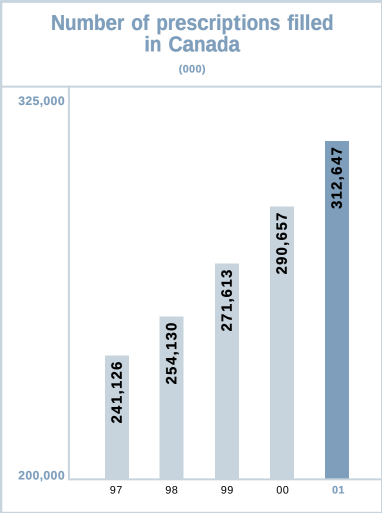
Kai Goto
Vice-President,
Warehouse and Distribution

Robert Pouliot
Vice-President,
Purchasing

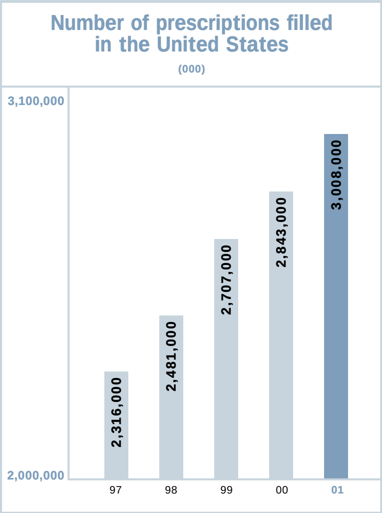
David A. Morocco
Senior Vice-President,
Marketing

Not appearing on picture

Don Kinney
Vice-President,
Drugstore Operations



Source: IMS Health



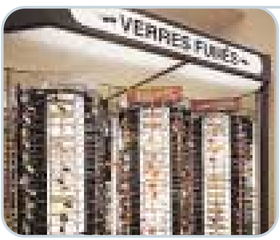
Source: IMS Health

"HEALTH AND BEAUTY DEFINITELY GO HAND IN HAND. IN ADDITION TO THE HEALTH ADVICE GIVEN BY OUR PHARMACISTS, WE OFFER BEAUTY ADVICE THAT CONTRIBUTES TO THE WELL-BEING OF OUR CUSTOMERS."

OUR EVER-PRESENT TEAMS

A WELL-STRUCTURED COMPANY

Within The Jean Coutu Group are various teams who join their efforts to meet the challenge of managing a large pharmacy network on a daily basis, and to ensure that the Company, day after day, maintains its leading position.

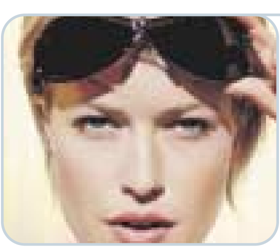


Purchasing and Merchandising

Acting as middleman and negotiator between suppliers, pharmacies and warehouses, the Purchasing and Merchandising department ensures that each outlet receives the right products, at the right time, at the right price.

Advertising

The Advertising department aims to promote the distinctive offering of The Jean Coutu Group's outlets and ensures the quality of their image to keep sales up. Among other things, this team works in close collaboration with the Purchasing department to produce a weekly flyer that informs the clientele on the products offered on special.



Cosmetics

The Cosmetics department develops various programs aimed at making The Jean Coutu Group's outlets the number-one beauty destination of consumers. Following trends, selecting exclusive products and organizing promotional events are some of the ways used to reach this goal.

1st

largest network of pharmacies in Vermont and New Hampshire and second in New England.

Human Resources

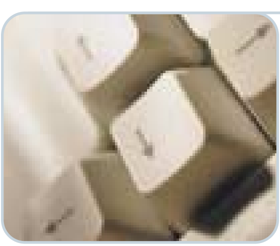
The Human Resources department ensures that each employee is treated with utmost fairness and enjoys a healthy quality of life in the workplace. This team's responsibilities include: developing and implementing comprehensive training programs to allow employees of all levels to expand their knowledge and skills, and to constantly be able to offer superior-quality service to customers.

Professional Activities

The Professional Activities department develops the programs that allow pharmacists to offer their customers complete, attentive service from a specialist in pharmaceutical care. These programs contribute to making each outlet the preferred health destination of the clientele.

Finance

The Finance department oversees the implementation of management and control systems to ensure the Company's financial health. It is also a consultant for the outlets when it comes to implementing a financial structure that will be favourable to business development. It participates in the planning of all major projects so that they can be achieved according to available financial resources.



Rx Information Centre

This subsidiary is responsible for the development and implementation of state-of-the-art technological solutions to constantly improve the efficiency of operations and quality of service. It serves the Canadian and American pharmacy networks, as well as head offices and distribution centres.

"IN CANADA, WE OFFER A WIDE ARRAY OF PRIVATE LABEL PRODUCTS UNDER THE *PERSONNELLE* BANNER. FOR US, THIS IS ANOTHER WAY OF MAKING SURE THAT OUR CUSTOMERS HAVE ACCESS TO THE RIGHT PRODUCTS AT THE RIGHT PRICE."

Operations

The Operations department ensures that each store presents an environment that complies with the quality standards and the business programs established by The Jean Coutu Group. When it comes to renovating an existing pharmacy or building a new one, this department develops and supervises the implementation of solutions that are adapted to the market.

Distribution Centres

Each pharmacy within the Canadian and American networks can rely on a state-of-the-art distribution centre that features the best tools and methods in terms of inventory management.

Real Estate

Since The Jean Coutu Group's progress relies on the quality of its network of stores, the Real Estate department is constantly monitoring development trends and projects. It makes sure that proposed development plans correspond to market realities and that the geographic location of each pharmacy remains optimal.

Services Sécurivol

This subsidiary provides Canadian outlets with security management systems.

21,936 jobs in our two networks combined, in Canada and the United States.

OUR CANADIAN PRESENCE

THE NETWORK OF FRANCHISED OUTLETS

In Canada, The Jean Coutu Group continues to develop its network of franchised outlets in order to reinforce its position as leader. This network is firmly established in Quebec and is also present in Eastern Ontario and New Brunswick. The various Jean Coutu Group departments work in close collaboration with the franchisees to develop and implement methods that will help them reach their business goals. On the whole, network members have taken advantage of the growth in demand, and have reported an increase in sales. For the fiscal year ended May 31, 2002, their combined sales rose by 9.6% in comparison with the previous fiscal year.

The growing number of prescriptions

The number of prescriptions filled by franchised outlets rose again during the fiscal year ended May 31, 2002. While only ten pharmacies were added to the network during the year, the number of prescriptions filled actually increased by 8.9%. This growth rate is higher than the Canadian average, which was 7.6% for the year 2001.

Improving the network

During the fiscal year ended May 31, 2002, 16 pharmacies were significantly renovated, nine were expanded, and five were relocated. In addition, the network now boasts 10 new Jean Coutu pharmacies, serving the communities of Candiac, Cap-de-la-Madeleine, Charny, Gatineau, Joliette, Longueuil, Mirabel, Saint-Basile-le-Grand, Saint-Raymond de Portneuf and Victoriaville. Except for the Candiac outlet, these new pharmacies all feature drive-through service.

Social responsibility: First place for The Jean Coutu Group

According to the ranking system established by *Corporate Knights* magazine, whose goal is to recognize Canadian corporations that distinguish themselves in terms of social responsibility, The Jean Coutu Group was ranked first in the "Consumer Staples" category. Overall, The Jean Coutu Group came in fifth place.

(Source: www.corporateknights.ca)

Fiscal years ending May 31	2002	2001
Sales from franchised outlets *(in thousand of dollars)*	2,264,451	2,065,244
Number of franchised outlets		
PJC	262	252
PJC Clinic	38	40
PJC Santé Beauté	2	1
Employees at franchised outlets	11,799	10,970

OUR AMERICAN PRESENCE

THE NETWORK OF CORPORATE OUTLETS

In the United States, The Jean Coutu Group's American subsidiary, The Jean Coutu Group (PJC) U.S.A., owns all of the pharmacies that make up its network. The highlight of fiscal 2001-2002 was the purchase of 80 Osco pharmacies in January 2002, bringing the total of corporate outlets to 331. During the fiscal year, Brooks pharmacies continued to prosper and succeeded in satisfying the needs of an ever-increasing number of customers. On the whole, the sales of the corporate outlets network increased by 33% compared with the sales of last fiscal year.

