Van Houtte Inc.

Annual Information Form
For the Fiscal Year ended March 29, 2003

July 23, 2003

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ITEM 1: INCORPORATION OF VAN HOUTTE AND SUBSIDIARIES

1.1 Incorporation

The Company was incorporated on March 25, 1980 as A.L. Van Houtte Ltée under the *Canada Business Corporations Act.* Its head office is located at 8300, 19th Avenue in Montreal, Quebec, H1Z 4J8.

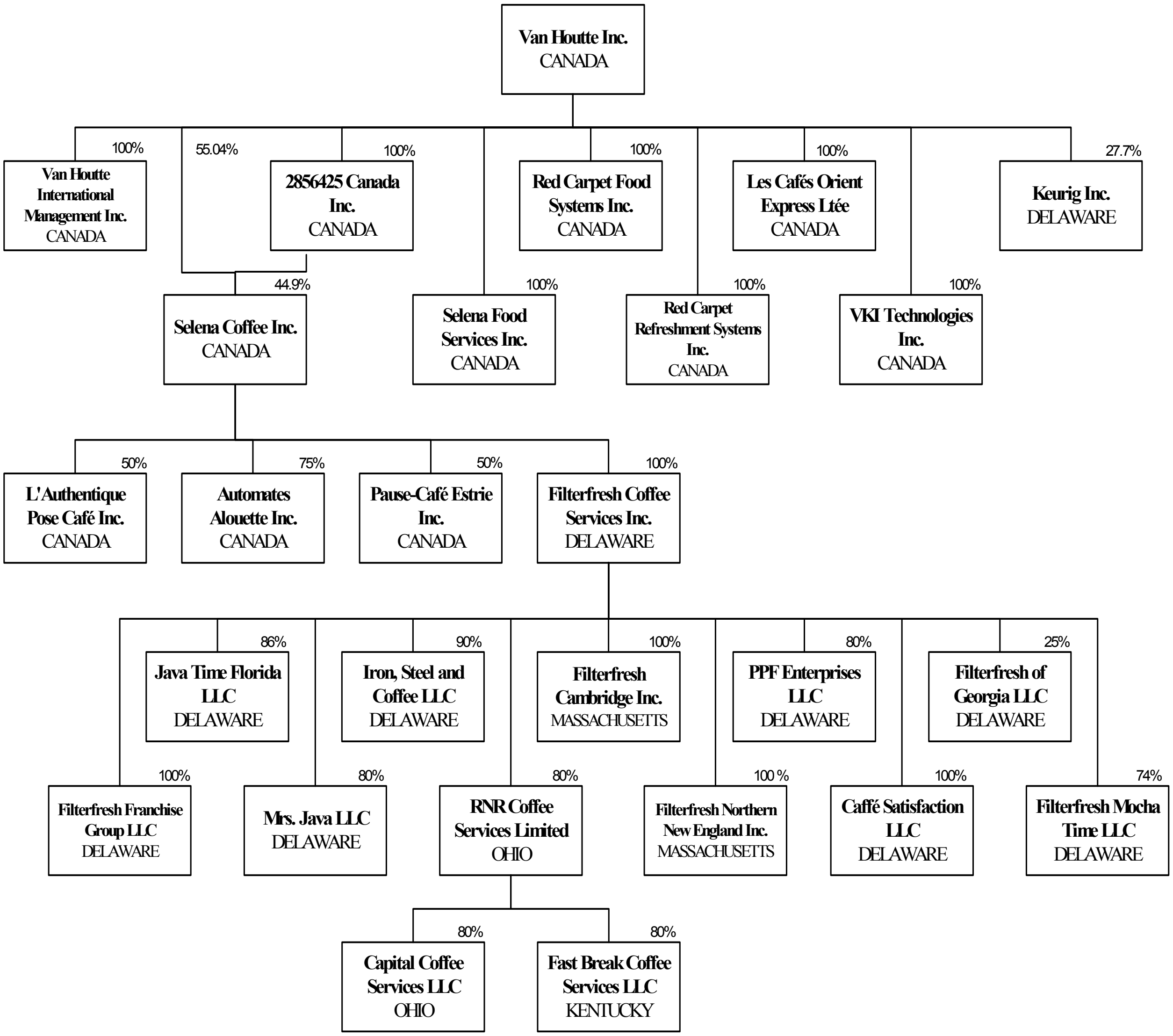
The Company's roots date back to 1919, when Albert-Louis Van Houtte founded an imported coffee and delicatessen business in Montreal. Pierre Van Houtte, the founder's son, pursued the importing and retail operations of the family business under the name "Maison A.L. Van Houtte Inc." During the 1970s, he added coffee roasting, packaging and wholesale distribution to the institutional and food sectors. His partnership with two other shareholders, Paul-André Guillotte and Benoît Beauregard, led to the creation of A.L. Van Houtte Ltée in 1980, which purchased the "A.L. Van Houtte" trademark and major assets of Maison A.L. Van Houtte Inc., excluding some of its retail outlets.

