Annual Report 1981

provigo Inc.

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Provigo Inc. is primarily engaged, through its subsidiaries, in the wholesale and retail distribution of food, and also drug products and general merchandise throughout Canada and part of the U.S.A. On an annual basis, sales exceed $2.6 billion.

Annual Meeting

The Annual General Meeting of Shareholders will be held in the Ballroom of Le Château Champlain, Place du Canada, Montreal, on Tuesday, May 26, 1981 at 4:00 P.M.

Ce rapport annuel est publié en français et en anglais. Vous pouvez obtenir l'édition française de ce rapport en vous adressant au Secrétaire, Provigo Inc., 800, boulevard Dorchester ouest, Montréal, Québec H3B 1Y2

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Highlights

Financial Results	1981	1980
Sales (1)	**$2 631 330 000**	$2 314 407 000
Income before extraordinary item	**24 595 000**	19 635 000
Extraordinary item	**—**	(1 602 000)
Net income	**$ 24 595 000**	$ 18 033 000
Earnings per common share:		
Income before extraordinary item	**$5.17**	$4.29
Net income for the year	**$5.17**	$3.90
Dividends paid per common share	**$1.15**	$0.95
Common shares outstanding, at year end	**4 323 273**	4 320 273
Preferred shares ($25) outstanding, at year end	**1 000 000**	1 000 000
Market price range — common stock	**$29—$57 1/2**	$21 3/4—$32
Financial Position		
Current assets	**$ 300 552 000**	$ 238 859 000
Current liabilities	**262 198 000**	202 246 000
Fixed assets (net)	**133 328 000**	99 055 000
Total assets	**460 777 000**	362 633 000
Long-term debt	**71 546 000**	48 225 000
Shareholders' equity	**114 606 000**	97 135 000
Funds from operations	**$ 40 364 000**	$ 33 780 000
Statistical Data		
Number of employees	**8 719**	8 210 (2)
Distribution network		
Distribution centres	**43**	44
Cash & Carry depots and agencies	**78**	82
Affiliated members — major banners	**1 458**	1 452
Convenience store franchises	**390**	343
Gasoline stations (3)	**188**	144
Corporate stores		
Conventional supermarkets	**78**	67
Square footage	**1 384 915**	1 100 850
Discount stores	**12**	20
Square footage	**150 720**	271 400
Drugstores	**9**	9
Square footage	**42 550**	42 550

(1) Consolidated sales are expressed net of inter-segment sales. See note 16 to the Consolidated Financial Statements.
(2) Restated to include part-time employees.
(3) Consists of Top Valu Gasmarts and self-service gasoline stations twinned with Provi-Soir outlets.

Message from the Chairman of the Board

The past year, 1980, has not been easy either in Canada or in the rest of the world. Leading observers and analysts describe the current political, social and economic climate as gloomy.

On the political scene, world tensions have heightened in several areas. It was an election year both in Canada and the United States. In Canada, the debate on constitutional reform has raised many questions, creating an atmosphere of uncertainty. The economic situation has not improved; in fact, the opposite has occurred. We have been experiencing a sustained slowdown combined with increased inflation, high interest rates and a disturbing increase in the level of unemployment.

In such an intensely competitive industry as ours, a prolonged period of continuing inflation can have a disastrous impact on operating expenses. We must, therefore, constantly strive to improve productivity and reduce costs in order to minimize, as much as possible, the effect of price increases on consumers and still earn a satisfactory return.

Despite this predicament, the Provigo group experienced an excellent year, as reflected by the results and the financial statements. On the whole, the companies within the Provigo group, as well as most of their divisions, surpassed their objectives, producing results beyond budget estimates. Total sales attained record levels, exceeding $2.6 billion, and net income reached a new peak of $24.6 million equal to earnings of $5.17 per common share. Operations are reviewed in greater detail in the report by the President and Chief Operating Officer.

If the year ended January 31, 1981 can be judged a financial success, as shown by the results, then it can also be considered as one of spectacular expansion and development. In June 1980, the M. Loeb, Limited subsidiary acquired the assets of the seven A.L. Raymond supermarkets, which average 29,700 square feet per store and are all located in the Hull-Ottawa region. These stores now operate under the IGA banner, providing this group with broader exposure and an increased share of the market in this area.

In November 1980, the Provigo (Distribution) Inc. subsidiary purchased all the outstanding shares of Abattoir St-Valérien Inc., marking the Company's first step towards vertical integration. Located in St-Valérien, Quebec, in the heart of a broad agricultural region that is significant for its livestock production, this federally inspected 37,000 square foot modern abattoir has a weekly capacity of 12,000 hogs and 300 head of beef or 1,000 calves.

On December 4, 1980, Provigo Inc. and Sports Experts Inc. agreed that Provigo would acquire all the voting shares of Sports Experts Inc. This company comprises a group of more than 100 affiliated retailers of sporting goods and sports apparel who are leaders in this field of activity in Quebec. The transaction, officially concluded in March 1981, covered more specifically the distribution company responsible for supplying and marketing for the retail outlets. We believe that this is an interesting form of diversification in the promising field of sports and leisure time activities.

Then, on December 17, 1980, an agreement was reached whereby Provigo Inc., subject to certain conditions, will acquire most of the assets of Dominion Stores Limited located in the Province of Quebec, consisting of 87 supermarkets and six distribution centres. This contract will be completed in a few weeks, and we will take possession in stages beginning in May, integrating the warehouses and stores into our system over a period of three to four months. We intend to retain all Dominion personnel and to operate the supermarkets under the Provigo banner. This expansion increases our presence and enhances Provigo's image, particularly in the Montreal region where nearly 70 of Dominion's retail outlets are located, and will enable the Company to achieve its objectives for the development of its supermarket network more quickly and sooner than originally forecast.

Finally, in mid December 1980, the Boards of Directors of Provigo Inc. and National Drug Limited approved a plan permitting Provigo to acquire 100% of the shares of National Drug in which M. Loeb, Limited, a wholly-owned subsidiary of Provigo, already held 55% and 30% of the common and convertible preferred shares respectively. The plan, approved by the shareholders at meetings held on January 30, 1981, took effect on January 31, 1981 and accordingly, Provigo purchased the balance of the shares for about $5.9 million on February 16, 1981. The company's name, National Drug Limited, remains unchanged.

In order to finance its various areas of development, the Company made long-term borrowings of $20 million by means of private placements, of which $10 million was the second half of the previously issued Series D sinking fund debentures, maturing May 1, 2000; and $10 million was a bank loan made on January 27, 1981, due January 27, 1989.

In July 1980, the quarterly dividend was increased to 30¢ per common share. After due consideration, the Board of Directors decided to raise the quarterly dividend to 40¢ per common share as of April 1981, equivalent to $1.60 per year. The Company has now paid 78 consecutive dividends since 1962.

In accordance with Company policy, Mr. Claude Genest, having reached retirement age, will not be eligible to stand for election to the Board at the next Annual Meeting. A former President of the Province of Quebec Chamber of Commerce, Mr. Genest is a well known business personality. During his 20 years as a Director, his astute observations and keen participation have made a valuable contribution to the orientation and management of the Company. We are profoundly grateful to Mr. Genest and thank him most sincerely for his many years of service.

Real estate planning and development is an area of responsibility that is essential to our medium and long range expansion programs. In May 1980, Mr. Yvan Bussières, B.Sc.A., M.B.A., previously Director of our Quebec real estate activities, was named Vice President of Real Estate Development.