Integrating the network

As soon as the Osco deal was concluded, the integration process of these new pharmacies to the network of Brooks corporate pharmacies began. Various teams immediately began carrying out the multitude of tasks related to such an integration: changing outside banners and signs inside the stores, installing the appropriate computer systems, training staff, etc. These teams were extremely efficient, completing this large-scale project in 10 days.

The growing number of prescriptions

Except for the Osco pharmacies acquired during the fiscal year, Brooks Pharmacy outlets filled approximately 6.25% more prescriptions than the previous fiscal year, for a growth rate above the reported average for the American market as a whole.

Improving the network

During the fiscal year ended May 31, 2002, in addition to integrating Osco pharmacies, The Jean Coutu Group (PJC) U.S.A. continued its program aimed at improving the network. Eight pharmacies were renovated, four were closed, while eight others were relocated to Company-owned buildings. Four new pharmacies were also opened to serve the communities of Barre (Vermont), Lyndonville (Vermont), Hyannis (Massachusetts), and Wickford (Rhode Island). All of these new pharmacies feature drive-through service.

Fiscal years ending May 31	2002	2001
Sales from corporate outlets *(in thousand of Canadian dollars)*	2,040,698	1,534,436
Number of corporate outlets	331	251
Employees at corporate outlets	8,514	5,240

"WHEN CUSTOMERS COME TO ME, MY FIRST CONCERN IS TO MAKE SURE THAT THEY LEAVE SATISFIED, HAVING FOUND THE PRODUCT THEY WERE LOOKING FOR AND HAVING OBTAINED THE ADVICE THEY WERE SEEKING."

AIMING FOR A MODERN PRESENCE

THE IMPORTANCE OF HAVING THE RIGHT NETWORK

Because it is concerned with relying on networks of top-quality stores that allow it to satisfy the needs of communities, The Jean Coutu Group dedicates an important part of its resources to their constant improvement. Experience has shown that reconfiguring a store to enhance its appeal will substantially increase sales up to 20%. In some cases, a pharmacy can simply be relocated to a site that will better ensure customer satisfaction.

Rethinking the pharmacy

Since the demand for medication is constantly increasing and the number of pharmacists grows at a slower rate, it is essential that we rethink our way of doing things so that each pharmacist can continue to offer high-quality, professional service to a larger number of people. Therefore, The Jean Coutu Group carefully analyzed the way its pharmacies were set up and decided to re-engineer their work methods and layout. The result: a new, more functional and user-friendly pharmacy concept that allows to serve more customers more efficiently.

Real estate management

For The Jean Coutu Group, owning property and buildings that house franchised pharmacies or corporate outlets has major advantages: it ensures the continuity of long-term service, gives more room to manoeuvre in terms of layout and maintaining the quality of the site, and allows to control costs. In addition, this approach offers us the possibility of developing projects where a medical clinic is located right next door to the pharmacy.

In Canada, 108 franchised pharmacies are located in Company-owned buildings. In the United States, during the past few years, The Jean Coutu Group took advantage of several leases ending to relocate those pharmacies in buildings belonging to the American subsidiary. Today, 73 Brooks pharmacies occupy property owned by The Jean Coutu Group.

PJC Clinic and PJC Santé Beauté

Having the right network demands that one be able to adapt the concept of each outlet to the needs of its surroundings. As a result, PJC Clinic and PJC Santé Beauté pharmacies were created. PJC Clinic outlets are always located in the same building as a medical clinic and specialize in health products. For their part, PJC Santé Beauté are unique due to the fact that they respond to the needs of certain specific clienteles, for instance, the shopping-mall clientele. Contrary to other pharmacies, these outlets only focus on four product categories: prescription drugs, over-the-counter medication, skin care and cosmetics.

Canada and United States

Canada

80

Osco pharmacies were acquired and integrated to the Brooks network in the United States.

AIMING FOR A FIRST-RATE PHARMACEUTICAL PRESENCE

ALWAYS OFFERING COMPLETE, ATTENTIVE AND PROFESSIONAL SERVICES

Our goal is to make sure that each pharmacy becomes the preferred health solution of an ever-increasing number of individuals. To reach this objective, a wide array of programs are implemented each year. This way, we see to it that the services we offer are simply the best. Since pharmacists play an increasingly important role with people who care about their health, it is essential that we give them the proper tools to fill this role with utmost professionalism.

Ongoing training

Given the advances of knowledge and the discovery of new drugs, the pharmaceutical industry is rapidly evolving. Consequently, pharmacists must keep abreast of the latest medical breakthroughs. In Canada and the United States alike, continuous training programs are offered to pharmacists employed by The Jean Coutu Group. For example, a specific program dedicated to respiratory problems is currently being prepared for our American pharmacists. The goal is to make this a government-recognized program so that pharmacists who follow it can be recognized as specialists on the subject. This is a program similar to the existing one dedicated to diabetes. Thanks to the latter, the Brooks network today boasts the highest concentration of accredited pharmacists in this field. As such, they can personalize the advice they give to customers with diabetes, which in turn encourages the optimal use of their medication.

A new and improved prescription system

State-of-the-art technologies are an excellent tool when it comes to freeing pharmacists from repetitive administrative tasks, allowing them to devote more time to their customers. In particular, the RX Information Centre, the subsidiary specialized in information technologies, has recently installed a brand-new technological platform for the prescription system that is more user-friendly and more performing. Thanks to this system, pharmacists can quickly access complete and updated information, allowing them to follow up on files more efficiently. The implementation of this system is almost complete in Canada and will soon begin in the United States, with the roll out of an American version.

Supporting the recruitment of new pharmacists

The quality of our professional services also rests on our ability to hire a sufficient number of pharmacists. During the past few years, The Jean Coutu Group has reached out to pharmacy students, both in the United States and in Canada. By organizing various activities, we can establish direct contact with future pharmacy graduates to foster their interest in joining our network.

Pavillon Jean Coutu

Searching for solutions to counter the shortage of pharmacists is one of our top priorities. Consequently, the Fondation Marcelle et Jean Coutu donated a sum of $12.5 million to the Université de Montréal in order to build a new wing for the Faculty of Pharmacy, Pavillon Jean Coutu. These new installations will result in an increase of 20% in the number of undergraduate students.

Jean Coutu, Robert Lacroix, Marcelle Coutu, François Legault and Pauline Marois during the launch of the Pavillon Jean Coutu building project.

“BEING CONCERNED ABOUT THE DEVELOPMENT OF EACH COMMUNITY WE SERVE IS ALSO PART OF OUR MISSION. IT IS OUR WAY OF PAYING BACK THE CONFIDENCE SOCIETY HAS GIVEN US.”

AIMING FOR A WARM, WELCOMING PRESENCE

CREATING AN ENVIRONMENT WHERE THE CUSTOMER FEELS COMFORTABLE

Since its early days, The Jean Coutu Group has recognized the importance of offering each of its customers attentive service and an environment where they feel right at home. When customers walk into a Jean Coutu Group pharmacy, we work hard to make sure that they can easily find what they are looking for, and obtain all the information they require. A team of qualified individuals and a wide array of products, including exclusive products, constitute the founding elements of our approach. That's why the slogans "You'll find it all… even a friend!" (in Canada) and "You'll like what we do for you." (in the United States), are still meaningful year after year.

Tailored training programs

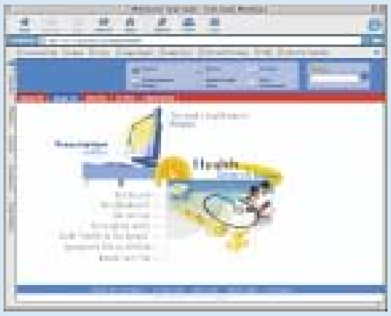
The Jean Coutu Group has developed a complete range of comprehensive proficiency programs for each job category within the pharmacy: manager, pharmacy technician, assistant-manager, cosmetician, photo-counter clerk and cashier. These programs touch upon all tasks related to each position, teach new technologies, and cover the spectrum of dimensions, including the notion of personal interaction, that promote customer service of superior quality. Employees who complete the program pertaining to their position also receive a certificate.

