

# **THE JEAN COUTU GROUP (PJC) INC.**

## **ANNUAL INFORMATION FORM**

Financial year ended May 31, 2002



October 18, 2002

## TABLE OF CONTENTS

<b>ITEM 1 - INCORPORATION</b> .....	<b>3</b>
1.1 INCORPORATION OF THE ISSUER .....	3
1.2 CAPITAL STRUCTURE.....	3
1.3 SUBSIDIARIES.....	4
<b>ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS</b> .....	<b>4</b>
2.1 HISTORY AND PROFILE .....	4
2.2 PRINCIPAL DEVELOPMENT AND ACQUISITIONS OF THE LAST FIVE YEARS .....	5
<b>ITEM 3 - DESCRIPTION OF ACTIVITIES</b> .....	<b>6</b>
3.1 FRANCHISING.....	6
3.1.1 <i>Franchising Business</i> .....	6
3.1.2 <i>Distribution Activities</i> .....	7
3.1.3 <i>Franchisee Support and Training Activities</i> .....	8
3.2 RETAIL OPERATIONS.....	8
3.2.1 <i>Corporate Pharmacy Network</i> .....	8
3.2.2 <i>Distribution Activities</i> .....	8
3.3. REAL ESTATE.....	9
3.3.1 <i>Management of Real Estate Properties</i> .....	9
3.3.2 <i>Type and Location of the Company's Real Estate Holdings</i> .....	11
3.4 HUMAN RESOURCES .....	14
3.5 TRADEMARKS .....	15
3.6 ECONOMIC AND COMPETITIVE ENVIRONMENT .....	15
<b>ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION</b> .....	<b>16</b>
4.1 CONSOLIDATED FINANCIAL INFORMATION FOR THE LAST FIVE FINANCIAL YEARS .....	16
4.2 CONSOLIDATED FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS .....	16
4.3 MANAGEMENT'S COMMENTS .....	17
4.4 DIVIDEND POLICY.....	17
4.5 INTERNET SITE.....	17
4.6 EVENTS SUBSEQUENT TO MAY 31, 2002 .....	17
4.6.1 <i>Declaration of a Dividend</i> .....	17
4.6.2 <i>Subdivision of Shares</i> .....	17
4.6.3 <i>Nomination</i> .....	18
<b>ITEM 5 - MARKET FOR THE NEGOTIATION OF SECURITIES</b> .....	<b>19</b>
<b>ITEM 6 - DIRECTORS AND OFFICERS</b> .....	<b>20</b>
6.1 DIRECTORS .....	20
6.2 OFFICERS .....	20
<b>ITEM 7 - ADDITIONAL INFORMATION</b> .....	<b>23</b>
<b>ITEM 8 - MANAGEMENT'S COMMENTS AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION</b> .....	<b>24</b>

## ITEM 1 - INCORPORATION

### 1.1 INCORPORATION OF THE ISSUER

The Jean Coutu Group (PJC) Inc. ("The Jean Coutu Group", "the Group" or "the Company"), which has its head office in Longueuil, Quebec, was incorporated on June 22, 1973, under the name Farmico Services Inc. (in French, Services Farmico inc.), under Part I of the Companies Act (Quebec). On January 24, 1979, the Company obtained supplementary patent letters to modify its authorised capital stock.

On January 27, 1986, the Company was continued under Part IA of the Companies Act (Quebec) by means of a certificate of continuation. At the time of its initial public offering, the Company by-laws were modified by certificates of amendment dated August 8, 1986, and October 9, 1986, in order to:

- change the Company's name to **The Jean Coutu Group (PJC) Inc.** and, in French, **Le Groupe Jean Coutu (PJC) inc.**;
- modify the structure of authorised and issued capital stock;
- change the designation of the shares offered to Class A subordinate voting Shares.

On March 4, 1992 and on September 29, 2000, the Company each time modified its statutes and proceeded to split its shares on a basis of two new shares for each existing share.

### 1.2 CAPITAL STRUCTURE

On October 28, 1986, the Company issued 6,000,000 Class A subordinate voting Shares for a total of \$ 48,000,000. These shares were listed on the Montreal Stock Exchange and the Toronto Stock Exchange.

On March 4, 1992 and on September 29, 2000, the Company's Class A subordinate voting Shares and Class B Shares were each time split on the basis of two new shares for each existing share.

On January 9, 2001, the Company issued 6,500,000 new Class A subordinate voting Shares for a net proceed of \$ 140,400,000. The shares were listed on the Toronto Stock Exchange.

The Company's capital stock comprised 50,858,940 Class A subordinate voting Shares and 62,000,000 Class B Shares as of May 31, 2002. Each Class A subordinate voting Share gives its holder one voting right while each Class B Share gives its holder 10 voting rights.