Economic indicators in Canada and the United States are neither optimistic nor pessimistic for 1981. Nevertheless, whatever transpires, 1981 will be an extraordinary year in the Company's annals as we integrate and consolidate the operations of our recent acquisitions into the Provigo group.

Our employees have shown remarkable spirit and willingness to work as a team. We are indeed grateful and thank them for their loyalty. Clearly, we depend on them, as well as on those who will join us during the integration mentioned previously, to face the many challenges that lie ahead.

Antoine Turmel
Chairman of the Board and Chief Executive Officer

April 27, 1981

Report from the President

The results for the financial year ended January 31, 1981, which consisted of 53 weeks, reflect impressive progress and record levels of success for the Company. Sales exceeded $2.6 billion compared to $2.3 billion a year earlier, an increase of 14%. When the non-profitable operations in Landover, Maryland, that were discontinued in January 1980 are excluded, the increase amounts to 16%. This gain is greater than both the food price index and the average for the food distribution industry, and clearly indicates an increase in market share.

For the first time in the Company's history, net income exceeded $20 million. This achievement is reflected by income before extraordinary item which rose to $24.6 million compared to $19.6 million the previous year, an increase of 25%. If the Landover operations are excluded as mentioned above, the increase becomes 18%. After payment of dividends of $2.2 million on the non-participating preferred shares, income before extraordinary item reached $5.17 per common share compared to $4.29 per common share last year.

As recommended by the Canadian Institute of Chartered Accountants, that commencing in 1981 financial reports disclose a company's activities on a segmented basis, we have modified our presentation accordingly in this annual report. Previously, the operating results of the principal companies and their subsidiaries in the Provigo group were presented separately. Beginning this year, the results will be presented in four segments as follows: wholesale food distribution, retail food distribution, drug distribution, and other operations.

During the year, expenditures for fixed assets amounted to $43 million compared with $27 million last year. This figure was more than originally planned, principally because of the purchase of the A.L. Raymond stores in the Hull-Ottawa region by the M. Loeb subsidiary. The budget for capital expenditures in 1981-82 calls for $38 million, excluding approximately $100 million for the purchase of Dominion's supermarkets in Quebec which is to be financed initially by a bank loan. We are presently studying various alternatives for long-term financing, with the purpose of providing a sound capital base for the Company's future expansion while minimizing any dilution of common shares.

Because of the acquisition of Dominion's supermarkets, the opening of new retail outlets will proceed at a slower pace during the coming years in Quebec. We intend, however, to commit considerable funds to renovating and improving units presently in operation. This policy should lead to a stabilization of capital expenditures beginning with the year 1982-83.

At January 31, 1981, working capital amounted to $38,354,000, representing a ratio of current assets to current liabilities of 1.15:1. Shareholders' equity was $114,606,000 for a book value per common share of $20.73.

In September 1980, we rearranged our Quebec retail network under three banners: JOVI for the stores previously known as Provipop; the PROVIBEC group of stores remained unchanged; and the supermarkets, previously the Provigain, Jato, Aubaines Alimentaires and certain AVA stores, are now identified by the PROVIGO name. These changes were introduced with a strong advertising campaign and numerous promotions, and are considered a major success, since we have been able to heighten consumer awareness and increase our sales substantially.

Inflation and food prices have been, and continue to be, major concerns for everyone. After being relatively stable during the first half, they increased dramatically in the second half of the year. What can we expect for 1981? Analyses and forecasts indicate that food prices will rise approximately 12% this year, whereas the average rate of inflation for consumer prices will reach 11.5%.

Since 1971, food retailers and wholesalers, without exception, have been experiencing pressures on their gross profit margins as a result of food price inflation which has increased 135%. In this time span, however, salaries went up 152%; prices at the farm gate, 150%; manufacturing and processing costs, 139%; and costs of imported products, 146%.

During 1980, Ontario's economy experienced a slowdown resulting from reduced activity in industrial output and construction projects. Quebec is holding its own, comparatively, through exported items such as pulp and paper, and aluminium; and textiles, clothing and furniture benefitting from reduced sales taxes and fewer imports. In Alberta, economic growth continues to be stimulated by the energy sector. In the United States, notably California, the recession has had an impact. It now seems that in 1981, California and Ontario will experience a mild economic recovery, Quebec will be relatively stable, and Alberta will witness a slower growth rate.

During the current year, we will proceed with the integration of the recent acquisitions and investments in Quebec: Abattoir St-Valérien, Sports Experts, and the Dominion supermarkets. In Ontario, we will continue to develop our wholesale business, concentrating mainly on rationalizing and upgrading the operations of the IGA group and particularly those of the former A.L. Raymond stores in the Ottawa region. The continuing development of the Top Valu Gasmarts division of M. Loeb, Limited, which acquired some distributors and several retail units of petroleum products during the year, will receive similar attention. In Alberta, Horne & Pitfield Foods Limited will relocate to its new 325,000 square foot distribution centre in Edmonton during May. In California, Market Wholesale Grocery Co. will open its new 245,000 square foot distribution centre in Santa Rosa, this fall. National Drug, having recently become a wholly-owned subsidiary, will receive special consideration.

As 1980-81 has been a year of expansion for the Provigo group on many fronts, 1981-82 will be a period of integration, consolidation and rationalization. Our employees in all sectors have a considerable amount of work to complete and face many challenges at the operating level to maintain the Company's internal growth and to ensure the effective integration of the recent additions.

Our success depends primarily on the dedication, interest and strength of our personnel and the dynamism of our retailers. Given the aims, plans and budgets set by and for each subsidiary, and a market that will be generally favourable, we embark upon a new year with confidence.

Pierre H. Lessard

Pierre H. Lessard
President and Chief Operating Officer

April 27, 1981

Wholesale Food Distribution

Highlights	**1981**	1980	%
	(thousands of dollars)		
Sales	**$2 180 220**	$1 958 570	11.3
Segment operating profit	**$ 50 159**	$ 39 434	27.2
Number of employees			
Full-time	**3 913**	3 640	
Part-time	**565**	470	
	4 478	4 110	
Distribution network			
Distribution centres	**32**	32	
Cash & Carry depots	**77**	80	
Affiliated members: Provigo, IGA, Provibec, Jovi, M/M, Mayfair, Triple S	**1 160**	1 220	
Franchised convenience stores: Provi-Soir, Pinto, Red Rooster	**390**	343	

Direct electronic transmission of an order from the store to its wholesale warehouse

Affiliated members participating in a session of several available development programs

This segment encompasses the wholesale activities which include sales to retailers and food service operators. Wholesale food distribution represents 75% of the Company's total sales. Last year, expenditures for fixed assets in this sector rose to $11,135,000. For the year 1981-82, capital spending will be $13,789,000.

Provigo (Distribution) Inc.

With the exception of the Abitibi and Gaspé regions, this company's network is spread throughout Quebec. The operations include seven large grocery distribution centres, a meat processing and distribution plant, an abattoir, and a distribution centre for fresh fruit and vegetables. In addition to these ten large regional units, this company has 30 Presto self-service Cash & Carry warehouses. The major centres regularly supply 2,650 retailers of whom 691 are affiliated to the PROVIGO, PROVIBEC and JOVI groups.

Towards the end of the year, the Provigo and Loeb operations in Sherbrooke were combined into one centre to which we added 40,000 square feet of space, in order to improve operational efficiency. Mr. Jean-Paul Brisson, formerly head of the Loeb-Sherbrooke organization, became General Manager of this new division.

Three self-service Cash & Carry warehouses, that had all been operating in the district of Montreal North, were merged under one roof. Two other units — one in Jonquière and the other in Joliette — were moved to new locations.