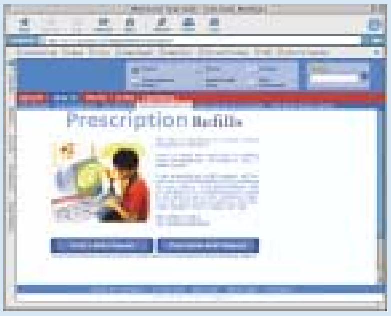
The importance of having a choice

Customers appreciate the fact that they can choose ways of doing things that are most appropriate for their lifestyle. When it comes to prescription renewal, in addition to the traditional method of handing a prescription to the pharmacist in person, two other possibilities are now offered in several outlets: Internet and an Interactive Voice Response (IVR) telephone system. These electronic communication systems inform the pharmacist in advance so that he or she can prepare the customer's prescription, therefore reducing waiting time at the pharmacy.

The era of dermo-cosmetics

In order to respond to consumers' ever-growing demand for healthy cosmetic products, The Jean Coutu Group has created the dermo-cosmetics section, comprised of areas strictly reserved to this type of skin-care product. Today, some 100 outlets boast such a section. Some of them also offer a device that allows clients to find out, in mere seconds, their skin's level of hydration. With these results and the help of a cosmetician, they can then choose products that are adapted to their own type of skin.





AIMING FOR EFFICIENCY

OFFERING THE RIGHT PRODUCT, AT THE RIGHT TIME, AT THE RIGHT PRICE

Because it has integrated new methods and taken advantage of what new technologies have to offer, The Jean Coutu Group has always been able to adapt to the demands of the market. The systems and methods that have been implemented throughout the years make it a most modern and highly efficient company. First and foremost, it is our customers who benefit from this approach, one that combines rigour, efficiency, and creativity to offer the right product, at the right time, at the right price.

State-of-the-art technologies

At the end of fiscal 2001-2002, most Jean Coutu Group pharmacies, both in Canada and the United States, featured a complete point-of-sale (POS) business management system. This system allows greater efficiency in terms of managing pharmacy inventory and supply. The POS system is also the basis of the data warehouse, which, with the help of top-of-the-line analysis tools, greatly facilitates corporate business decisions. For example, we can precisely determine the time of year when any given product is most in demand, as well as the quantities that should be ordered. This is an excellent way of ensuring that the right product is offered at the right time, at the right price.

State-of-the-art distribution centres

A well-organized distribution system is one of the major factors that contribute to making The Jean Coutu Group a highly efficient, groundbreaking company. In Canada and the United States alike, our networks of outlets can count on a modern distribution centre that uses trial-tested supply and distribution methods. Once again, state-of-the-art technologies play a key role. The implemented computer systems give access, at all times, to complete information with respect to everything from receiving to inventory and delivery. Our distribution centres also offer specialized delivery services that, for example, take into account the market conditions resulting from the shift toward ambulatory care. Consequently, pharmacists can benefit from emergency deliveries and receive the requested medication within 24 hours.

Buying shows: saving time and energy

The Jean Coutu Group has developed a formula that allows each outlet to save time and energy when it comes to planning purchases for a specific season: the buying shows. Several times a year, suppliers of seasonal products—such as the ones displayed for Valentine's Day, Easter, Mothers' Day, back to school, Halloween, or Christmas—gather under one roof. Each pharmacy's purchasing manager is invited to the event to meet participating suppliers and see the products they have to offer. This way, they can place orders for products that will be on the shelves of their outlet in the following months. This allows them to manage their time more efficiently and to make sure that everything will be in place at the right moment.

"BUYING SHOWS ARE A KEY ELEMENT IN OUR SUPPLY STRATEGY. BY GATHERING POTENTIAL PURCHASES UNDER ONE ROOF, WE OBTAIN A BETTER OVERALL VIEW OF AVAILABLE PRODUCTS AND WE CAN MAKE CLEARER CHOICES."

MANAGEMENT'S COMMENTS AND ANALYSIS

SIGNIFICANT RISE OF REVENUES AND NET EARNINGS

In Canada, The Jean Coutu Group (PJC) Inc. operates a distribution centre and coordinates several services for its network of franchisees, which includes 262 PJC pharmacies, 38 PJC Clinic and two PJC Santé Beauté. In addition, it is active in the real estate market, and most of the buildings owned by the Company house a PJC pharmacy. In the United States, The Jean Coutu Group operates a network of 331 retail stores of pharmaceutical and other products under the Brooks banner. The consolidated financial statements include three spheres of activity: franchising, real estate and retail sales.

Revenues

For the fiscal year ended May 31, 2002, The Jean Coutu Group (PJC) Inc. recorded total revenues of $3,586,186,000, an increase of 22.6% compared with the $2,924,844,000 reached during the previous fiscal year. This increase is the result of a substantial rise in sales in our Canadian stores and, most especially, in our American corporate outlets. Among the factors that contributed to this success, let us first mention the addition of stores to our networks during the fiscal year. In the United States, 80 Osco pharmacies were purchased in January 2002. In Canada, ten new franchised pharmacies were integrated to our network. Furthermore, these stores improved their sales performance by using the sale support programs and resources we offer our networks.

The revenues of the Canadian operation reached $1,515,765,000 for fiscal 2001-2002, an increase of 11.2% compared with the $1,363,156,000 recorded in 2000-2001. For their part, revenues of the American subsidiary rose 32.6% to reach $2,070,421,000 in 2001-2002 compared with $1,561,688,000 the previous year.

The American network's stores generated 57.7% of The Jean Coutu Group's revenues.

Retail sales for the networks

For fiscal 2002, the network of franchisees recorded revenues of $2,264,451,000, an increase of 9.6% compared with the previous fiscal year. On a basis of comparable establishments, total sales rose by 8.7% from one year to the next. Prescription sales grew by 14.9%, while sales of other product categories grew by 2.6%.

In the United States, the network of corporate stores recorded an increase of 32.9% in total sales. This increase takes into account the sales recorded by the 80 Osco pharmacies during the last four months of the fiscal year. On a basis of comparable stores, total revenues rose by 11.5%. Prescription sales grew by 15.3%, while sales of other product categories grew by 4.0%.

Earnings

Earnings before interest, tax and amortization (EBITDA) were $269,276,000, compared with $223,975,000 in 2001, an increase of 20.2%. The EBITDA attained in 2002 represents 7.5% of the revenues, while a year earlier this ratio was 7.7%. This EBITDA of $269,276,000, however, includes a nonrecurrent expense of $3,296,000 posted in the last quarter of fiscal 2002. Without taking this nonrecurrent expense into account, the EBITDA would have been $272,572,000, representing an EBITDA of 7.6% expressed as a percentage of the total revenues.

The Canadian operation generated an EBITDA of $151,570,000, compared with $135,510,000 for the previous fiscal year. This EBITDA represents 10.0% of revenues recorded in 2002, compared with the ratio of 9.9% obtained for fiscal 2001.

The American operation, for its part, reached an EBITDA of $117,706,000 in 2002, compared with $88,465,000 in 2001 an increase of 33.1%. Excluding the nonrecurrent expense of $3,296,000, the EBITDA would have been $121,002,000, representing 5.8% of revenues, compared with 5.7% for the previous fiscal year.

Financial expenses

Compared with the previous fiscal year, financial expenses rose by $2,686,000 and amounted to $16,143,000. Taking into account the major assets we acquired during the fiscal year, this moderate increase can be explained by two factors. First, the new bank debt was only incurred in January 2002, and second, the liquid assets that were at the disposal of the Canadian operation after the public offering of January 7, 2001 were used to pay for part of the acquisition cost of the 80 Osco pharmacies in the United States.

Earnings before income taxes

Increased revenues and rigorous control of expenses allowed The Jean Coutu Group to post higher earnings before income taxes that rose by 28.5% compared with the previous year. For fiscal 2002, they reached $209,592,000, while they amounted to $163,170,000 the previous year. The Canadian operation contributed to earnings before income taxes in a proportion of 75.1%, while the American operation contributed in a proportion of 24.9%.