### 1.3 SUBSIDIARIES

As of May 31, 2002, the main subsidiaries wholly owned by The Jean Coutu Group (PJC) Inc. were the following:

- **The Jean Coutu Group (PJC) U.S.A. Inc.**, incorporated under the laws of Delaware on August 6, 1986. This company, whose head office is in Warwick, Rhode Island, specialises in retail sales through a network which comprised 331 Brooks corporate pharmacies as of May 31, 2002, warehousing and distribution, as well as managing the real estate portfolio of The Jean Coutu Group in the United States.
- **RX Information Centre Ltd.**, based in Longueuil, was incorporated on August 11, 1972, under the Canada Business Corporations Act and continued on May 4, 1979, to handle the development, installation and management of information-processing systems within the Company and the franchised network.
- **Services Sécurivol inc.** was incorporated on August 3, 1984, under the Canada Business Corporations Act. This company, also based in Longueuil, provides security and prevention services for the network outlets and the Company's head office.

## ITEM 2 - GENERAL DEVELOPMENT OF THE BUSINESS

### 2.1 HISTORY AND PROFILE

The Jean Coutu Group is one of North America's largest organisations specialising in the distribution and retailing of pharmaceutical and parapharmaceutical products.

The Company dates back to 1969, when Jean Coutu, co-founder and current Chairman of the Board and Chief Executive Officer, opened a first retail outlet. He introduced an innovative formula to the retail pharmaceutical and parapharmaceutical sector, featuring low prices on a wide range of products, superior customer service and extended business hours. Four years later, in 1973, the Company started up the current franchise system and became organised to act as wholesaler/distributor for the network by acquiring a first warehouse.

The "Jean Coutu" formula was quickly embraced by consumers and, in less than ten years, the network won a major share of the Quebec market. In 1982 and 1983, when the network had grown to include some 60 outlets in Quebec, it expanded into New Brunswick and Ontario.

In 1987, the Company expanded into the north-eastern United States through its Jean Coutu Group (PJC) U.S.A. subsidiary. The Company's American network had grown to include 22 corporate pharmacies in October 1995, when The Jean Coutu Group

completed its largest acquisition ever: the purchase of 221 Brooks Drug Store pharmacies in New England.

Due to this acquisition, the Company now ranks among the 10 largest organisations in the North American industry with a retail network that comprised, as of May 31, 2002, 633 corporate and franchised outlets which achieved total retail sales of more than \$ 4,305,149,000 in the last financial year.

In Canada, The Jean Coutu Group manages, as a franchisor, the second-largest network of pharmaceutical and parapharmaceutical retail outlets. On May 31, 2002, The network of franchised stores, the distribution centre and the head office employed 12,780 people. The network of franchisees includes 302 stores, i.e 262 pharmacies, 38 PJC Clinic and two PJC Santé Beauté.

In its capacity as franchisor and distributor, The Jean Coutu Group provides a broad range of support services for its franchisees. It is also responsible for the purchase and warehousing of different pharmaceutical, parapharmaceutical, and other consumer products for delivery throughout its network.

Through its subsidiary, The Jean Coutu Group (PJC) U.S.A., The Jean Coutu Group is also the second-largest player in the New England market, as owner-operator of 331 Brooks Pharmacy outlets in seven states. This network is served from a central warehouse in Dayville, Connecticut, and a head office in Warwick, Rhode Island. The American subsidiary's pharmacies, warehouse and head office employed a total of 9,156 people on May 31, 2002.

The real estate divisions of The Jean Coutu Group and its American subsidiary manage leases and acquire, develop and manage buildings and shopping centres that house network outlets.

## **2.2 PRINCIPAL DEVELOPMENT AND ACQUISITIONS OF THE LAST FIVE YEARS**

### **1997-1998**

The Jean Coutu Group opened five new franchised outlets in Quebec and focused on renovating, expanding, and relocating other outlets. Meanwhile, the Company opened eight new pharmacies in the United States.

### **1998-1999**

The Jean Coutu Group further expanded its Brooks Pharmacy network through the acquisition of 11 pharmacies located in Vermont and the State of New York from City Drug Inc. The Jean Coutu Group also acquired five independent outlets and opened six new Brooks Pharmacy outlets. Meanwhile, two new franchised outlets were added to the network in Canada.

## **1999-2000**

In order to maintain its position as one of the leaders in the industry, the Company coordinated along with its franchisees the renovation of 45 outlets in Canada while 17 outlets of its American subsidiary were the focus of renovations. The Brooks Pharmacy network also proceeded to relocate seven outlets.

## **2000-2001**

The Jean Coutu Group continued to focus on improving its image as several stores were renovated (38 in Canada and 26 in the United States). Some of these renovations were in fact relocations as stores actually moved into new premises.

On the Canadian scene, a new store concept, the "PJC Santé Beauté", was rolled out. A first outlet opened its doors under this banner in Quebec City.