On June 30, 1981, a certificate of amendment was granted to the Company for the purpose of modifying its capital stock. On June 12, 1987, on the occasion of the Company's initial public offering, its bylaws were again amended, notably, to modify its capital stock. On September 13, 2000, the Company's bylaws were amended, authorizing it to change its corporate name to Van Houtte Inc.

In this annual information form, "Van Houtte" and the "Company" designate, depending on the context, Van Houtte Inc. or one of its subsidiaries or divisions.

1.2 Subsidiaries

The Company's organization chart is presented on the following page.


Van Houtte Inc.
CANADA
100%
Van Houtte International Management Inc.
CANADA
55.04%
100%
2856425 Canada Inc.
CANADA
44.9%
Selena Coffee Inc.
CANADA
100%
Selena Food Services Inc.
CANADA
100%
Red Carpet Food Systems Inc.
CANADA
100%
Red Carpet Refreshment Systems Inc.
CANADA
100%
Les Cafés Orient Express Ltée
CANADA
100%
VKI Technologies Inc.
CANADA
27.7%
Keurig Inc.
DELAWARE
50%
L'Authentique Pose Café Inc.
CANADA
75%
Automates Alouette Inc.
CANADA
50%
Pause-Café Estrie Inc.
CANADA
100%
Filterfresh Coffee Services Inc.
DELAWARE
86%
Java Time Florida LLC
DELAWARE
90%
Iron, Steel and Coffee LLC
DELAWARE
100%
Filterfresh Cambridge Inc.
MASSACHUSETTS
80%
PPF Enterprises LLC
DELAWARE
25%
Filterfresh of Georgia LLC
DELAWARE
100%
Filterfresh Franchise Group LLC
DELAWARE
80%
Mrs. Java LLC
DELAWARE
80%
RNR Coffee Services Limited
OHIO
100 %
Filterfresh Northern New England Inc.
MASSACHUSETTS
100%
Caffé Satisfaction LLC
DELAWARE
74%
Filterfresh Mocha Time LLC
DELAWARE
80%
Capital Coffee Services LLC
OHIO
80%
Fast Break Coffee Services LLC
KENTUCKY

ITEM 2: GENERAL DEVELOPMENT OF THE BUSINESS

Van Houtte has experienced sustained expansion through internal growth and acquisitions, mainly coffee service providers that were subsequently integrated into its own network. In the U.S., Van Houtte has acquired a controlling interest in a number of franchised Filterfresh outlets.

Transactions completed in the past five years

In fiscal 1998-1999, Van Houtte acquired four principal businesses for a total consideration of $13.2 million. In fiscal 1999-2000, Van Houtte acquired an additional seven principal businesses totalling $24.6 million, and executed a merger in the United States. During fiscal 2000-2001, the Company completed nine acquisitions valued at $49.5 million, and in fiscal 2001-2002, completed nine more acquisitions for a total of $19.7 million. As well, it made a $15.4-million portfolio investment for 27.7% (23.7% fully diluted) interest in Keurig Inc. ("Keurig"), a U.S. company holding the intellectual property rights to the patented *Keurig® Premium Coffee System*. Over the course of fiscal 2002-2003, the Company completed the acquisition of four franchised Filterfresh outlets and three other coffee services for a total consideration of $5.0 million.