The meat division, despite an unstable and very competitive market, had a good year. It also acquired a fully equipped modern abattoir in St-Valérien, Quebec.

The Provi-Soir group of convenience stores experienced an excellent year. The number of stores increased from 140 to 158, and the average sales increase per unit was 16.2%. By the end of 1981-82, we plan to have approximately 175 Provi-Soir outlets in operation.

M. Loeb, Limited

The wholesale sector of this subsidiary has operations in Quebec, Ontario, Washington, D.C., and Tidewater, Maryland. Its network consists of six regional distribution centres for food products (groceries, fresh fruit and vegetables, and frozen foods); a distribution centre for general merchandise; and 31 self-service Cash & Carry warehouses operating under the Zenith name.

Sales and net income have achieved new highs in this division. Profitability rose resulting from the closing of the unprofitable warehouse in Landover, U.S.A., and improvements in other operations.

M. Loeb, Limited supplies 176 affiliated retailers under the IGA and M/M banners, not including those transferred to Provigo in Sherbrooke. A particular effort is being made to improve the image of the IGA group and increase its market share. During the year, four new IGA supermarkets were opened, including one of 33,000 square feet in Tillsonburg, Ontario.

We now have 113 Pinto convenience stores operated by independent merchants. This group is experiencing a renewed growth in response to an ever increasing market.

The general merchandise sector, Loeb Variety Sales, has shown definite progress. After a difficult period the previous year, both sales and operating income exceeded this year's budget.

During the year, Mr. Claude Rivest, previously Director — Distribution, was appointed Vice President — Distribution, and Mr. Richard Laniel joined M. Loeb, Limited as Vice President, Human Resources.

Horne & Pitfield Foods Limited

Horne & Pitfield achieved another successful year in its wholesale business. A network of eight regional distribution centres and a group of seven self-service Cash & Carry warehouses, all located in Alberta, are the components of this operation.

The principal force within Horne & Pitfield is the IGA group which attracted five new affiliated retailers during the year, increasing the total number of IGA grocers to 76 by year end. The 217 Mayfair, Triple S and M/M stores bring the total number of affiliates in the subsidiary to 293.

Red Rooster convenience stores maintained their rising rate of growth. During 1980-81, twenty-six new Red Rooster stores became operational, increasing their number to 119 of which 34 are twinned with self-service gasoline stations.

A new 12,000 square foot self-service Cash & Carry warehouse, our seventh, was inaugurated in North Calgary. Construction of the new 325,000 square foot distribution centre in Edmonton is finished, and it will be operating by May of this year.

During 1981-82, we intend to open four new IGA supermarkets, and eleven others will be enlarged and remodelled. Twenty new Red Rooster stores will be opened, a self-service Cash & Carry warehouse will be built and another relocated.

Market Wholesale Grocery Co.

This subsidiary, located in California, is strictly a wholesale operation with a network of seven regional distribution centres and nine self-service Cash & Carry warehouses. Despite a slower growth in sales as a result of the recession affecting this state, net income showed an improvement.

Construction is progressing on the new 245,000 square foot distribution centre in Santa Rosa, and it will be operating towards the end of the year.

During the year ended January 31, 1981, twenty-two collective agreements in the wholesale segment expired. Of this number, fourteen agreements were renewed through normal negotiating procedures, and eight others resulted in work stoppages.

Within Provigo, wholesale food distribution is the predominant sector. The success achieved in the past year reflects the ability of our subsidiaries to efficiently supply the independent merchants with goods and services. Diversity of activities and dynamism, these are the essential components that give us the confidence to look forward to another year of progress.

To serve the retailers... a large regional distribution centre and a self-service Cash & Carry warehouse

Retail Food Distribution

Highlights	**1981**	1980	%
	(thousands of dollars)		
Sales	**$351 222**	$321 842	9.1
Segment operating profit	**$ 3 705**	$ 4 944	(25.1)
Number of employees			
Full-time	**1 449**	1 487	
Part-time	**1 729**	1 562	
	3 178	3 049	
Corporate stores			
Provigo supermarkets	**47**	46	
IGA supermarkets	**31**	21	
Square footage	**1 384 915**	1 100 800	
Discount foodstores	**12**	20	
Square footage	**150 720**	271 400	

Farm freshness and sunshine

This sector consists of 90 retail outlets operated by the Company, known as "Corporate stores", representing 12% of its total sales. Last year, expenditures for fixed assets in this sector amounted to $8,544,000. For 1981-82, capital spending is budgeted at $4,680,000.

Provigo (Retail) Inc.
This subsidiary's corporate stores operate in Quebec and are geographically grouped into four administrative regions: Chicoutimi, which covers Saguenay-Lac-St-Jean and the North Shore (of the St. Lawrence River); Quebec City, which is responsible for metropolitan Quebec, the Lower St. Lawrence (South Shore), and the Beauce; Sherbrooke, which includes the Eastern Townships and the Bois-Francs; and Montreal covering metropolitan Montreal and the Mauricie. In all, there are 47 Provigo supermarkets and nine AVA and EA discount markets, for a total of 56 outlets covering 918,055 square feet of retail space.

During the year, the supermarkets in this division were regrouped. Under the promotional theme "L'Événement" (The Event of the Year), the objective was to bring together all the conventional Provigain, Jato and Aubaines Alimentaires supermarkets under the PROVIGO banner and to heighten consumer awareness of the presence and advantages of shopping at PROVIGO, by promotions and a strong publicity campaign. As the Provigo stores became better known, both the number of customers and sales volume increased significantly.

The management of our corporate retail operations is also involved in the development of the 108 Provigo affiliated stores owned by independent retailers. All services supplied to and used by chain-stores are available to our independent affiliates, as well as our corporate stores. Consequently, the independent grocers benefit from our experience, and Provigo gains from their performance — a winning combination. The notable progress experienced by this network during the past three years is proof of the value of this "modus operandi".

During the year, eight new Provigo affiliated stores, representing a total of 123,218 square feet, were opened, and five others were relocated or enlarged. At the same time, four AVA stores were converted to Provigo supermarkets; two remained under corporate ownership, and the other two were sold to affiliated independents. Another Provigo corporate store was sold to an independent.

For the 1981-82 year, we expect to open 13 new stores, three corporate and ten affiliated, located as follows: seven in the Quebec region, one on the North Shore, and five in the Montreal and Mauricie regions. During the current period, the priority will be to convert the Dominion stores to the Provigo banner. This operation, beginning in May, will be spread out over three to four months and should be completed by September. This is a large-scale project which will command special attention in order to be accomplished in the best possible manner.

Supermarkets are beginning to introduce optical scanners to read the universal product code on the package or label of each item, in order to simplify certain store procedures. Consequently, the Quebec Consumer Protection Office, in co-operation with the retail food distribution industry, is conducting a study in six supermarkets in order to evaluate consumer reaction to the practice of marking, or not marking, prices on principal articles in the stores equipped with optical scanners. This study will result in a decision regarding the application of the law requiring the marking of prices on each item.

M. Loeb, Limited

This subsidiary owns 21 corporate stores located in the regions of Ottawa, Hull, London and Sudbury. This network, consisting of 18 IGA supermarkets and three discount stores, totals 390,580 square feet.

Amongst the year's important developments were the opening of two new IGA supermarkets, and in June, the acquisition of the seven A.L. Raymond stores, converting them subsequently to the IGA banner. These additions have increased our market share and have strengthened the overall IGA image in the Ottawa Valley. Presently operating as corporate stores, these outlets will be sold to independent retailers and remain IGA affiliates. To date, the results are a little disappointing because of strong competition, the relatively weak economy, the conversion costs, and the work involved in consolidating and integrating the new units.