## **2001-2002**

A significant event during the 2001-2002 financial year was our acquisition in January of 80 Osco pharmacies. These stores are located in New England, in the United States, and now operate under the Brooks banner.

During the financial year 2001-2002, an additional 10 PJC, 1 PJC Santé Beauté and 4 Brooks pharmacies were opened. Also, 30 PJC outlets and 16 Brooks were enlarged, renovated or relocated.

## **ITEM 3 - DESCRIPTION OF ACTIVITIES**

### **3.1 FRANCHISING**

#### **3.1.1 Franchising Business**

The Company conducts its business in Canada by operating a network of franchised outlets granted exclusively to pharmacists. In Quebec, the network includes 239 pharmacies, two PJC Santé Beauté and 35 PJC Clinic. In Ontario, there are eight pharmacies and one PJC Clinic as in New Brunswick there are 15 pharmacies and two PJC Clinic.

The franchising agreement confers the right to operate an outlet in exchange for the payment of royalties based on a percentage of sales volume. Under the franchising agreement, franchisees receive certain benefits in return for the royalties they pay the Company. These include participation in large-scale advertising, access to services and advice pertaining to operating and managing an outlet, the right to use The Jean Coutu Group's trademarks, and access to supplies of products, some of which are exclusive.

The franchisee must adhere to The Jean Coutu Group's operating and marketing policies and practices to ensure that, as part of the network, the outlet enjoys sound management and a good reputation. Furthermore, as part of the franchising agreement, the franchisee is obligated to purchase the majority of the products and items sold by the outlet from the Company's distribution centre.

The franchisee must also live up to the standards set by the Company in terms of business hours, working conditions and employee training.

Each outlet comprises a pharmaceutical section and a commercial section.

**The pharmaceutical section** offers customers professional prescription and laboratory services, seven days and seven evenings a week. This sector is the backbone of the franchised network. Indeed, in addition to its substantial contribution to the sales and profits of the franchised outlets, this section promotes customer loyalty and is a valuable source of goodwill.

**The commercial section** is made up of several departments offering a wide range of products: personal grooming, baby care, hair care, natural products, household items, confectionery and a large selection of other products to meet the everyday needs of customers.

### **3.1.2 Distribution Activities**

Franchisees purchase the majority of the products sold in their outlets from the Company. For those products not kept by the Company's warehouse, "direct shipping" practices allow franchisees to buy directly from the supplier and still benefit from attractive prices negotiated in advance by The Jean Coutu Group. Because of its strong buying power, The Jean Coutu Group is able to negotiate favourable prices and terms of payment with suppliers.

While outlets in Ontario and New Brunswick purchase some products from local suppliers, especially food products, most of their purchasing is done through the distribution centre of The Jean Coutu Group. As well, on-site managers make necessary recommendations and adjustments to the merchandise carried, to ensure that the selection of products offered in those outlets corresponds to the specific expectations of local customers.

Located near the head office in Longueuil (Quebec), the Company's distribution centre covers 500,000 square feet and is among the largest of its kind in Canada.

The Company has built a 22,000 square foot cross-dock equipped with 40 doors and a waiting area capable of holding 50 trailers. These facilities allow the cross docking of some 7,000 trailers a year thereby substantially increasing the inventory turnover rate.

### **3.1.3 Franchisee Support and Training Activities**

The Jean Coutu Group has developed highly specialised support services for its franchisees, covering all areas of commercial activity.

Franchisees benefit from The Jean Coutu Group's expertise in marketing and management through the Company's supervision team. They also have access to management services and prescription information services provided by the RX Information Centre, and security services provided by Services Sécurivol, as well as a range of professional services in the fields of human resources and finance.

## **3.2 RETAIL OPERATIONS**

### **3.2.1 Corporate Pharmacy Network**

Through its subsidiary, The Jean Coutu Group (PJC) U.S.A., the Company has been operating in the north-eastern United States since 1987.

The Brooks Pharmacy network is the second-largest drugstore chain in New England. As of May 31, 2002, it comprised 331 outlets located as follows: 163 in Massachusetts, 44 in Connecticut, 46 in Rhode Island, 32 in Vermont, 38 in New Hampshire, 6 in Maine and 2 in New York State.

Among other initiatives, the Company's subsidiary designed the computerised RX Watch system, which gives customers using a personalised card free access at any time to information in their patient file: prescribed medication, allergies, contraindications and any other details needed in the event of an emergency. The Company has also developed a new patient record, which, as each prescription is issued, incorporates into a single printout the bill, along with personalised information about the prescribed medication, contraindications and possible side effects.

In the commercial section, The Jean Coutu Group (PJC) U.S.A. developed a new layout concept, which highlights the variety and quality of the products, and gives greater prominence to cosmetics and beauty aids, seasonal items and food. Priority was also given to increasing the range of private label products, an important customer loyalty factor.