Net earnings

Net earnings reached $139,879,000, an increase of 32.0%. The percentage of net earnings in relation to total revenues was 3.9%, compared with 3.6% in 2001. Fully diluted earnings per share were $1.24, compared with $0.98 in 2001, an increase of 26.5%.

Cash flows

During fiscal 2002, efficient management of the Company allowed us to accumulate self-generated funds of the order of $177,842,000, an increase of 21.4% compared with the $146,437,000 accumulated in 2001.

Especially active in terms of expansion, the Company invested in real estate, intangible assets and consolidated goodwill, as well as in the acquisition of a company, for a total of $500,042,000.

Financial situation

As of May 31, 2002, total assets reached $1,661,605,000, compared with $1,230,805,000 on May 31, 2001. This 35.0% increase was mostly due to the purchase of 80 Osco pharmacies and the expansion of our Canadian properties.

The Company maintained its financial health with a debt ratio of 0.43:1.00 as of May 31, 2002, compared with 0.21:1.00 at the end of the previous fiscal year.

Changes in accounting standards

During the fiscal year, the Company began the prospective implementation of new recommendations of the Canadian Institute of Chartered Accountants (CICA), i.e. Section 3062 of the Handbook, regarding the consolidated goodwill and other intangible assets. These assets are henceforth subject to a periodic depreciation test to ensure that their fair value remains higher than their book value. Implementation of this new standard generated a reduction of amortization. As of May 31, 2001, this tax-free amortization expense amounted to $8,827,000.

Stock transactions

The number of traded shares on the Toronto Stock Exchange amounted to 20,195,523 for the 12-month period ended May 31, 2002. During this same period, stocks were transacted between $23.65 and $39.45. On May 31, 2002, closing price was $38.25.

Risk management

Today's competitive market represents risks that could have an influence on our Company's market shares. However, thanks to its ever-improving outlets, efficient marketing programs and first-rate customer service, the Company believes that it can stand up to the competition.

The health industry in which the Company operates is regulated by legislation that has an effect on the cost of prescription medications and, as a result, on the sales and profitability of the Jean Coutu Group.

Finally, the shortage of pharmacists is another factor that can have repercussions on the Company's operations. Consequently, our Company is currently working to implement the necessary plan of action to attract and keep pharmacists.

Outlook

At the end of the last fiscal year, The Jean Coutu Group (PJC) Inc. found itself in a particularly strong financial position. Its financial health, as well as that of most of its franchisees, gives it the necessary means to continue its development strategy in order to constantly improve its position on the North American market. The level of operational efficiency achieved across both our pharmacy networks is also a major asset in the Company's growth.

In terms of market conditions, statistical analyses of demographic trends point to a sustained increase in the demand for pharmaceutical and parapharmaceutical products. To benefit from this situation and boost traffic in our pharmacies, we plan to continue focusing on the quality of our services and on opening stores that are strategically located and well equipped to respond to our customers' present needs.

The Jean Coutu Group also plans to expand geographically. Indeed, we will continue to look out for and analyze all opportunities that could lead to the acquisition of an existing pharmacy chain. Whenever such an opportunity arises, our approach will remain the same: proceeding with rigour to ensure the best possible integration to one or the other of our networks.

QUARTERLY CONSOLIDATED EARNINGS

3-month period ended *(in thousands of dollars except for per share amounts)*	August 31 2001	November 30 2001	February 28 2002	May 31 2002	Total 2002
	$	$	$	$	$
Sales and other revenues					
Franchising	338,410	383,270	359,497	377,878	1,459,055
Real estate	13,834	13,463	14,348	15,065	56,710
Retail sales	415,334	438,988	547,741	668,358	2,070,421
	767,578	835,721	921,586	1,061,301	3,586,186
Expenses					
Cost of goods sold, general and operating expenses	708,524	772,418	848,889	987,079	3,316,910
Amortization	8,889	9,163	11,830	13,659	43,541
Interest on long-term debt	2,089	2,144	3,151	5,229	12,613
Other interest	651	760	835	1,284	3,530
	720,153	784,485	864,705	1,007,251	3,376,594
Income before income taxes	47,425	51,236	56,881	54,050	209,592
Income taxes	15,992	17,407	19,253	17,061	69,713
Net income	31,433	33,829	37,628	36,989	139,879
Earnings per share					
Basic	0.28	0.30	0.33	0.33	1.24
Diluted	0.28	0.30	0.33	0.32	1.23

3-month period ended *(in thousands of dollars except for per share amounts)*	August 31 2000	November 30 2000	February 28 2001	May 31 2001	Total 2001
	$	$	$	$	$
Sales and other revenues					
Franchising	304,339	345,054	318,555	342,476	1,310,424
Real estate	13,052	12,475	13,419	13,786	52,732
Retail sales	357,118	377,044	411,386	416,140	1,561,688
	674,509	734,573	743,360	772,402	2,924,844
Expenses					
Cost of goods sold, general and operating expenses	623,490	678,492	683,869	715,018	2,700,869
Amortization	11,720	11,861	11,717	12,050	47,348
Interest on long-term debt	2,683	2,608	2,529	2,445	10,265
Other interest	740	800	921	731	3,192
	638,633	693,761	699,036	730,244	2,761,674
Income before income taxes	35,876	40,812	44,324	42,158	163,170
Income taxes	12,540	14,584	15,842	14,263	57,229
Net income	23,336	26,228	28,482	27,895	105,941
Earnings per share					
Basic	0.22	0.25	0.26	0.25	0.98
Diluted	0.22	0.25	0.26	0.24	0.97

MANAGEMENT'S REPORT WITH RESPECT TO THE FINANCIAL STATEMENTS

The consolidated financial statements of The Jean Coutu Group (PJC) Inc. contained in this report, including the notes thereto, were prepared by management in accordance with Canadian generally accepted accounting principles. In addition, the financial information contained elsewhere in the annual report is consistent with the financial statements.

The Board of Directors is responsible for the financial statements included in this annual report. The Audit Committee reviews the contents of the financial statements prior to their approval by the Board of Directors. The external auditors discuss their audit work with the Committee.

The Company's external auditors, Samson Bélair/Deloitte & Touche, are responsible for auditing the financial statements and providing an opinion thereon. Their report is presented below.

François J. Coutu
President and Chief Operating Officer

Yvon Béchard
Senior Executive Vice-President and Assistant Secretary

AUDITORS' REPORT

To the Shareholders of
The Jean Coutu Group (PJC) Inc.,

We have audited the consolidated balance sheet of The Jean Coutu Group (PJC) Inc. as at May 31, 2002 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Company as at May 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at May 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 13, 2001.

Samson Bélair/Deloitte & Touche, S.E.N.C.
Chartered Accountants

July 5, 2002
Montreal, Canada

CONSOLIDATED BALANCE SHEETS

May 31	2002	2001
(in thousands of dollars)	$	$
ASSETS		
Current assets		
Cash	–	7,126
Temporary investments (note 3)	–	156,645
Accounts receivable	231,142	165,893
Inventories	515,483	347,620
Future income taxes	23,323	13,759
Prepaid expenses	8,493	7,119
	778,441	698,162
Investments (note 4)	18,034	18,223
Real estate (note 5)	218,645	182,302
Capital assets (note 6)	415,495	224,733
Intangible assets (note 7)	64,918	34,313
Goodwill (note 8)	140,346	57,041
Other assets (note 9)	25,726	16,031
	1,661,605	1,230,805
LIABILITIES		
Current liabilities		
Bank overdraft and bank loans (note 10)	46,360	26,153
Accounts payable	296,044	202,883
Income taxes payable	10,106	16,711
Current portion of long-term debt (note 11)	32,618	20,894
	385,128	266,641
Deferred revenue	4,388	7,364
Long-term debt (note 11)	324,083	124,552
Future income taxes	1,947	321
	715,546	398,878
SHAREHOLDERS’ EQUITY		
Capital stock (note 12)	203,763	198,120
Retained earnings	721,585	603,110
Foreign currency translation adjustments (note 13)	20,711	30,697
	946,059	831,927
	1,661,605	1,230,805