Having ended a period of adaptation, we believe that during 1981-82, the situation will be completely different, with a marked improvement resulting from a more stable situation, the implementation of appropriate controls, and rationalization of the operations of the retail units.

Horne & Pitfield Foods Limited

The results of this subsidiary for the period ended January 31, 1981, indicate a definite progress in sales and operating income. Its retail division is solidly established and possesses all the elements required to expand its corporate stores and furnish all the necessary support to assist the progress of its affiliates.

This subsidiary owns 13 IGA supermarkets located in central and northern Alberta, with a total surface area of 227,000 square feet. A new 32,000 square foot store, located in Calgary's 250,000 square foot Franklin Mall, was opened in November 1980. In addition to the normal range of items, it has an on-site bakery, an area for fresh flowers, a large selection of general merchandise, and a gourmet service corner.

A scanning system was introduced in one of the corporate stores during the year and has received excellent consumer acceptance. We are presently studying the advisability of introducing this newest front-end innovation in other stores.

For 1981-82, we are expecting some interesting results from this subsidiary's retail operations. Plans for expansion include a new 23,000 square foot supermarket, which is presently under construction and is expected to open its doors in the fall 1981, in the Clareview district in Edmonton.

During the year ended January 31, 1981, forty-six collective agreements in the retail segment expired. Of this number, twenty-five have been agreed upon through normal negotiating procedures, and twenty-one others resulted in work stoppages.

The retail operations sector, as a major component of the Company, will be very active this year, considering all the projects that are either underway or planned. This is an interesting period of rapid progress which will have important consequences in both the short and medium terms.

Personal counter service in a supermarket

A detailed operation done with precision by using an optical scanner

Drug Distribution

Highlights	**1981**	1980	%
	(thousands of dollars)		
Sales	**$276 080**	$233 309	18.3
Segment operating profit	**$ 6 499**	$ 4 200	54.7
Number of employees	**678**	692	
Distribution network			
Distribution centres	**11**	12	
Agencies	**1**	2	
Affiliated drugstores: ARP, PROMOPRIX	**298**	232	
Corporate drugstores			
Good Neighbor Drug Mart	**9**	9	
Square footage	**42 550**	42 550	

The pharmacist, a professional in drug and health care products

75th ANNIVERSARY 1905 — 1980

The distribution of drug products, proprietary medicines and other related items, through this segment's network of eleven distribution centres and nine corporately-owned retail pharmacies, represents 9% of the Company's total sales. These operations are carried out by two subsidiaries: National Drug Limited and M. Loeb, Limited (Montreal Division). During the year, expenditures for fixed assets amounted to $305,000, and plans call for $781,000 in the coming year 1981-82.

National Drug Limited

The year 1980-81 marked the 75th Anniversary of National Drug Limited whose objective, since the beginning of the century, has been to provide goods and services efficiently to pharmacies across Canada. This policy has made this company a leader in its field. This year, National Drug attained record levels of sales and net profits.

The nine Good Neighbor Drug Marts, all located in the Maritimes, performed satisfactorily during the year. The voluntary groups, notably ARP, also experienced a good year and realized an increased market share as a result of a four part strategy: the establishment of standards for store selection; the creation of a new identity; in-store promotions; and newspaper, radio and television advertising, extolling the value, service and discount pricing available at the ARP community drugstores.

During 1981-82, we will be pursuing programs that will assist retailers to respond effectively to consumer demand for health products. In Toronto, we are in the process of consolidating the two warehouse operations into a more efficient building.

M. Loeb, Limited (Montreal Division)

This division, operating under the name Georges Painchaud, is equally active in both food and pharmaceutical distribution; and the latter business has achieved an impressive rate of growth in recent years.

Because of the variety of products and technical services that this division provides to the drugstore business, its market share has steadily expanded. Among its achievements, was the organization two years ago of a voluntary group of independent pharmacies under the PROMOPRIX name. The growth of this group, which now includes 97 members participating in an effective program, is very encouraging.

For 1981-82, we will be paying particular attention to the development of the drug distribution segment because of the steady growth of these subsidiaries and because of Provigo's greater responsibility and involvement in this sector now that National Drug is a wholly-owned subsidiary. Both subsidiaries are dedicated to ensuring the growth and prosperity of the independent pharmacies and to fulfilling the needs of manufacturers and retailers.

Other Operations

Highlights	**1981**	1980	%
	(thousands of dollars)		
Sales	**$118 174**	$78 684	50.2
Segment operating profit	**$ 9 746**	$ 6 959	40.0
Number of employees			
Full-time	**258**	235	
Part-time	**127**	124	
	385	359	
Petroleum products			
Gasoline stations:			
Top Valu Gasmarts, Provi-Soir	**188**	144	
Real estate			
Wholly and jointly-owned	(square feet)		
Land in use	**14 592 701**	12 970 057	
Land held for future development	**6 715 789**	4 987 767	
Buildings	**3 664 221**	3 003 477	

The convenience store owner knows his customers

Filling up — fast and uncomplicated

The Company's other operations, notably the sale of petroleum products, real estate development, property management and transportation, are grouped into this segment which accounts for 4% of total sales. Planned expenditures for fixed assets in these activities in 1981-82 amount to $18,091,000 compared to $14,324,000 in 1980-81. The largest portion of this amount is allocated to real estate development.

Petroleum Products

This activity involves the sale of all petroleum products made by the free-standing Top Valu Gasmarts and the gas islands twinned to Provi-Soir stores. Because of their administrative and operational structure, the 34 gas stations attached to the Red Rooster convenience stores are not included in this segment.

The number of self-service gas islands twinned to Provi-Soir stores, located in Quebec, rose from 77 to 87 units; sales volume reached 196.3 million litres. Top Valu Gasmarts, located in Quebec and Ontario, increased from 67 to 101 units, mainly as a result of the acquisition of the assets of Able Oil Inc. in September 1980. This expansion has given this division access to new and interesting markets, Toronto and southwestern Ontario. Top Valu's volume reached 227 million litres.

Real Estate

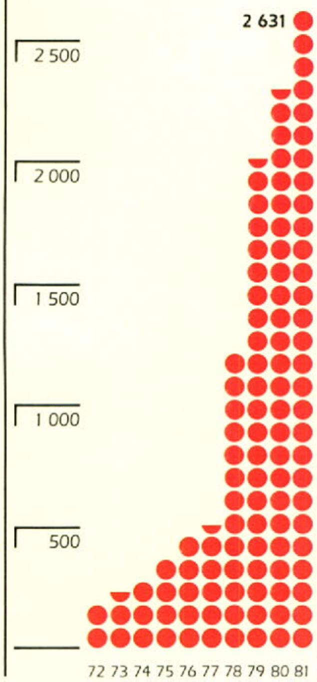
Real estate activities are carried on through the subsidiaries "Les Placements Denault Inc." and "Les Promenades Montarville Inc."; Loeb's subsidiary, Shoppers City; Horne & Pitfield's subsidiary, Food Giant Markets Ltd.; and through the real estate departments in each of the principal companies of the Provigo group.