In fiscal 2002, in addition to acquiring an interest in Keurig, Van Houtte signed an agreement making it an authorized user of the Keurig® brewer in its coffee services network. In so doing, the Company completes its line of VKI-manufactured brewers. Furthermore, the Company and Keurig have signed a non-exclusive agreement under which VKI will manufacture the Keurig B2003 model for the North American market.

The following table lists and briefly describes the most significant transactions per business segment over the past five years:

Transaction (date)	**Characteristics**
CORPORATE	
Keurig, Inc. (January, 2002)	• Purchased 27.7% of the shares (23.7% fully diluted); • Cash consideration of C$15.4 million; • Portfolio investment; • Keurig markets a patented brewing system.
ROASTING	
Gold Cup Coffee Company Ltd. (September 1998)	• Second largest gourmet coffee roaster and distributor in Western Canada (based in Vancouver); • The Coffee Group becomes the largest Canadian marketer of gourmet coffees and the only one operating across Canada.
Gérard Van Houtte Inc. (May 1999)	• Gourmet coffee roaster based in Ville St-Laurent, Quebec; • Purchased all the shares, settled partly in cash and the balance by the issue of Van Houtte shares; • The Company gains total control of the "Van Houtte" name and extends its Quebec customer base to the restaurant, coffee services and retail food markets.

Plant at Henderson (Kentucky)
December 2000

- Gourmet coffee roasting plant with an annual capacity of 10 million pounds;
- The Company can now more efficiently serve its growing market in the Central and Eastern U.S.

COFFEE SERVICES

Filterfresh Franchise in Cincinnati (Ohio)
(April 1999)

- Purchased 80% of the shares;
- Sold to owners holding a minority interest in Detroit and Cleveland corporate branches;
- Three branches now under a single corporate entity to accelerate development of the U.S. Midwest market.

Franchise Filterfresh in North Virginia and Washington, DC
(November 1999)

- Purchased 80% of the shares.

Acquisition of USREFRESH
(February 2001)

- 16 coffee services branches in the United States and 10 in Canada will increase annual sales by C$50 million;
- Annual sales of the U.S. Coffee Services network will top the $US100 million mark.

Acquisition of The Alexandria Group
(June 2001)

- Filterfresh franchisee;
- Three branches in New Jersey, Virginia and Florida.

Acquisition of Ag-Horn Coffee and Food Service Company
(February 2002)

- Customer base of 1,900 in San Antonio and Austin, Texas.

Filterfresh Franchise in San Antonio
(February 2002)

- Serving customers in San Antonio and Austin, Texas.

Acquisition of Coffee For A Purpose Inc.
(February 2002)

- Serves some 650 corporate customers.

Acquisition of Filterfresh Hudson Valley
(February 2002)

- Operations to be consolidated with Filterfresh Atlantic Jersey, with the exception of the Bronx.

Acquisition of Snackon Food Services Ltd.
(April 2002)

- A Montreal company and Van Houtte customer;
- Integrated into the Montreal operations

Acquisition of Eve's Seeds Inc
(April 2002)

- Filterfresh franchisee in Dallas, Texas;
- Administrative integration into the Austin, Texas branch.

Creation of Filterfresh Southern California
(March 2003)

- Joint venture with former Filterfresh franchisee in Los Angeles;
- Filterfresh: 74%; partner: 26%

Acquisition of Filterfresh Los Angeles
(March 2003)

- Integrated into Filterfresh, Southern California.

Acquisition of Filterfresh Orange County (March 2003)	• Integrated into Filterfresh, Southern California. •
Acquisition of Filterfresh St. Louis (March 2003)	• Integrated into Filterfresh Bluegrass.
Acquisition of C&P Coffee (March 2003)	• Coffee services outlet in Columbus, Ohio; • Integrated into Filterfresh Columbus
Acquisition of Ocean State Coffee (March 2003)	• Coffee services outlet in Rhode Island; • Becomes Filterfresh Rhode Island.

Strategic development in the past five years

Capitalizing on favourable trends in the gourmet coffee market, Van Houtte adopted a new strategic plan in fiscal 1999 to guide its North American expansion in the coming years. Its vision is to captivate North American consumers, one cup at a time, with Van Houtte's fine-tasting coffees and innovative merchandising concepts.