CONTINGENCIES AND COMMITMENTS (notes 14 and 15)

Approved on behalf of the Board

François Jean Coutu
Director

Laurent Picard
Director

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

CONSOLIDATED STATEMENTS OF INCOME

For the years ended May 31	2002	2001
(in thousands of dollars except for per share amounts)	$	$
Sales	3,372,205	2,726,692
Other revenues (note 16)	213,981	198,152
	3,586,186	2,924,844
Expenses		
Cost of goods sold, general and operating expenses	3,316,910	2,700,869
Amortization (note 17)	43,541	47,348
Interest on long-term debt	12,613	10,265
Other interest	3,530	3,192
	3,376,594	2,761,674
Income before income taxes	209,592	163,170
Income taxes (note 18)	69,713	57,229
Net income	139,879	105,941
Earnings per share:		
Basic	1.24	0.98
Diluted	1.23	0.97
Weighted average number of shares outstanding (Considering the stock split on September 29, 2000)	112,587,937	108,256,814

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended May 31	2002	2001
(in thousands of dollars)	$	$
Balance, beginning of year	603,110	514,606
Net income	139,879	105,941
	742,989	620,547
Dividends	21,404	17,437
Balance, end of year	721,585	603,110

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended May 31	2002	2001
(in thousands of dollars)	$	$
Operating activities		
Net income	139,879	105,941
Items not affecting cash		
Amortization	43,541	47,348
Loss on disposal of assets	363	671
Future income taxes	(6,142)	(7,455)
Share in income of companies subject to significant influence	201	(68)
	177,842	146,437
Net changes in non-cash working capital items and in long-term receivables from franchisees	(59,328)	(11,147)
	118,514	135,290
Investing activities		
Receipt of temporary investments	156,645	–
Business acquisition (note 19)	(387,136)	–
Loans and advances	(3,724)	(3,196)
Receipts on loans and advances	3,746	2,852
Acquisition of investments	(193)	(157,233)
Purchase of capital assets and real estate	(102,741)	(66,564)
Proceeds from the disposal of capital assets and real estate	2,440	634
Intangible assets and goodwill	(10,165)	(8,701)
Proceeds from the disposal of other assets	274	448
Other assets	(6,633)	(728)
	(347,487)	(232,488)
Financing activities		
Changes in bank loans	20,857	(23,067)
Long-term debt	368,000	1,376
Repayment of long-term debt	(146,023)	(27,318)
Issuance of capital stock less issue expenses	5,643	143,512
Dividends	(21,404)	(17,437)
	227,073	77,066
Foreign currency translation adjustments	(5,746)	7,858
Decrease in cash and cash equivalents	(7,646)	(12,274)
Cash, beginning of year	7,126	19,400
Cash (bank overdraft), end of year	(520)	7,126
Cash flows include the following items:		
Interest paid	12,613	10,265
Income taxes paid	81,464	45,824

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

Financial statements

The financial statements are prepared in accordance to Canadian generally accepted accounting principles. Amounts are expressed in Canadian currency.

Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the utilisation of estimates and assumptions that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses and disclosure of contingent assets and liabilities. Consequently, actual amounts could differ from those estimates.

Revenue recognition

Revenues from external customers from franchising and real estate activities are recognized when merchandise is shipped or when services are rendered.

Revenues from external customers from retail sales are recognized at the time of the sale to the consumer.

Inventory valuation

Inventories are valued at the lower of cost and net realizable value, the cost being determined using the first in, first out basis and selling price less a normal gross profit.

Investments

Investments in companies subject to significant influence are accounted for using the equity method.

Other investments are accounted for using the cost method. Periodically, management analyzes each loan, advance and long-term receivable and when a serious doubt as to their recovery is identified, a provision is applied to reduce their book value to the estimated realizable value.

Foreign currency translation

Transactions concluded in foreign currencies are translated according to the temporal method. Therefore, monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date, non-monetary assets and liabilities at their historical rates and revenue and expense items at the average monthly rate of exchange. All exchange gains and losses are current in nature and included in the statements of income.

The financial statements of self-sustaining subsidiaries are converted according to the current rate of exchange. Based on this method, assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenue and expense items are translated at the average monthly rate. Translation adjustments resulting from exchange rate fluctuations are included in "Foreign currency translation adjustments" in Shareholders' Equity.

Real estate

The Company holds real estate for leasing purposes, which are accounted for at cost.

Amortization is calculated using the straight-line, diminishing and the compound interest methods at the rates of 5% and 10%.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are accounted for at cost.

Amortization is based on the estimated useful lives of the assets using the straight-line and the diminishing balance methods at the following rates:

Buildings	3% to 5%
Furniture and equipment	14% to 20%
Computer equipment and software	20% to 33 1/3%
Leasehold improvements	Term of the lease or useful life, whichever is shorter
Vehicles	14% to 30%

Intangible assets and goodwill

As mentioned at note 2, the Company has prospectively adopted the new recommendations of Section 3062 of the CICA Handbook related to goodwill and intangible assets with an indefinite service life that are no longer amortized. Instead, they are tested for impairment annually, or more frequently if events or changes in circumstances indicate a potential impairment.

Intangible assets with a definite service life are accounted for at cost. These are mainly the customer prescription files, non-compete agreements and leasehold interests. The prescription files are generally amortized over a five-year period. Non-compete agreements are amortized over the service lives of the agreements. Leasehold interests are amortized over the residual term of the leases.

Intangible assets with indefinite service lives are accounted for at cost. These assets are banner expansion fees. Until May 31, 2001, intangible assets with an indefinite service life were amortized under the straight-line method at the rate of 10%.

Goodwill represents the excess of the acquisition cost of companies over the fair value of the identifiable net assets acquired. Until May 31, 2001, goodwill was amortized under the straight-line method at rates ranging from 5% to 10%.

Until May 31, 2001, intangible assets not related to the acquisition of companies and goodwill were regrouped under the item "Goodwill". Note 2 describes the impact of the adoption of the new recommendations.

Deferred costs

Deferred costs are accounted for at cost.

Amortization is calculated using the straight-line method at the rate of 20% and over the term of the long-term loan.

Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in note 12. No compensation expense is recognized for this plan when stock or stock options are issued to executive officers. Any consideration paid by executive officers on exercise of stock options or purchase of stock is credited to share capital. If stock or stock options are repurchased from executive officers, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings.

Financial instruments

Interest rate swap contracts are used to hedge current and anticipated rate risks. Interest to be paid or received under such swap contracts is recognized over the life of the contracts as adjustments to interest expense. Unrealized gains or losses resulting from market movements are not recognized.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

2. CHANGES IN ACCOUNTING POLICIES

Earnings per share

During the year, the Company retroactively adopted the new recommendations of Section 3500 of the CICA Handbook related to the disclosure of earnings per share. Under these recommendations, the Company is required to apply the treasury stock method to determine the dilutive effect of stock options instead of the "if-converted" method. These recommendations have been applied retroactively. The adoption of these recommendations did not have a material impact on the calculation of earnings per share.

Intangible assets and goodwill

During the year, the Company prospectively adopted the new recommendations of Section 3062 of the CICA Handbook related to goodwill and other intangible assets. Under the new Section, goodwill and other intangible assets with deemed indefinite lives are no longer amortized, but tested for impairment annually, or more frequently if changes in circumstances indicate a potential impairment.

Transitional impairment tests on goodwill and intangible assets were performed during the current year and no loss was recognized as an adjustment to the retained earnings balance as at June 1, 2001.

The following table shows the effect of the application of CICA Handbook Section 3062 on net income for the prior financial year.

Net income

	2002	2001
	$	$
Net income	139,879	105,941
Amortization, net of income taxes:		
Intangible assets	–	3,241
Goodwill	–	5,586
Adjusted net income	139,879	114,768

Basic earnings per share

	2002	2001
	$	$
Net income	1.24	0.98
Amortization, net of income taxes:		
Intangible assets	–	0.03
Goodwill	–	0.05
Adjusted net income	1.24	1.06

Diluted earnings per share

	2002	2001
	$	$
Net income	1.23	0.97
Amortization, net of income taxes:		
Intangible assets	–	0.03
Goodwill	–	0.05
Adjusted net income	1.23	1.05

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

3. TEMPORARY INVESTMENTS

As at May 31, 2001, temporary investments were composed of commercial paper bearing interest at rates varying from 4.40% to 5% and maturing from July 5, 2001 to September 28, 2001.