Other operations

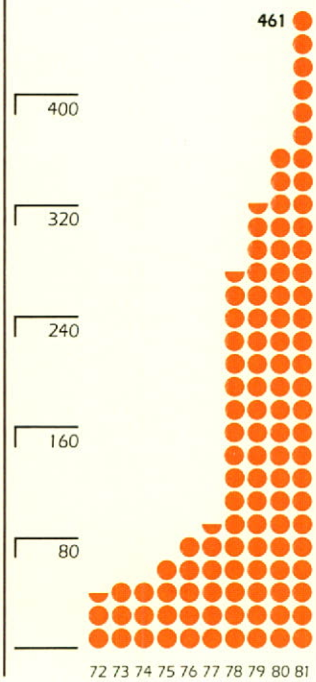
Also worthy of mention are certain other wholly-owned companies and several specialized departments which provide essential services that complete the operational network of the Provigo group: the trucking businesses, Capital City Transport Limited, Lobem Transport Inc., and Canadian Western Brokers Company Limited; and printing operations such as Cloverdale Printing in Ottawa. Other teams possess specialized skills used mainly by the retail operations, specifically, plan and store layout preparation, and equipment purchasing.

These activities, either by the revenues generated, or by the services rendered, are necessary for operational efficiency as well as the development and expansion of the Company.

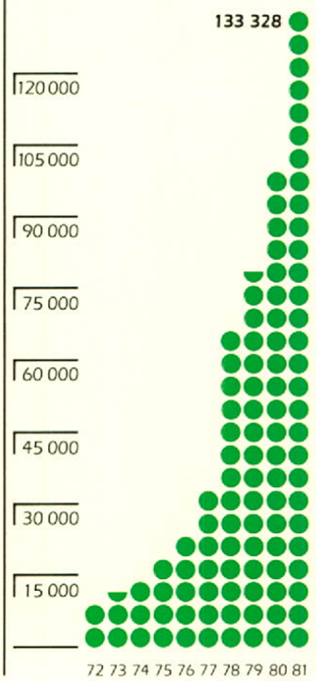
Net Sales
(millions of dollars)



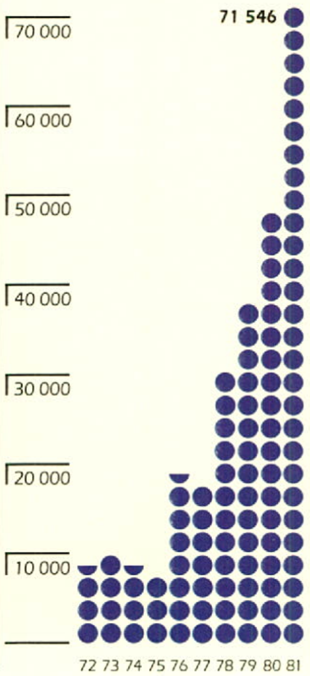
Total Assets
(millions of dollars)



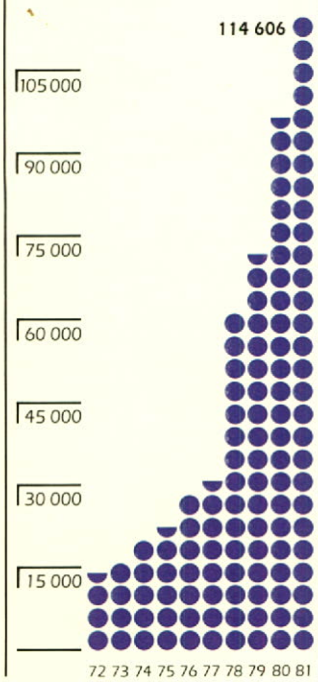
Fixed Assets (net)
(thousands of dollars)



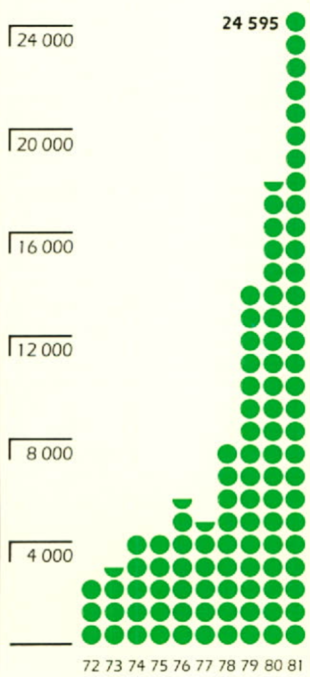
Long Term Debt
(thousands of dollars)



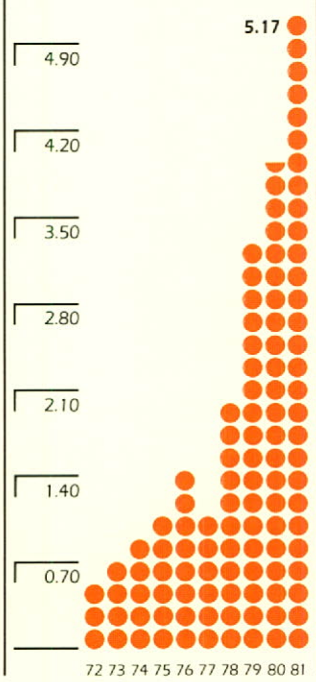
Shareholders' Equity
(thousands of dollars)



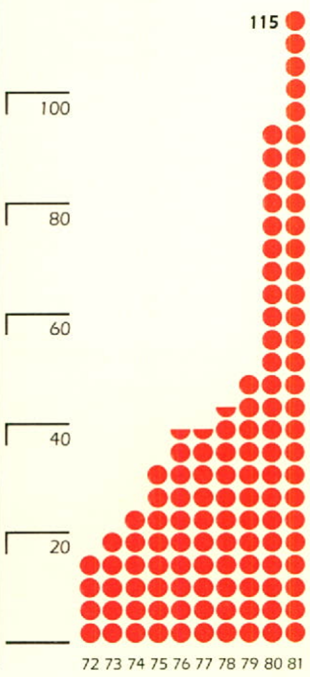
Net Income
(thousands of dollars)



Net Earnings per Common Share
(dollars)



Dividends per Common Share
(cents)



Consolidated Statement of Income

Year ended January 31, 1981
note 1 (i)

	1981	1980
	(thousands of dollars)	
Net sales	**$2 631 330**	$2 314 407
Cost of sales and operating expenses	**2 559 958**	2 257 058
Operating income before depreciation, amortization and interest	**71 372**	57 349
Depreciation, amortization and interest:		
Depreciation and amortization	**11 795**	9 520
Amortization of goodwill	**441**	399
Interest on long-term debt	**8 243**	6 482
Other interest	**7 564**	6 284
Investment income	**(2 760)**	(1 976)
	25 283	20 709
Operating income before income taxes	**46 089**	36 640
Income taxes:		
Current	**18 796**	13 729
Deferred	**2 293**	2 465
	21 089	16 194
Income before the following items	**25 000**	20 446
Other income (note 7)	**191**	870
Gain (loss) on translation of foreign currencies	**321**	(245)
Minority interest	**(917)**	(1 436)
Income before extraordinary item	**24 595**	19 635
Extraordinary item (note 8)	**—**	(1 602)
Net income for the year	**$ 24 595**	$ 18 033
Earnings per common share (note 9):		
Income before extraordinary item	**$5.17**	$4.29
Net income for the year	**$5.17**	$3.90

Consolidated Statement of Retained Earnings

Year ended January 31, 1981

	1981	1980
	(thousands of dollars)	
Balance, beginning of year	**$54 822**	$42 564
Net income for the year	**24 595**	18 033
	79 417	60 597
Deduct:		
Dividends paid on preferred shares	**2 173**	1 896
Dividends paid on common shares ($1.15 per share in 1981; $0.95 in 1980)	**4 970**	3 879
	7 143	5 775
Balance, end of year	**$72 274**	$54 822