More specifically, Van Houtte set the following objectives:

- Align the Coffee Group's roasting and merchandising strengths, the Coffee Services network's expertise and VKI's product innovation capabilities to offer consumers a distinctive "Van Houtte" brand coffee experience;

- Establish a strong brand image across North America;

- Establish Van Houtte's leadership in the coffee services market on a continental scale using, among other things, single-cup brewing technology;

- Consolidate coverage of the retail food market in Canada and penetrate certain target markets in the United States.

Most of Van Houtte's future growth will come from the United States, especially in the coffee services market, which offers strong potential for consolidation and penetration with its single-cup brewing technology.

While pursuing the general development of its business, Van Houtte has spent the past three years putting into place the resources and tools required to ensure the success of its expansion strategy, notably:

- A new management team to centralize all strategic and support functions relating to North American Coffee Service operations; and

- A global approach aimed at constantly monitoring and enhancing customer and consumer satisfaction.

In August 2002, Van Houtte restructured its operations with a view to:

- Better leveraging its strengths: its brands, its expertise, its corporate culture and its information systems;

- Unifying the Company's various sectors to better coordinate their actions;

- Recognizing the specific characteristics of its two major markets: Canada and the United States;
- Bringing operations closer to the markets and customers.

Van Houtte reorganized its operations into two main operating units. The first combines coffee processing and all Canadian distribution operations. The second group is Van Houtte USA, which includes all the American operations. Its mandate is to develop Van Houtte's retail and coffee services operations in all its distribution networks.

At the end of fiscal 2002 and during fiscal 2003, Van Houtte revised its coffee services business model in order to enhance customer service quality while improving operating efficiency. The Company is of the opinion that the improved model will help increase both customer loyalty and operating margins.

Developed and fine-tuned in Montreal, the new business model will then be implemented elsewhere in Canada. The new model:

- Separates sales and customer service into two functions. Sales representatives will focus exclusively on recruiting new customers by highlighting Van Houtte's advantages: the selection of brewers and coffees, its ability to efficiently serve customers of any size, and its service quality. The creation of the positions of regional account and national account managers facilitates the recruitment of regional and national customers in Canada and the U.S. For their part, the account managers will focus on increasing the consumption of their existing customers by analyzing their needs;

- Groups together operations in urban centres formerly served by several branches. For example, the Montreal region, which was served by four branches, will now be served by only one. A similar reorganization will take place in Toronto and Calgary in 2003-2004;

- Optimizes logistics by using a software application developed and marketed by UPS. In Montreal, the number of distribution routes has decreased from 29 to 24.

Furthermore, Van Houtte has increased the number of sales representatives by 50% in the U.S. and by close to 40% in Canada.

These changes have had a very positive impact, significantly reducing the error rate in order preparation, the number and duration of back orders and the response time to calls and un-programmed orders. These improvements have had the desired effect: in Montreal the customer retention rate has improved considerably.

Although these changes target growth by improving service, they have also had an impact on operating efficiency and by extension, on certain cost items. For example, inventory in Montreal has decreased by a third.

In the U.S., the bid for improved efficiency and better cost control has been successful. Filterfresh has streamlined its administrative structure and set up better cost controls for its headquarters, branches and joint ventures, resulting in savings of over US$3.3 million.

In the United States, Van Houtte decided to adopt an "open model". While pursuing its objective to promote the Van Houtte brand in its coffee services network, Filterfresh will offer a more extensive line of products that includes other brands besides the Van Houtte name with a view to satisfying a broader range of customer needs. This "open model" will be limited to the United States, where the Company believes it would be too costly to create a sustainable competitive lead based on a single brand. Filterfresh will set itself apart from the competition through its service, quality and diversity of solutions offered to consumers in terms of coffeemakers, coffee blends and other beverages.

ITEM 3: NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 Principal products and services, methods of distribution and principal markets

Van Houtte is a fully integrated fine coffee roaster and distributor. The Company buys green coffee beans, roasts and packages them according to its own blends and recipes and distributes the coffee through distribution channels that reach consumers at home, at work and at play. The Company is active in Canada and the United States.