### **3.2.2 Distribution Activities**

Following the acquisition of the Brooks Drug Store network, The Jean Coutu Group (PJC) U.S.A. established a suitable management structure, recruited competent staff, and purchased a new building for its head office in Warwick, Rhode Island.

The Jean Coutu Group (PJC) U.S.A. then reorganised its storage and distribution activities and acquired a warehouse in Dayville, Connecticut, with over 450,000 square feet of storage space and 50 merchandise-receiving docks. The warehouse was entirely reconfigured and fitted out with state-of-the-art equipment to handle tens of thousands



of different items. The American operation's distribution centre, like the distribution centre in Longueuil, now benefits from all the advantages of radiofrequency systems, the first being optimum inventory management.

Commercial point-of-sale (POS) management is now implemented throughout the Brooks Pharmacy network, and all the corporate pharmacies, along with the head office and distribution centre, can reap the benefits of this leading-edge technology, particularly in terms of business strategy planning.

### **3.3. REAL ESTATE**

#### **3.3.1 Management of Real Estate Properties**

Given the strategic importance of the location and physical quality of its outlets, The Jean Coutu Group's core organisation retains responsibility for, and manages all leases on buildings occupied by its franchised outlets in Canada and its corporate pharmacies in the United States.

As a rule, The Jean Coutu Group is the owner or principal tenant of the premises which, in Canada, are then let or sublet to franchisees. After selecting a site for a new outlet, the Company takes charge of negotiating the terms of acquisition or rental. Once these terms have been established, the Company plans the layout of the space and ensures that the construction, repair and improvement work is done according to previously agreed on plans and estimates.

The real estate divisions of The Jean Coutu Group and its American subsidiary operate directly out of their respective head offices, employing real estate professionals.

As of May 31, 2002, The Jean Coutu Group and its American subsidiary owned 228 properties, including 81 strip malls and buildings and 147 free-standing buildings, most of which house a Jean Coutu outlet; 132 of these properties are in Quebec, 8 in Ontario, 7 in New Brunswick, and 81 in the United States.

Because of the business they attract, the Jean Coutu outlets located in strip malls help bring in high-quality tenants. The Jean Coutu Group is planning to continue investing in this strategic sector, which adds considerable value to its assets and strengthens the positioning of the network.

The management of The Jean Coutu Group's own real estate portfolio, coupled with centralised lease management, is designed to provide continuity for the Jean Coutu outlets, and thus protect the major competitive advantage the Company derives from the quality of outlet locations throughout the network.

This strategy seeks to benefit shareholders by recovering the value added to these buildings through the presence of Jean Coutu outlets. The real estate divisions of The Jean Coutu Group and its American subsidiary thus play a strategic role, using the

Group's expertise in identifying superior locations to maximise the value of its assets and realise the network's full potential.

The book value of The Jean Coutu Group's Canadian real estate portfolio totalled \$218,645,000 on May 31, 2002, and it carried mortgages totalling \$9,977,000 at the same date.

### 3.3.2 Type and Location of the Company's Real Estate Holdings

In addition to the buildings housing its head offices and warehouses, The Jean Coutu Group is the owner of the following properties:

#### Strip Malls and Buildings <sup>1</sup>

##### CANADA

###### **Québec**

Ancienne-Lorette  
Anses-aux-Gascons  
Baie-Comeau (a)  
Beauport (3)  
Bois-des-Filion  
Cap-de-la-Madeleine  
Cartierville  
Charlesbourg  
Châteauguay  
Chicoutimi  
Donnacona  
Dorion  
Drummondville  
Farnham  
Gatineau (2)  
Greenfield Park (2)  
Ile des Sœurs  
Ile-Perrot  
Joliette (2)  
Jonquière  
Laval (2)  
Lévis (2) (b)

Louiseville  
Magog (c)  
Montréal (15) (d)  
Nicolet  
Paspébiac  
Pierrefonds (2)  
Québec  
Rawdon  
Roberval  
Rock Forest  
Saint-Basile-le-Grand  
Saint-Hyacinthe  
Saint-Jean-sur-  
Richelieu  
Saint-Lambert  
Sainte-Anne-des-Monts  
Sainte-Anne-des-  
Plaines(F)  
Sainte-Marie-de-Beauce  
Sainte-Julie  
Shawinigan (2)  
Sherbrooke (2)

Varenes (e)  
Verdun  
Victoriaville (2)

###### **Ontario**

Brockville  
Casselman  
Embrun  
Timmins

###### **New-Brunswick**

Moncton  
Riverview  
Newcastle  
Bathurst

##### UNITED-STATES

**Massachusetts**  
Springfield

**New Hampshire**  
Manchester

- 
- (a) The Company owns 74% of this complex.
  - (b) The Company owns 47% of one of these complexes.
  - (c) The Company owns 90% of this complex.
  - (d) The Company owns 34% of one of these complexes.
  - (e) The Company owns 84% of this complex.
  - (f) The Company owns 55% of this complex.