See accompanying notes

Consolidated Balance Sheet

January 31, 1981

Assets	1981	1980
	(thousands of dollars)	
Current assets:		
Cash and deposit certificates	**$ 6 838**	$ 7 312
Accounts receivable	**113 002**	83 942
Merchandise inventories	**169 952**	142 969
Deposit (note 14 (a))	**5 000**	—
Prepaid expenses	**3 919**	3 226
Assets held for realization	**1 841**	1 410
Total current assets	**300 552**	238 859
Investments, at cost:		
Marketable securities (quoted market value $6 190 000; 1980 — $7 468 000)	**7 235**	7 306
Long-term receivables and other	**3 435**	2 883
	10 670	10 189
Fixed assets (note 2):		
Land, buildings and equipment, at cost	**178 787**	135 974
Less accumulated depreciation	**56 066**	45 511
	122 721	90 463
Leasehold improvements, at cost less amortization	**10 607**	8 592
	133 328	99 055
Other assets, at cost less amortization:		
Goodwill	**14 594**	12 548
Deferred charges	**1 633**	1 982
	16 227	14 530
	$460 777	$362 633

On behalf of the Board:
Antoine Turmel, Director
Pierre H. Lessard, Director

Liabilities and Shareholders' Equity	**1981**	1980
	(thousands of dollars)	
Current liabilities:		
Cheques issued and outstanding — net	**$ 25 278**	$ 18 670
Bank loans and acceptances (note 3)	**51 017**	40 463
Accounts payable and other liabilities	**157 144**	122 004
Amount payable upon acquisition of minority interest (note 10)	**5 863**	—
Income and other taxes payable	**17 254**	16 411
Current portion of obligations under capital leases	**916**	226
Current portion of long-term debt	**4 726**	4 472
Total current liabilities	**262 198**	202 246
Obligations under capital leases (note 4)	**5 183**	3 179
Long-term debt (note 5)	**71 546**	48 225
Deferred credits:		
Deferred income taxes	**6 986**	4 693
Other	**258**	284
	7 244	4 977
Minority interest	**—**	6 871
Shareholders' equity:		
Capital stock (note 6) —		
Authorized:		
2 000 000 First preferred shares with a par value of $25 each		
7 000 000 Common shares without par value		
Issued and outstanding:		
1 000 000 Preferred shares, Series A	**25 000**	25 000
4 323 273 Common shares (1980 — 4 320 273)	**17 332**	17 313
	42 332	42 313
Retained earnings	**72 274**	54 822
	114 606	97 135
	$460 777	$362 633

See accompanying notes

Consolidated Statement of Changes in Financial Position

Year ended January 31, 1981

	1981	1980
	(thousands of dollars)	
Source of funds:		
Operations —		
Income before extraordinary item	**$24 595**	$19 635
Charges not affecting working capital:		
Depreciation and amortization	**12 236**	9 919
Deferred income taxes	**2 293**	2 465
Minority interest	**917**	1 436
Other	**323**	325
Funds from operations	**40 364**	33 780
Decrease in investments	**1 049**	553
Sale of fixed assets	**1 118**	1 863
Net increase in obligations under capital leases	**2 004**	3 179
Increase in long-term debt	**31 562**	14 109
Issue of common shares	**19**	12 046
Total source of funds	**76 116**	65 530
Application of funds:		
Increase in investments	**1 530**	3 964
Purchase of fixed assets	**43 451**	27 230
Fixed assets under capital leases	**3 735**	3 070
Increase in goodwill	**2 487**	3 226
Decrease in long-term debt	**8 241**	4 026
Decrease in minority interest	**7 788**	13 396
Dividends paid on preferred and common shares	**7 143**	5 775
Costs related to the termination of certain operations of a subsidiary	**—**	1 602
Total application of funds	**74 375**	62 289
Increase in working capital	**1 741**	3 241
Working capital, beginning of year	**36 613**	33 372
Working capital, end of year	**$38 354**	$36 613

See accompanying notes

Auditors' Report

To the Shareholders of Provigo Inc.:

We have examined the consolidated balance sheet of Provigo Inc. as at January 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended and have obtained all the information and explanations we have required. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us, and as shown by the books of the company, these consolidated financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at January 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada
April 3, 1981.

Clarkson Gordon
Chartered Accountants

Notes to Consolidated Financial Statements

January 31, 1981

1. Summary of significant accounting policies

The financial statements of the company have been prepared within the framework of the accounting policies summarized below and are in accordance with accounting principles generally accepted in Canada consistently applied and conform in all material respects with International Accounting Standards.

(a) Consolidation

The consolidated financial statements include the accounts of Provigo Inc. and its subsidiaries.

(b) Translation of foreign currencies

The accounts of subsidiaries in the United States have been translated to Canadian dollars as follows: current assets and current liabilities, at the year-end exchange rate; all other assets and liabilities, at the exchange rate prevailing at the acquisition or transaction date; revenues and expenses (other than depreciation and amortization which are translated at the rate applicable to the related fixed assets), at the average exchange rate for the year. Foreign exchange gains or losses arising from translation are included in the statement of income.

(c) Merchandise inventories

Inventories are valued a the lower of cost, generally determined on a first-in, first-out basis, and net realizable value.

(d) Assets held for realization

These assets consist mainly of land in 1981 and warehouse equipment in 1980, and are valued at the lower of cost and net realizable value.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and amortization.

The company follows the policy of capitalizing assets leased from others with respect to capital leases entered into after January 27, 1979.

Fixed assets, including assets under capital leases, are depreciated using the straight-line method at annual rates of 2½% for buildings, 10% for wholesale equipment and 12½% for retail equipment. Automotive equipment is depreciated using the diminishing balance method at an annual rate of 30%. Leasehold improvements are amortized over the terms of the related leases plus the first renewal option period, if any.

(f) Goodwill

Goodwill is amortized on a straight-line basis over periods not exceeding 40 years.

(g) Deferred charges

Deferred charges are amortized on a straight-line basis over the life of the related items.

(h) Income taxes

Income taxes are accounted for on the tax allocation basis. Under this basis, timing differences arising between the time of recognition of certain revenue and expense items in the computation of accounting income and their recognition in the computation of taxable income, give rise to deferred income taxes.

(i) Financial year

The company's financial year ends on the last Saturday of January. Accordingly, the year ended January 31, 1981 comprises 53 weeks of operations while the preceding year ended January 26, 1980 comprised 52 weeks of operations.

2. Fixed assets

	1981			1980
	Cost	Accumulated depreciation	Net book value	Net book value
		(thousands of dollars)		
Land	$ 13 543	$ —	$ 13 543	$10 955
Buildings	63 204	8 393	54 811	38 368
Equipment	95 237	46 756	48 481	38 242
Fixed assets under capital leases	6 803	917	5 886	2 898
	$178 787	$56 066	122 721	90 463
Leasehold improvements			10 607	8 592
			$133 328	$99 055

3. Bank loans and acceptances

The assets of certain subsidiaries have been pledged as security against current and long-term bank loans and acceptances aggregating $34 271 000 (1980 — $28 623 000).

4. Obligations under capital leases

The obligations under capital leases were determined using interest rates varying from 11.25% to 21%. Minimum lease payments under these leases aggregate $15 366 000 including $9 267 000 of interest, and are payable as follows: 1982 — $1 908 000, including $992 000 of interest; 1983 — $1 804 000; 1984 — $1 441 000; 1985 — $1 054 000; 1986 — $721 000; 1987 and thereafter — $8 438 000. The interest charged to income in 1981, relating to these obligations, amounts to $645 000 ($229 000 in 1980) and is included in interest on long-term debt.