4. INVESTMENTS

	2002	2001
	$	$
Loans, advances and long-term operating receivables from franchisees, variable interest, some of which carry repayment terms until 2015 and are renewable (net of a provision for losses of $1,250,000; 2001 – $1,250,000)	22,420	18,355
Other	3,070	3,543
	25,490	21,898
Current portion (included in accounts receivable)	7,456	3,675
	18,034	18,223

The provision for losses relates to loans, advances and long-term operating receivables from franchisees amounting to $2,659,000 (2001 – $4,046,000). During the year, no additional bad debt expense has been accounted for in respect of these receivables (2001 – $150,000).

5. REAL ESTATE

	2002	2001
	$	$
Land	70,573	62,362
Buildings	165,277	132,275
Construction in progress	3,670	6,034
	239,520	200,671
Accumulated amortization	20,875	18,369
	218,645	182,302

6. CAPITAL ASSETS

	2002		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	107,200	–	107,200
Buildings	194,074	26,857	167,217
Furniture and equipment	80,913	42,289	38,624
Computer equipment and software	56,080	38,832	17,248
Leasehold improvements	122,543	41,563	80,980
Vehicles	3,548	1,855	1,693
Computer equipment and software under capital leases	8,354	5,821	2,533
	572,712	157,217	415,495

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

6. CAPITAL ASSETS (continued)

	2001		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	36,692	–	36,692
Buildings	116,546	22,470	94,076
Furniture and equipment	52,370	38,673	13,697
Computer equipment and software	48,009	31,417	16,592
Leasehold improvements	92,380	33,231	59,149
Vehicles	2,695	1,227	1,468
Computer equipment and software under capital leases	7,597	4,538	3,059
	356,289	131,556	224,733

During the year, capital assets of $757,000 (2001 – $570,000) were acquired through capital leases.

7. INTANGIBLE ASSETS

Amortized intangible assets are related to the "retail sales" operating segment. Non-amortized intangible assets are related to the "franchising" operating segment. The variance in the value of intangible assets is as follows:

	2002			
	Cost	Accumulated amortization	Net book value	Acquisition
	$	$	$	$
Amortized intangible assets:				
Prescription files	53,186	20,769	32,417	29,264
Non-compete agreements	6,269	4,099	2,170	1,046
Leasehold interests	7,438	2,684	4,754	4,399
	66,893	27,552	39,341	34,709
Non-amortized intangible assets:				
Banner expansion fees	58,504	32,927	25,577	5,844
	125,397	60,479	64,918	40,553

The changes in the book value of intangible assets are as follows:

	2002		
	Franchising	Retail sales	Total
	$	$	$
Balance, beginning of year	19,733	14,580	34,313
Acquisition	5,844	34,709	40,553
Amortization	–	(8,418)	(8,418)
Foreign currency translation adjustments	–	(1,530)	(1,530)
Balance, end of year	25,577	39,341	64,918

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

7. INTANGIBLE ASSETS (continued)

	2001			
	Cost	Accumulated amortization	Net book value	Acquisition
	$	$	$	$
Amortized intangible assets:				
Prescription files	25,492	13,821	11,671	2,673
Non-compete agreements	5,309	3,273	2,036	497
Leasehold interests	1,532	659	873	112
	32,333	17,753	14,580	3,282
Non-amortized intangible assets:				
Banner expansion fees	52,660	32,927	19,733	5,006
	84,993	50,680	34,313	8,288

The changes in the book value of intangible assets are as follows:

	2001		
	Franchising	Retail sales	Total
	$	$	$
Balance, beginning of year	19,698	16,145	35,843
Acquisition	5,006	3,282	8,288
Amortization	(4,523)	(5,287)	(9,810)
Disposal	(448)	–	(448)
Foreign currency translation adjustments	–	440	440
Balance, end of year	19,733	14,580	34,313

8. GOODWILL

The changes in the book value of goodwill are as follows:

	2002		
	Franchising	Retail sales	Total
	$	$	$
Balance, beginning of year	19,993	37,048	57,041
Acquisition	1	87,911	87,912
Foreign currency translation adjustments	–	(4,607)	(4,607)
Balance, end of year	19,994	120,352	140,346

	2001		
	Franchising	Retail sales	Total
	$	$	$
Balance, beginning of year	23,292	39,598	62,890
Acquisition	25	388	413
Amortization	(3,324)	(3,990)	(7,314)
Foreign currency translation adjustments	–	1,052	1,052
Balance, end of year	19,993	37,048	57,041

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

9. OTHER ASSETS

	2002	2001
	$	$
Deposits on acquisition of assets	461	600
Deferred costs	7,160	2,008
Future income taxes	18,105	13,423
	25,726	16,031

10. BANK OVERDRAFT AND BANK LOANS

The Company has authorized lines of credit renewable annually and bearing interest at a rate based on the prime rate or LIBOR plus a variable margin. The authorized lines of credit are as follows:

	2002		2001	
	CAN	US	CAN	US
	$	$	$	$
Canadian dollar loan	75,000	–	75,000	–
American dollar loan	76,400	50,000	46,152	30,000
Letters of credit	22,920	15,000	15,384	10,000
Issued letters of credit	6,679	4,371	6,605	4,294

Under the terms of the credit agreements, the Company must satisfy certain restrictive covenants as to minimum financial ratios and must satisfy certain conditions.

In accordance to the credit agreement in Canada, the Company may not give its short-term assets relative to its Canadian operations, nor the shares of its American subsidiaries as security to other creditors.

In accordance with the credit agreement in the United States, the Company gave the accounts receivable and inventories of its American subsidiary as security to its creditors, but may not give its long-term assets, except for an amount of US$10,000,000 as security to other creditors.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

11. LONG-TERM DEBT

	2002	2001
	$	$
Term loan (US$225,000,000), bearing interest at rate LIBOR plus a variable margin, repayable through January 2005 in quarterly instalments of $7,640,000 (US$5,000,000), subject to the same terms and conditions as the credit agreement in the United States and to the guarantees of the parent company	343,800	–
Term loan (US$80,800,000), bearing interest at a rate based on prime rate or LIBOR, repayable through June 2003 in quarterly instalments of $4,615,000 (US$3,000,000) subject to the same conditions as short-term bank loans	–	124,302
Loans, secured by real estate having a net book value of $17,802,000 (2001 – $31,162,000), repayable through April 2019 (2001 – March 2022) in maximum monthly cumulative instalments of $102,000 (2001 – $245,000) including principal and interest at rates varying from 4.6% to 7.85% (2001 – 6.2% to 10.0%)	9,977	17,443
Computer equipment and software lease agreements, repayable through August 2006 (2001 – February 2006) in maximum monthly cumulative instalments of $184,000 (2001 – $118,000) including interest calculated at rates varying from 3.3% to 6.55% (2001 – 5.1% to 6.6%), with purchase options of $760,000 (2001 – $666,000) at maturity	2,924	3,701
	356,701	145,446
Current portion	32,618	20,894
	324,083	124,552

Repayments to be made during the following years are as follows:

	2002		
	Long-term debt	Lease contracts	
	Principal	Principal	Interest
	$	$	$
2003	31,111	1,507	122
2004	31,149	561	67
2005	283,311	449	37
2006	675	289	18
2007	723	118	2

Interest rate swap agreements

The Company has entered into interest rate swap agreements relative to its term debt under which floating rates will be converted into fixed rates and spreads will be settled on a quarterly basis.

As at May 31, 2002, the Company has two agreements under which it must pay a fixed rate of interest of 5.175% plus costs of 1.25% on a notional reference amount of US$60,000,000 (CAN$91,680,000) expiring in June 2003 and 4.34% plus costs of 1.25% on a notional reference amount of US$165,000,000 (CAN$252,120,000) expiring in January 2005.