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<sup>1</sup> The numbers represent the number of properties owned by the Company in each city.

## Land and Free-Standing Buildings <sup>2</sup>

### CANADA

#### **Québec**

Amos  
Anjou  
Baie-Saint-Paul (2)  
Beaconsfield  
Beauport  
Boisbriand  
Cap-aux-Meules  
Cap-de-la-Madeleine (2)  
Caplan  
Carleton  
Cartierville  
Chandler  
Charny  
Charlesbourg  
Dorion  
Drummondville  
Gaspé  
Gatineau

Granby  
Grande-Rivière  
Joliette (2)  
Kirkland  
La Tuque  
Laval (4)  
Lavaltrie (2)  
Longueuil  
Mirabel  
Montmagny  
Montréal (9)  
Neufchâtel  
New Richmond  
Québec (2)  
Rouyn  
Saint-Eustache  
Saint-Hyacinthe  
Saint-Léonard  
Saint-Raymond

Sainte-Anne-de-Beaupré  
Sainte-Foy  
Sainte-Marthe-sur-le-Lac  
Sherbrooke  
Trois-Rivières (2)  
Verdun  
Victoriaville

#### **Ontario**

Bowmanville  
Casselman  
Peterborough  
Vanier

#### **New-Brunswick**

Campbellton  
Moncton  
Sackville

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<sup>2</sup> The numbers represent the number of properties owned by the Company in each city.

## Land and Free-Standing Buildings

### UNITED STATES

#### **Connecticut**

Dayville  
Jewett City  
New Britain  
Stratford

#### **Maine**

Bangor  
Brewer  
Waterville

#### **Massachusetts**

Adams  
Amesbury  
Billerica  
Braintree  
Brockton  
Cambridge  
Clinton  
Chicopee  
Dorchester  
Everett  
Fairhaven  
Greenfield  
Hingham  
Hyde Park  
Lawrence  
Mansfield

Marlborough  
Marshfield  
Middleboro  
New Bedford (2)  
North Andover  
North Tewksbury  
Pepperell  
Pittsfield  
Reading (2)  
Revere  
Somerville (2)  
South Attleboro  
Springfield  
Taunton  
Ware  
Westford  
West Springfield  
Wilmington

#### **New Hampshire**

Bedford  
Claremont  
Concord  
Derry  
Dover  
Manchester  
Nashua  
Newmarket

#### **Rhode Island**

Central Falls  
Cranston  
Cumberland  
Johnston  
Narrangansett (2)  
North Kingstown (2)  
Pawtucket (2)  
Portsmouth  
Providence (3)  
Tiverton  
Warwick (4)  
Westerly (2)  
West Warwick (2)  
Woonsocket

#### **Vermont**

Bellows Falls  
Bennington  
Hardwick

### 3.4 HUMAN RESOURCES

As of May 31, 2002, The Jean Coutu Group and its subsidiaries had 10,137 permanent employees: 981 in Canada<sup>3</sup> and 9,156 in the United States. Employees were distributed as follows:

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The Jean Coutu Group (PJC) Inc.	728
RX Information Centre	114
Services Sécurivol	<u>139</u>
Total employees in Canada	981
The Jean Coutu Group (PJC) U.S.A. Inc.	<u>9,156</u>
<b>TOTAL</b>	<b><u>10,137</u></b>

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On May 31, 2002, 391 employees of the Company in Canada were unionised. These employees work at The Jean Coutu Group's distribution centre in Longueuil and are members, since January 2002, of the Syndicat des travailleuses et travailleurs de PJC entrepôt-CSN. The last labour contract was signed in February 1996 with the United Food and Commerce Workers, Local 501. for a period of six years and three months ending on December 31, 2001. Negotiations are currently underway to sign a new collective agreement.

In the United States, 8,514 employees work in the corporate pharmacies and 642 at the head office and distribution centre. None of the American subsidiary's 9,156 employees are unionised.

In terms of human resources management, The Jean Coutu Group favours participatory management based on communications, training, internal promotion, and quality of life in the workplace.

As of May 31, 2002, the Canadian franchised outlets had a total of 11,799 employees. Less than 1%, or 68 employees in two outlets, are unionised.

The Human Resources department of The Jean Coutu Group also offers franchisees a team of professional human resources consultants whose main task is to help introduce the participatory management programme and to ensure the application of uniform and equitable policies into the network.

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<sup>3</sup> This number includes corporate employees only and excludes Canadian franchised network personnel.

In the area of employee training, The Jean Coutu Group, well aware of the crucial role played by the franchised network employees in building customer loyalty, has established programmes for the development of internal resources and customer service.