5. Long-term debt

	1981	1980
	(thousands of dollars)	
8¼% Serial debentures, maturing in 1981	**$ 375**	$ 750
6% Sinking fund debentures, Series A, maturing in 1985	**512**	547
9½% Sinking fund debentures, Series B, maturing in 1991	**2 000**	2 000
11¼% Sinking fund debentures, Series C, maturing in 1995 (retractable in 1985)	**9 725**	10 000
Sinking fund debentures bearing interest at bank prime rate, Series D, maturing in 2000*	**20 000**	10 000
10¾% Sinking fund debentures, maturing in 2000	**5 758**	—
Bank loans bearing interest at prime rate to prime plus ½%, maturing from 1984 to 1989*	**25 775**	15 775
Bank loans maturing at various dates to 1985	**2 636**	5 925
Notes, mortgages and other long-term borrowings maturing at various dates to 1998	**9 491**	7 700
	76 272	52 697
Less instalments due within one year included in current liabilities	**4 726**	4 472
	$71 546	$48 225

*Prepayable at the option of the company.

Minimum annual instalments on long-term debt due in the next five years are approximately as follows: 1982 — $4 726 000; 1983 — $3 597 000; 1984 — $5 453 000; 1985 — $10 112 000; 1986 — $4 532 000.

6. Capital stock

(a) The holders of the Series A preferred shares are entitled to receive a quarterly preferential cumulative cash dividend equal to one half of the bank prime rate plus 1½%. In addition, the company is obligated to redeem for cancellation 125 000 such shares, at their par value, on March 1 of each of the years 1981 to 1988 inclusive. On March 1, 1981, preferred shares for $3 125 000 were redeemed.

(b) At January 31, 1981, the company had reserved 23 000 common shares for issuance under purchase options of which 12 000 are represented by outstanding options granted to senior officers and exercisable up to September 30, 1982 at the price of $8.10 per share. During the year, options on 3 000 shares at the price of $6.30 per share were exercised for cash.

7. Other income

Other income consists of net gains on the sale of fixed assets less related income taxes.

8. Extraordinary item

The extraordinary item is related to the termination costs of certain operations of M. Loeb Corporation, a United States subsidiary, discontinued in January 1980. Included in the operating results for the year ended January 26, 1980 were net sales of $45 616 000 and an operating loss before income taxes of $1 158 000 applicable to these discontinued operations.

9. Earnings per common share

Earnings per common share have been computed by dividing the income before extraordinary item and the net income for the year, after deducting dividends of $2 237 000 accruing in 1981 to the Series A preferred shares ($1 981 000 in 1980), by the weighted average number of common shares outstanding during the year.

The exercise of the options referred to in note 6(b) would not have a material dilution effect.

10. Acquisitions

(a) Effective January 31, 1981, the company acquired the remaining outstanding common and preferred shares of National Drug Limited not already held (45% and 70% respectively of the then outstanding shares) for a total price of $5 863 000. The amount of $1 611 000, being the excess of the book value of the minority interest thus acquired over the consideration paid, was applied against goodwill.

(b) During the year, the company acquired all the outstanding common shares of Abattoir St-Valérien Inc. and certain assets of the A.L. Raymond group of retail stores for a total price of $10 734 000 of which $1 259 000 represents working capital, $5 639 000 fixed assets and $3 836 000 goodwill.

11. Commitments and contingent liabilities

At January 31, 1981:

(a) Total basic commitments of the company under long-term operating leases amounted to $119 549 000, after deducting sub-leases of $136 647 000. The net annual rentals under these leases due in the next five years are approximately as follows: 1982 — $10 272 000; 1983 — $9 991 000; 1984 — $9 302 000; 1985 — $8 575 000; 1986 — $7 716 000. Had the company given a retroactive effect to the capitalization of capital leases entered into before January 28, 1979, the following items would have been reflected in the balance sheet:

	1981	1980
	(thousands of dollars)	
Fixed assets	**$35 121**	$40 524
Current lease obligations	**$ 2 355**	$ 2 523
Non-current lease obligations	**39 320**	44 580
	$41 675	$47 103

The capitalization would not have a material effect on the net income for the year.

(b) The company had a commitment relating to discontinued operations in the United States to lease premises until December 31, 1992 at a basic rental cost of U.S. $300 000 per annum plus maintenance, security and other costs of approximately U.S. $200 000 per annum. The major existing sub-lease expires in May 1981. Sub-lease opportunities are being actively pursued and management is unable at this time to determine whether or not any material loss will result. No provision has been made in the accounts for any potential loss.

(c) The company had commitments amounting to approximately $6 344 000 with respect to capital expenditures (see also note 14).

(d) The company had guaranteed various loans to third parties aggregating $9 567 000.

12. Pension plans

The company participates in different pension plans for its employees. Recent actuarial reports show no unfunded liability.

13. Remuneration of directors and officers

The aggregate direct remuneration paid or payable with respect to the 1981 year to the directors and senior officers of the company amounts to $1 193 000.

14. Subsequent events

(a) Acquisition of assets of Dominion Stores Limited in the Province of Quebec

On December 17, 1980, the company entered into an agreement, which is expected to become effective in May 1981, to purchase substantially all moveable and immoveable property and all leasehold interest of Dominion Stores Limited situated in the Province of Quebec, including fixtures, equipment, leasehold improvements and merchandise inventories subject to fulfilment by the vendor of certain conditions. The estimated cost of $100 000 000, including the $5 000 000 deposit made, will be initially financed through bank borrowings.

(b) Acquisition of Sports Experts Inc.

On December 4, 1980, the company entered into an agreement to acquire all the voting shares of Sports Experts Inc. for a cash consideration of approximately $2 000 000. This transaction was concluded in March 1981.

15. Comparative figures

Certain of the 1980 comparative figures were reclassified in order to conform with the presentation adopted in 1981.

16. Segmented information

The company's operations are carried on in Canada and the United States, and comprise the four following industry segments:

Wholesale food distribution: the distribution of groceries, meat, produce and other related food products as well as tobacco and confectionaries to retailers.

Retail food distribution: the operation of company-owned food stores.

Drug distribution: the distribution of pharmaceuticals, proprietary and patent medicines and other drug store related products through a wholesale distribution network of warehouses, an agency operation and retail drug stores.

Other operations: all other operations, principally gasmarts and other gasoline related operations in Quebec and Ontario and company-owned real estate property.

Inter-segment sales are based on prices approximating cost.

The identifiable assets are those assets used in the company's operations of each segment. Corporate assets are principally cash, marketable securities, goodwill, and land and buildings held for future expansion.