As at May 31, 2001, the Company had an obligation to pay a fixed rate of interest of 5.175% plus costs of 0.50% on a notional reference amount of US$60,000,000 (CAN$92,304,000) expiring in June 2003.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

12. CAPITAL STOCK

Authorized

Unlimited number of Class A subordinate voting shares, participating, one vote per share, exchangeable, at the option of the holder, for the same number of Class B shares in the event of a take-over bid being made in respect to Class B shares, without par value

Unlimited number of Class B shares, participating, ten votes per share, exchangeable for Class A subordinate voting shares on the basis of one Class A subordinate voting share for one Class B share, without par value

Unlimited number of Class C shares, to be issued in one or more series subject to rights, privileges, conditions and restrictions to be determined, non-participating, non-voting, without par value

	2002	2001
	$	$
Issued		
50,858,940 Class A subordinate voting shares (2001 – 47,379,960)	203,761	198,118
62,000,000 Class B shares (2001 – 65,000,000)	2	2
	203,763	198,120

Issue

On June 1 and September 14, 2001, 2,500,000 and 500,000 Class B shares were exchanged for an equal number of Class A subordinate voting shares.

During the year, some executive officers exercised their stock options and, accordingly, the Company issued 478,980 (2001 – 265,360) Class A subordinate voting shares for a cash consideration of $5,643,000 (2001 – $2,903,000).

On January 7, 2001, the Company issued 6,500,000 Class A subordinate voting shares in exchange for $146,250,000 in cash. Expenses regarding this issuance, net of income taxes of $2,306,000, amount to $3,796,000.

Stock split

On September 29, 2000, the Company proceeded to a two-for-one stock split for Class A subordinate voting shares and Class B shares.

Diluted earnings per share

The reconciliation of the number of shares used to calculate the diluted earnings per share is established as follows:

	2002	2001
Weighted average number of shares used to compute basic earnings per share	112,587,937	108,256,814
Dilution effect	1,045,808	744,552
Weighted average number of shares used to compute diluted earnings per share	113,633,745	109,001,366

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

12. CAPITAL STOCK (continued)

Stock option plan

The Company has one fixed stock option plan. Under the 1995 executive officers stock option plan, the Company may grant options to those employees for up to 4 million Class A subordinate voting shares. Under the plan, the exercise price of each option equals the market average ending price of the Company's stock at the Montreal and Toronto Stock Exchange on the date of grant and an option's maximum term is 10 years. Granted options become available annually by increments of 20% for a period of 5 years.

Changes that occurred during the year are presented as follows:

Years ended May 31	2002		2001	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
		$		$
Options outstanding, beginning of year	2,082,960	14.17	1,879,000	12.74
Options granted	172,200	26.00	485,600	17.99
Options exercised	(478,980)	11.80	(265,360)	10.94
Options cancelled	–	–	(16,280)	15.65
Options outstanding, end of year	1,776,180	15.96	2,082,960	14.17
Options exercisable, end of year	707,252	14.94	724,208	12.44

The following table summarizes information about the fixed stock options outstanding at May 31, 2002:

		Options outstanding	Options exercisable
Price	Number of options outstanding	Weighted-average remaining contractual life	Number of exercisable options
($)		(years)	
4.38	37,000	2.9	37,000
4.60	5,000	4.5	5,000
8.48	5,000	5.5	5,000
14.03	1,102,700	7.5	459,532
17.70	326,680	8.3	116,080
18.75	127,600	8.5	50,200
26.00	172,200	9.5	34,440
	1,776,180		707,252

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

13. FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

These adjustments represent unrealized gains pursuant to the translation of the financial statements of the Company's self-sustaining American subsidiaries. The variation of this item is due to the fluctuation of the exchange rate during the year and to the increase or reduction in the net investment in subsidiaries.

14. CONTINGENCIES

Guarantees

The Company has guaranteed the reimbursement of certain bank loans contracted by franchisees to a maximum amount of $43,453,000. As at May 31, 2002, these loans amount to approximately $42,703,000.

Buyback agreements

Under buyback agreements, the Company is committed to financial institutions to purchase the inventories of some of its franchisees up to the amount of advances made by those financial institutions to the franchisees. However, under these agreements, the Company is not committed to cover any deficit that may arise should the value of these inventories be less than the amount of the advances.

Under buyback agreements, the Company is committed to financial institutions, to purchase equipment held by franchisees and financed by capital leases and loans. For capital leases, the buyback value is linked to the net balance of the lease at the date of the buyback. For equipment financed by bank loans, the minimum buyback value is set by contract with the financial institution. As at May 31, 2002, financing related to the equipment amounts to approximately $24,818,000. However, it is the opinion of management that the realizable value of the assets cannot be lower than the eventual amount of the buyback.

15. COMMITMENTS

The balance of the commitments under the terms of building and vehicle leases maturing in 2022 totals $391,213,000. Minimum payments payable over the next five years are as follows:

	2002
	$
2003	68,329
2004	57,306
2005	48,588
2006	40,656
2007	32,220

Under the terms of building leases and subleases, the Company will receive, up to the year 2022, minimum payments totalling $265,987,000. This amount takes into account the renewal of subleases at the same terms and conditions as the lease agreements.

The Company concluded an agreement with a supplier under which it is committed to purchase a minimum of $779,280,000 (US$510,000,000) until 2005.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

16. OTHER REVENUES

	2002	2001
	$	$
Royalties	83,368	75,921
Rent	54,134	55,642
Advertising	39,046	37,248
Sundry	37,433	29,341
	213,981	198,152

17. AMORTIZATION

	2002	2001
	$	$
Capital assets and real estate	33,638	29,110
Amortized intangible assets	8,418	5,287
Non-amortized intangible assets	–	4,523
Goodwill	–	7,314
Deferred costs	1,485	1,114
	43,541	47,348

18. INCOME TAXES

The Company's effective tax rate differs from the combined statutory rate. The difference is attributable to the following items:

	2002	2001
	%	%
Combined statutory rate	37.8	39.0
Tax rate increase (decrease) resulting from:		
Income taxable at reduced rates	(4.5)	(4.9)
Non-deductible amortization	–	1.0
	33.3	35.1

The provision for income taxes is as follows:

	2002	2001
	$	$
Current taxes	75,855	64,684
Future taxes	(6,142)	(7,455)
	69,713	57,229

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

18. INCOME TAXES (continued)

Future income tax assets and liabilities are as follows:

	2002	2001
	$	$
Future income tax assets:		
Inventory	10,133	4,874
Capital assets	9,085	8,359
Intangible assets and goodwill	10,984	7,119
Current liabilities	10,996	7,204
Deferred revenue	3,734	4,643
Capital stock issuance expenses	1,335	1,845
Other	2,026	1,031
	48,293	35,075
Future income tax liabilities:		
Capital assets	8,383	7,887
Other	429	327
	8,812	8,214
Future income tax assets, net	39,481	26,861
As follows:		
Short-term future income tax assets	23,323	13,759
Long-term future income tax assets	18,105	13,423
Long-term future income tax liabilities	(1,947)	(321)
	39,481	26,861

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

19. BUSINESS ACQUISITION

On December 5, 2001, the Company entered into an agreement to purchase the assets of 80 retail drug stores operating under the OSCO banner and five drug store development projects located in the northeast United States ("OSCO Acquisition").

In accordance with CICA Handbook Section 1581, the acquisition of OSCO has been accounted for under the purchase method. The results of OSCO operations have been included in the consolidated financial statements of the Company as of January 2002 (acquisition dates).

	2002
	$
Assets acquired	
Non-cash working capital	91,693
Capital assets	169,915
Future income tax assets	7,228
Intangible assets:	
Prescription files	25,330
Non-compete agreements	976
Leasehold interests	4,278
Goodwill (tax deductible, $76,000,000)	87,716
Non-cash assets acquired	387,136
Cash	321
Net assets acquired	387,457
Cash consideration	387,457

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, temporary investments, receivables, bank loans and payables approximates their book value because of their forthcoming maturity.

The fair value of loans, advances and long-term receivables from franchisees was not determined, since these balances result from transactions carried out in the context of privileged commercial relationships and under terms and conditions that may differ from those that could be negotiated with non-franchisees.