### **3.5 TRADEMARKS**

The Jean Coutu Group owns and uses some thirty trademarks related to its various banners as well as certain house products. The Company's principal trademarks are Jean Coutu, PJC, PJC Jean Coutu, Pharmacie Jean Coutu Pharmacy, PJC Clinic and Brooks Pharmacy for its banners, and Personnelle, Economy and PJC Premier for its products.

### **3.6 ECONOMIC AND COMPETITIVE ENVIRONMENT**

In Canada, The Jean Coutu Group does not foresee any major obstacle in the short and medium-term that might compromise its commercial and financial development. The Jean Coutu Group considers that it is well positioned to respond efficiently, as it has done in the past, to the stiff competition that prevails in the pharmaceutical and parapharmaceutical retail industry, as well as to the arrival of new types of competitors. The Group's competitive advantages will continue to be based on strong purchasing power, efficient core organisation, and the capacity to constantly adapt its commercial policies in order to support the market share and profitability of its franchised network. The Jean Coutu Group continues to enjoy a solid position in its traditional market, Quebec.

Furthermore, The Jean Coutu Group considers that it is well positioned to continue to operate profitably in the United States. Its experience of more than 15 years in that market has allowed it to adapt its commercial policies and cost management to the very competitive United States environment. It has also enabled The Jean Coutu Group to adapt to the special requirements related to the operation of corporate pharmacies. The Company is therefore confident that it can sustain and increase the Brooks Pharmacy network's profitability, considering the extensive measures implemented over the last years, its proven expertise in merchandising, as well as the Brooks Pharmacy network's current strengths in terms of positioning, location and physical qualities of its stores.

Lastly, considering the quality of its real estate assets and its major cash flow, among other things, the Company benefits from a sound financial position to support its continued development.

## ITEM 4 - SELECTED CONSOLIDATED FINANCIAL INFORMATION

### 4.1 CONSOLIDATED FINANCIAL INFORMATION FOR THE LAST FIVE FINANCIAL YEARS

(In thousands of dollars, except per share amounts)	Financial years ended May 31				
	2002	2001	2000	1999	1998
<b>Sales and other revenues</b>	<b>3,586,186</b>	2,924,844	2,577,727	2,289,370	1,940,074
<b>Earnings before unusual items and income taxes</b>	<b>209,592</b>	163,170	133,535	119,457	98,375
<b>Net earnings</b>	<b>139,879</b>	105,941	86,191	74,307	63,236
<b>Total assets</b>	<b>1,661,605</b>	1,230,805	1,032,671	920,101	851,206
<b>Long-term debt</b>	<b>356,701</b>	145,446	167,063	182,323	84,020
<b>Data per share</b> <sup>4</sup>					
<b>Net earnings (basic)</b>	<b>1.24</b>	0.98	0.82	0.70	0.60
<b>Dividends</b>	<b>0.19</b>	0.16	0.12	0.10	0.08

### 4.2 CONSOLIDATED FINANCIAL INFORMATION FOR THE LAST EIGHT QUARTERS

(unaudited)

(In thousands of dollars except per share amounts)	2001-2002				2000-2001			
	31/08/01	30/11/01	28/02/02	31/05/02	31/08/00	30/11/00	28/02/01	31/05/01
<b>Sales and other revenues</b>	<b>767,578</b>	<b>835,721</b>	<b>921,586</b>	<b>1,061,301</b>	674,509	734,573	743,360	772,402
<b>Net earnings</b>	<b>31,433</b>	<b>33,829</b>	<b>37,628</b>	<b>36,989</b>	23,336	26,228	28,482	27,895
<b>Per share</b>								
- <b>Basic</b>	<b>0.28</b>	<b>0.30</b>	<b>0.33</b>	<b>0.33</b>	0.22	0.25	0.26	0.25
- <b>Diluted</b>	<b>0.28</b>	<b>0.30</b>	<b>0.33</b>	<b>0.33</b>	0.22	0.25	0.26	0.24
<b>Dividend per share</b>	<b>0.04</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	0.04	0.04	0.04	0.04

<sup>4</sup> On September 29, 2000, the Company subdivided its 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.



### **4.3 MANAGEMENT'S COMMENTS**

The sales volume of The Jean Coutu Group has increased significantly during the last fiscal year. This growth is the result of an important increase of the sales of outlets of the Canadian network and even more so of corporate stores in the US. The acquisition of 80 Osco stores in January 2002 is a highlight of this fiscal year. The result of this acquisition are particularly noticeable during the last quarter.

Net earnings for The Jean Coutu Group increased appreciably in each quarter of the 2001-2002 fiscal year compared with net earnings for the same periods of the 2000-2001 fiscal year. These results also reflect the sound management of the Company's franchised outlets and corporate pharmacies, as well as the effects of measures implemented in recent years.