Continued from Note 16

Industry Segments
(thousands of dollars)

	Wholesale food distribution		Retail food distribution		Drug distribution		Other operations		Eliminations		Consolidated	
	1981	1980*	**1981**	1980	**1981**	1980	**1981**	1980	**1981**	1980	**1981**	1980
Sales to customers	**$1 887 874**	$1 682 444	**$351 222**	$321 842	**$275 818**	$233 309	**$116 416**	$76 812	**$ —**	$ —	**$2 631 330**	$2 314 407
Inter-segment sales	**292 346**	276 126	**—**	—	**262**	—	**1 758**	1 872	**(294 366)**	(277 998)	**—**	—
Total sales	**$2 180 220**	$1 958 570	**$351 222**	$321 842	**$276 080**	$233 309	**$118 174**	$78 684	**$(294 366)**	$(277 998)	**$2 631 330**	$2 314 407
Segment operating profit	**$ 50 159**	$ 39 434	**$ 3 705**	$ 4 944	**$ 6 499**	$ 4 200	**$ 9 746**	$ 6 959			**$ 70 109**	$ 55 537
General corporate expenses											**10 973**	8 107
Interest on long-term debt											**8 243**	6 482
Other interest											**7 564**	6 284
Investment income											**(2 760)**	(1 976)
Operating income before income taxes											**$ 46 089**	$ 36 640
Identifiable assets	**$ 258 111**	$ 206 786	**$ 55 255**	$ 41 502	**$ 51 489**	$ 44 656	**$ 54 811**	$40 821			**$ 419 666**	$ 333 765
Corporate assets											**41 111**	28 868
Total assets											**$ 460 777**	$ 362 633
Capital expenditures	**$ 11 135**	$ 5 056	**$ 8 544**	$ 3 590	**$ 305**	$ 384	**$ 14 324**	$16 689				
Depreciation and amortization	**$ 4 040**	$ 3 901	**$ 3 536**	$ 2 781	**$ 338**	$ 359	**$ 2 677**	$ 1 809				

*See note 8.

Continued from Note 16

Geographic Segments

(thousands of dollars)

	Canada 1981	Canada 1980	United States 1981	United States 1980*	Consolidated 1981	Consolidated 1980
Sales to customers	**$2 256 342**	$1 911 810	**$374 988**	$402 597	**$2 631 330**	$2 314 407
Segment operating profit	**$ 59 973**	$ 47 388	**$ 10 136**	$ 8 149	**$ 70 109**	$ 55 537
General corporate expenses					**10 973**	8 107
Interest on long-term debt					**8 243**	6 482
Other interest					**7 564**	6 284
Investment income					**(2 760)**	(1 976)
Operating income before income taxes					**$ 46 089**	$ 36 640
Identifiable assets	**$ 372 144**	$ 288 081	**$ 47 522**	$ 45 684	**$ 419 666**	$ 333 765
Corporate assets					**41 111**	28 868
Total assets					**$ 460 777**	$ 362 633

*See note 8.

Ten Year Summary

		1981	1980
Operating Results (thousands of dollars)	Sales	**$2 631 330**	2 314 407
	Cost of sales and operating expenses	**2 559 958**	2 257 058
	Operating income before the following items:	**71 372**	57 349
	Investment income	**(2 760)**	(1 976)
	Depreciation and amortization	**11 795**	9 520
	Amortization of goodwill	**441**	399
	Interest on long-term debt	**8 243**	6 482
	Other interest	**7 564**	6 284
	Operating income before income taxes	**46 089**	36 640
	Income taxes	**21 089**	16 194
	Income before the following items	**25 000**	20 446
	Other income	**191**	870
	Gain (loss) on foreign exchange	**321**	(245)
	Minority interest	**(917)**	(1 436)
	Income before extraordinary items	**24 595**	19 635
	Extraordinary items	**—**	(1 602)
	Net income for the year	**24 595**	18 033
	Dividends paid on common shares	**$ 4 970**	3 879
Financial Position (thousands of dollars)	Working capital	**$ 38 354**	36 613
	Fixed assets	**133 328**	99 055
	Total assets	**460 777**	362 633
	Long-term debt	**71 546**	48 225
	Shareholders' equity	**$ 114 606**	97 135
Performance	Earnings per common share:		
	Income before extraordinary items	**$5.17**	4.29
	Net income for the year	**$5.17**	3.90
	Dividends per common share	**$1.15**	95.0¢
	Return on average common shareholders' equity:		
	Before extraordinary items	**27.6%**	29.4%
	After extraordinary items	**27.6%**	26.8%
Common Shares Outstanding	at year end (in thousands)	**4 323**	4 320

Note:
Certain comparative figures were reclassified in order to conform with the current presentation.

1979	1978	1977	1976	1975	1974	1973	1972
2 036 569	1 201 953	512 220	478 139	360 233	301 124	251 966	222 558
1 988 980	1 174 688	498 299	462 675	348 235	291 898	244 547	216 276
47 589	27 265	13 921	15 464	11 998	9 226	7 419	6 282
(696)	(431)	(247)	(398)	(155)	(198)	(165)	(148)
7 994	5 050	2 547	2 137	1 516	1 173	1 050	868
110	104	104	93	—	—	—	—
3 452	2 336	1 766	948	747	813	793	637
4 308	3 415	1 083	1 530	862	221	116	306
32 421	16 791	8 668	11 154	9 028	7 217	5 625	4 619
15 439	7 940	4 162	5 569	4 703	3 676	2 776	2 417
16 982	8 851	4 506	5 585	4 325	3 541	2 849	2 202
654	80	246	347	121	253	128	—
11	307	—	—	—	—	—	—
(3 308)	(1 148)	—	—	—	—	—	—
14 339	8 090	4 752	5 932	4 446	3 794	2 977	2 202
(297)	(133)	—	—	—	—	26	262
14 042	7 957	4 752	5 932	4 446	3 794	3 003	2 464
1 867	1 669	1 499	1 499	1 218	954	784	633
33 372	32 874	8 384	14 457	6 793	8 422	7 815	8 638
80 138	66 486	32 296	24 218	19 483	14 650	12 619	9 865
318 636	272 784	90 357	76 644	63 888	50 472	46 602	38 719
38 142	30 054	17 961	19 456	7 825	8 661	9 595	8 838
72 831	61 963	30 650	27 397	22 964	19 736	16 618	14 377
3.38	2.12	1.27	1.58	1.19	1.01	0.80	0.59
3.30	2.08	1.27	1.58	1.19	1.01	0.80	0.66
49.5¢	44.5¢	40¢	40¢	32.5¢	25.5¢	21¢	17¢
30.1%	23.5%	16.4%	23.6%	20.8%	20.9%	19.2%	16.3%
29.4%	23.1%	16.4%	23.6%	20.8%	20.9%	19.4%	18.2%
3 772	3 752	3 748	3 748	3 748	3 748	3 739	3 731

Provigo Inc.

Directors
▪Marcel Bélanger
Jean Boiteau
Claude Genest
▪David A. Golden
Carl R. Goslovich
*Jean-Louis Lamontagne
*Pierre H. Lessard
André Marier
*René Provost
Kenneth W. Quinn
Norman W. Robertson
*Gaston Roy
▪Guy St-Germain
*Antoine Turmel
Frank M. Warnock

*Member of the Executive Committee
▪Member of the Audit Committee

Major Bankers
National Bank of Canada
The Toronto-Dominion Bank
The Royal Bank of Canada
The Mercantile Bank of Canada
Union Bank-California

Auditors
Clarkson Gordon

Registrars and Transfer Agents
General Trust of Canada, Montreal
Guaranty Trust, Toronto

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Officers
Antoine Turmel
Chairman of the Board
and Chief Executive Officer

René Provost
Vice Chairman of the Board
and Director of Corporate Affairs

Pierre H. Lessard
President and Chief Operating Officer

Jean-Louis Lamontagne
Executive Vice President,
Wholesale Operations

Yvan Bussières
Vice President, Real Estate Development

Richard Constantineau
Vice President, Retail Operations

Claude Dufour
Vice President, Meat Operations

H. Paul Gobeil
Vice President, Finance and
Administration, and Treasurer

Jacques Lesage
Vice President, Human Resources

Jean-Claude Merizzi
Vice President,
Planning and Business Development

Gaston Roy
Vice President, Procurement

Claude E. Leduc
Secretary

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