The fair value of the long-term debt, obtained by discounting contractual cash flows at the interest rates in effect for debts having similar characteristics, approximates its book value.

The interest rate swap agreements have a negative fair value of $5,826,000 (US$3,813,000).

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

21. SEGMENTED INFORMATION

The Company has three reportable segments: franchising, real estate and retail sales. Within the segment of franchising, the Company carries on the franchising activity of retail stores under the "PJC Jean Coutu" banner, operates a distribution centre and coordinates several other services for the benefit of its franchisees. As at May 31, 2002, the number of franchises totalled 264 (2001 – 253).

The Company operates 331 (2001 – 251) retail sales outlets selling pharmaceutical and other products under the "Brooks" banner, 80 (2001 – 17) of which were opened and acquired during the year.

Segmented information is summarized as follows:

	2002				
	Franchising	Real estate	Retail sales	Elimination	Total
	$	$	$	$	$
Revenues from external customers	1,459,055	56,710	2,070,421	–	3,586,186
Intersegment interest revenue	14,960	–	–	(14,960)	–
Amortization:					
Capital assets and real estate	5,039	2,606	25,993	–	33,638
Intangible assets	–	–	8,418	–	8,418
Deferred costs	–	125	1,360	–	1,485
Financial expenses:					
Interest on long-term debt	222	909	11,482	–	12,613
Other interest	202	19	3,309	–	3,530
Intersegment interest	–	–	14,960	(14,960)	–
Income before income taxes	144,012	13,396	52,184	–	209,592
Total assets	287,773	218,645	1,155,187	–	1,661,605
Acquisition of capital assets, real estate, intangible assets and goodwill (excluding the business acquisition)	10,045	41,293	62,325	–	113,663

	2001				
	Franchising	Real estate	Retail sales	Elimination	Total
	$	$	$	$	$
Revenues from external customers	1,310,424	52,732	1,561,688	–	2,924,844
Intersegment interest revenue	11,441	–	–	(11,441)	–
Amortization:					
Capital assets and real estate	5,060	2,403	21,647	–	29,110
Intangible assets	4,523	–	5,287	–	9,810
Goodwill	3,324	–	3,990	–	7,314
Deferred costs	222	149	743	–	1,114
Financial expenses:					
Interest on long-term debt	267	1,395	8,603	–	10,265
Other interest	381	18	2,793	–	3,192
Intersegment interest	–	–	11,441	(11,441)	–
Income before income taxes	116,833	12,376	33,961	–	163,170
Total assets	420,147	182,667	627,991	–	1,230,805
Acquisition of capital assets, real estate, intangible assets and goodwill	8,729	21,950	45,156	–	75,835

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2002 AND 2001

(Tabular amounts are in thousands of dollars)

21. SEGMENTED INFORMATION (continued)

The Company's sales and other revenues, capital assets, real estate, intangible assets, goodwill and other long-term assets attributed to Canada and the United States are as follows:

	2002		
	Canada	United States	Total
	$	$	$
Sales and other revenues	1,515,765	2,070,421	3,586,186
Capital assets, real estate, intangible assets, goodwill and other long-term assets	292,292	572,838	865,130

	2001		
	Canada	United States	Total
	$	$	$
Sales and other revenues	1,363,156	1,561,688	2,924,844
Capital assets, real estate, intangible assets, goodwill and other long-term assets	251,935	262,485	514,420

22. COMPARATIVE FIGURES

Certain 2001 figures have been reclassified to conform with the presentation adopted in 2002.

BOARD OF DIRECTORS

Sitting *(First row)*

Claire Léger
Director
Chairman of the Board,
St-Hubert Group Inc.

Yvon Béchard
Director
Senior Executive Vice-President
and Assistant Secretary

Yvon Martineau
Director
Senior Partner,
Fasken Martineau
DuMoulin l.l.p.

Jean Coutu
Chairman of the Board and
Chief Executive Officer

Sylvie Coutu
Director
President,
Sylvie Coutu Design

Michel Coutu
Director
President and
Chief Executive Officer,
The Jean Coutu Group (PJC)
U.S.A. Inc.

Standing *(Second row)*

Louis Coutu
Director
Vice-President,
Commercial Policies

François J. Coutu
Director
President and
Chief Operating Officer

Erik Péladeau
Director
Vice-Chairman of the Board
Quebecor Inc. and Vice-Chairman
of the Board and Senior Executive
Vice-President Quebecor World Inc.

Marie-Josée Coutu
Director
President,
Fondation Marcelle et Jean Coutu

Laurent Picard
Director
Corporate Director

Nicolle Forget
Director
Corporate Director

Jacques Masse
Vice-Chairman of the Board

Marcel Dutil
Director
Chairman of the Board,
President and
Chief Executive Officer,
The Canam Manac Group Inc.

Paul Delage Roberge
Director
Chairman of the Board and
Chief Executive Officer,
Les Boutiques San Francisco inc.

Not appearing on picture

Barrie D. Birks
Director
President,
Tyringham Investments Ltd.

CORPORATE OFFICERS

THE JEAN COUTU GROUP (PJC) INC.

Jean Coutu
Chairman of the Board and
Chief Executive Officer

François J. Coutu
President and
Chief Operating Officer

Yvon Béchard
Senior Executive Vice-President
and Assistant Secretary

Michel Boucher
Vice-President,
Information Systems

Carole Bouthillette
Vice-President,
Finance

Denis Courcy
Vice-President,
Human Resources

Louis Coutu
Vice-President,
Commercial Policies

Yvon Goyer
Vice-President,
Services and Promotions

Caroline Guay
Director,
Legal Affairs and
Corporate Secretary

Alain Lafortune
Vice-President,
Purchasing,
Merchandising and
Advertising

Jacques Lamoureux
Vice-President,
Operations

Jacques Masse
Vice-Chairman of the Board

Richard Mayrand
Vice-President,
Professional Activities

Johanne Meloche
Vice-President,
Cosmetics,
Exclusive Brands and
Beauty Programs

Normand Messier
Vice-President,
Real Estate

Jean-Pierre Normandin
Vice-President,
Distribution Centre

Carole Rennie
Controller

THE JEAN COUTU GROUP (PJC) U.S.A. INC.

Michel Coutu
President and
Chief Executive Officer

Kai Goto
Vice-President,
Warehouse and Distribution

C. Daniel Haron
Vice-President,
Pharmacy and Professional Affairs

Don Kinney
Vice-President,
Drugstore Operations

David A. Morocco
Senior Vice-President,
Marketing

Susan Manville
Controller

Robert Pouliot
Vice-President,
Purchasing

Kathleen Topor
Treasurer

William Z. Welsh, Jr.
Executive Vice-President and
Chief Operating Officer

Randy Wyrofsky
Senior Vice-President Finance,
and Chief Financial Officer

ADDRESSES

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(450) 646-9760

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50 Service Avenue
Warwick, Rhode Island
02886 U.S.A.
(401) 825-3900

Auditors
Samson Bélair/Deloitte & Touche, S.E.N.C.
1 Place Ville-Marie, Suite 3000
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Transfer agent and registrar
National BankTrust
1100 University Street
9th Floor
Montreal, QC H3B 2G7

Financial communications
Everest Public Relations
600 de Maisonneuve Blvd. West 27th Floor
Montreal, QC H3A 3J2

Stock market information
Ticker symbol: PJC.A
Toronto Stock Exchange

Internet sites
The Jean Coutu Group (PJC) Inc.
www.jeancoutu.com

The Jean Coutu Group (PJC) U.S.A. Inc.
www.brooks-rx.com

Annual General and Special Meeting
The Annual General and Special Meeting of Shareholders of The Jean Coutu Group (PJC) Inc. will be held on September 10, 2002, at 9:30 a.m. in the Ballroom of the Lower Lobby of the Marriott Château Champlain located at 1, Place du Canada in Montreal, Quebec.

Annual Information Form
The Annual Information Form for the year ended May 31, 2002, will be available upon request as of October 18, 2002.

Pour obtenir la version française de ce rapport, veuillez écrire à :
Le Groupe Jean Coutu (PJC) inc.
a/s Céline Lamonde
530, rue Bériault
Longueuil, QC J4G 1S8