### **4.4 DIVIDEND POLICY**

The Jean Coutu Group intends to maintain its dividend policy, which provides for the payment to shareholders of four quarterly dividends based on financial forecasts for the current year. During the 2001-2002 fiscal year, a total dividend of \$0.19 per share was paid to all holders of Class A Shares and Class B Shares.

### **4.5 INTERNET SITE**

The Company's financial and corporate information is available on the Internet at the address: [www.jeancoutu.com](http://www.jeancoutu.com). The Company also offers on line prescription refills, a first in Canada.

Information on the Company's American subsidiary is available at the Internet address: [www.brooks-rx.com](http://www.brooks-rx.com).

### **4.6 EVENTS SUBSEQUENT TO MAY 31, 2002**

#### **4.6.1 Declaration of a Dividend**

On July 16, 2002, the Board of Directors of The Jean Coutu Group declared a quarterly dividend of \$0.06 per Class A Share and Class B Share. This dividend was paid on August 22, 2002 to all shareholders of the Company on record on August 8, 2002.

#### **4.6.2 Subdivision of Shares**

On July 16, 2002, the Board of Directors of The Jean Coutu Group adopted a by-law to modify the statutes of the Company to allow the subdivision of all Class «A» and Class «B» shares issued and currently circulating of the capital stock of the Company, on the basis of two new shares for each share held.

On September 10, 2002, at the General Annual and Extraordinary Meeting, the shareholders of the Company approved this subdivision coming into effect on September 25, 2002. By way of consequence, the capital stock of the Company has gone from 50,858,940 Class «A» shares and 62,000,000 Class «B» shares to 101,717,880 Class «A» shares and 124,000,000 Class «B» shares.

### **4.6.3 Nomination**

At the Annual General and Special Meeting held on September 10, 2002, Mr. Jean Coutu, Chairman of the Board and Chief Executive Officer of the Company announced that Mr. François Jean Coutu, President and Chief Operating Officer would be taking over the general management of the Company from now on as President and Chief Executive Officer. Mr. Coutu will stay on as Chairman of the Board of the Company.

## ITEM 5 - MARKET FOR THE NEGOTIATION OF SECURITIES

Due to the restructuring of the Canadian Stock Exchanges, the Company's stock is no longer traded on the Montreal Stock Exchange since December 6, 1999.

Class A subordinate voting shares of The Jean Coutu Group are traded on the Toronto Stock Exchange under the PJC.A symbol.

### ***Stock Market Information***

(As of May 31, 2002)

- Symbol: PJC.A
- Listed on the Toronto Stock Exchange in October 1987
- Number of participating shares issued and outstanding:
  - 50,858,940 Class A subordinate voting Shares (public float)
  - 62,000,000 Class B Shares
- High/low for the 12-month period ended May 31, 2002: \$23.65/\$39.45 <sup>5</sup>
- Trading volume: 20,195,523
- Share price on May 31, 2002: \$38.25

### ***Per-Share Data*** <sup>5</sup>

- Net Earnings: \$1.24
- Cash Flow: \$1.58
- Book Value: \$8.40
- Annual Dividend: \$0.19

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<sup>5</sup> On September 29, 2000, the Company subdivided its Subordinate Voting Shares and Class B Shares on the basis of two new shares for each existing share. This data has been calculated considering the share subdivision.

## ITEM 6 - DIRECTORS AND OFFICERS

### 6.1 DIRECTORS

The names, principal occupations and places of residence of the Directors of The Jean Coutu Group, as well as the number of Class A subordinate voting Shares and Class B Shares directly or indirectly owned by each one as of July 16, 2002, are detailed on page 6 of the Management Proxy Circular.

### 6.2 OFFICERS

The names, places of residence, and principal occupations of the past five years of the Officers of The Jean Coutu Group and its subsidiaries appear in the following table.

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Name, place of residence	Occupation <sup>6</sup>
<i>THE JEAN COUTU GROUP (PJC) INC.</i>	
<b>Jean Coutu</b> Montreal, Quebec	Chairman of the Board and Chief Executive Officer
<b>François J. Coutu</b> Outremont, Quebec	President and Chief Operating Officer
<b>Yvon Béchard</b> Boucherville, Quebec	Senior Executive Vice-President and Assistant Secretary
<b>Michel Boucher</b> Boucherville, Quebec	Vice-President, Information Systems
<b>Carole Bouthillette</b> Boucherville, Quebec	Vice-President, Finance
<b>Denis Courcy</b> Laval, Quebec	Vice-President, Human Resources

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<sup>6</sup> For the past five years, all Officers of the Company and the American Subsidiary have occupied the positions given above or other management positions within the Company, except for Denis Courcy who, before 1997, was Assistant Vice-President of Legal Services for CP Rail, Kai Goto who, before 1999 was Director of Distribution for the American Subsidiary, Caroline Guay who, before 1998, was a lawyer for Provigo Distribution Inc., Donald Kinney who, before 1999 Director of Store Operations for the American Subsidiary, Susan Manville who left in 1997 to become Account Manager for Inesco Group and joined the American Subsidiary again in 1998, Richard Mayrand who, before 1997, was President-General Manager of B. Mayrand Inc. (drugstore chain) and Normand Messier, who left in 1995 to join Groupe Cadieux as a Vice-President and joined the Company again in 2001, Robert Pouliot, who before 1999 was Director of Loss Prevention and Director of Purchasing and Kathleen Topor who, before 1998 was Controller for the American Subsidiary.

<b>Name, place of residence</b>	<b>Occupation <sup>6</sup></b>
<b>Louis Coutu</b> Montreal, Quebec	Vice-President, Commercial Policies
<b>Yvon Goyer</b> Lachenaie, Quebec	Vice-President, Services and Promotions
<b>Caroline Guay</b> Montreal, Quebec	Director, Legal Affairs and Corporate Secretary
<b>Alain Lafortune</b> Montreal, Quebec	Vice-President, Purchasing, Merchandising and Advertising
<b>Jacques Lamoureux</b> Boucherville, Quebec	Vice-President, Operations
<b>Jacques Masse</b> Laval, Quebec	Vice-Chairman of the Board
<b>Richard Mayrand</b> Anjou, Quebec	Vice-President, Professional Activities
<b>Johanne Meloche</b> Laval, Quebec	Vice-President, Cosmetics, Exclusive Brands and Beauty Programs
<b>Normand Messier</b> Longueuil, Quebec	Vice-President, Real Estate
<b>Jean-Pierre Normandin</b> Varenes, Quebec	Vice-President, Distribution Centre
<b>Carole Rennie</b> Boucherville, Quebec	Controller
<b><i>THE JEAN COUTU GROUP (PJC) U.S.A. INC.</i></b>	
<b>Michel Coutu</b> Providence, Rhode Island	President and Chief Executive Officer
<b>Kai Goto</b> Chepachet, Rhode Island	Vice-President, Warehouse and Distribution
<b>C. Daniel Haron</b> Warwick, Rhode Island	Vice-President, Pharmacy and Professional Affairs
<b>Donald Kinney</b> Franklin, Massachusetts	Vice-President, Drugstore Operations
<b>Susan Manville</b> Smithfield, Rhode Island	Controller

Name, place of residence	Occupation <sup>6</sup>
<b>David A. Morocco</b> Newton, Massachusetts	Senior Vice-President, Marketing
<b>Robert Pouliot</b> North Kingstown, Rhode Island	Vice-President, Purchasing
<b>Kathleen Topor</b> North Providence, Rhode Island	Treasurer
<b>William Z. Welsh, Jr.</b> East Greenwich, Rhode Island	Executive Vice-President and Chief Operating Officer
<b>Randy Wyrofsky</b> North Providence, Rhode Island	Senior Vice-President, Finance and Chief Financial Officer

As of May 31, 2002, the Directors and Officers of the Company beneficially, as a group, owned, directly or indirectly, or exercised control over 1.24% of Class A subordinate voting Shares and 100% of Class B Shares.

## ITEM 7 - ADDITIONAL INFORMATION

The Company will provide the following documents to any person or company, upon request to the Corporate Secretary:

- (a) When the securities of the Company are in the course of distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, (i) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form, (ii) one copy of the consolidated financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditors and one copy of any interim financial statements for its most recently completed financial year, (iii) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of Directors, or one copy of any annual filing prepared in lieu of that information circular, as appropriate, and (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or
- (b) at any other time, one copy of any other documents referred to in (a) (i) to (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Company.

Information regarding the principal holders of shares of the Company, the remuneration of Officers and loans to Officers is contained in management's proxy solicitation circular, dated July 16, 2002 (pages 3, 4, 8, and 13, respectively). Information regarding Corporate Governance Practices is presented on pages 15 to 21 of the same document.

Additional financial information pertaining to the fiscal year ended May 31, 2002, is presented in the Company's 2002 Annual Report in the section entitled "Management's Discussion and Analysis" (pages 19 and 20) and in the Comparative Financial Statements (pages 22 to 41).

These documents are available from the Company's head office:

The Jean Coutu Group (PJC) Inc.  
530 Bériault Street  
Longueuil, Quebec  
J4G 1S8  
(450) 646-9760

**ITEM 8 - MANAGEMENT'S COMMENTS AND ANALYSIS OF OPERATING RESULTS  
AND FINANCIAL CONDITION**

Management's Comments and Analysis of Operating Results and Financial Condition can be found in the Company's Annual Report under the Item "Management's Discussion and Analysis" at pages 19 and 20, whereas Financial Consolidated Statements for the years ended May 31, 2002 and 2001 are presented at pages 22 to 41 of the Annual Report.