Manufacturing
Coffees are marketed in three main categories: roasted whole bean, ground coffee and instant coffee. Van Houtte specializes in gourmet whole bean and ground coffees. The Company believes it offers one of the most extensive, refined selections of gourmet coffees in North America. In addition to some 100 varieties of whole bean coffee amongst the regular, flavoured and decaffeinated coffees, Van Houtte also markets approximately 800 packaged products varying according to blends, packaging and formats.

The North American coffee market is characterized by a gradual shift in demand towards gourmet whole bean and ground coffee products at the expense of commodity ground coffee and instant coffee. In fact, there is a growing craving for superior quality coffees, which, notably, can be seen in the current proliferation of coffee bars across North America. According to Van Houtte's market surveys, the demand for better-quality and richer-tasting coffee is also increasing in the workplace. Whether at home, at work or in a restaurant, consumers not only demand a varied selection of coffees, but base their choices on credible, well-known brands. Furthermore, while the Canadian industry has been fairly consolidated over the past 15 years, the coffee services market in the US, worth over $3 billion annually, is still highly fragmented and rather unfamiliar with single-cup brewing technology.

Van Houtte has outfitted its plant with state-of-the-art equipment and avant-garde packaging. For instance, the Company installed a profile roasting system that is unique in Canada. Fully automated, this system enables it to accurately program the coffee roasting curve by modifying heat levels applied over 20 checkpoints. Not only can the coffee's degree of acidity or bitterness be accurately controlled, but several taste profiles can also be created from the same green coffee blend. Among other things, this equipment is being used to develop new coffee varieties designed specifically for single-cup brewers.

Packaging the coffee is another crucial step since it determines the freshness of the final product. Van Houtte has invested in modern packaging equipment and introduced a major innovation as it was the first company in Canada to use bags with a "freshness valve," a vacuum packaging technology.

In the last five years, Van Houtte invested more than $10 million to increase its production, packaging and warehousing capacity and to equip its facilities with state-of-the-art equipment. Moreover, its industrial process is fully automated, from the reception of green coffee to the packaging of finished products. These investments will allow the Company to absorb the growth in its business volume for the next few years.

Through its subsidiary VKI Technologies Inc. (“VKI”), Van Houtte is the leading North American manufacturer of single-cup coffeemakers designed to be used in offices and other business places. VKI was founded in 1947 by Mr. Alan King, the creator of single-cup brewing technology. VKI manufactures single-cup brewers almost exclusively.

VKI, whose manufacturing operations are carried out in a plant adjacent to its head office in Longueuil, Quebec, builds upon its most important strength: a unique product of excellent quality. Through continued research and development, VKI has been able to improve its equipment and add new features. In this respect, over the years, its research and development programs have enabled the organization to make important improvements in single-cup technology, such as increased brewing capacity, electronic and microprocessor control systems, liquid crystal display, an optional coffee/chocolate feature, enhanced design and paperless brewers.

VKI's main clientele consists of Van Houtte's North American coffee services organization. Its single-cup coffee brewers are also exported to Great Britain, Japan and Europe to manufacturers of vending machines that incorporate them into their equipment. In the upcoming fiscal years, VKI intends to further expand its independent customer base.

Distribution
Van Houtte reaches consumers through four main distribution channels:

- Retail food stores, including grocery chains, specialty shops, convenience stores, club stores and drugstores;

- Its coffee services network;

- Its network of cafés-bistros;

- Hotels, restaurants and institutions (HRI).

Retail operations
Van Houtte products are sold in over 4,350 supermarkets, including 3,000 across Canada and 1,350 on the U.S. East Coast, from New England to Florida. Van Houtte typically negotiates with the supermarket chains it deals with, and to this end, has developed effective merchandising tools and concepts that appeal to consumers and are profitable for the retailer.

Coffee services operations
Coffee Services supply coffee and related products through distributors to offices, industrial establishments and educational, health and other institutions. Coffee services operators provide coffee brewing equipment to offices, which in return, must purchase their coffee and peripheral items from them. These operators also offer their customers coffee-related products (milk and creamers, stir sticks, sugar) and service the coffee brewing equipment.

There are two major categories of coffee services equipment: the traditional pour-over equipment and the more advanced single-cup automatic brewer. The latest technology typically enables the user to choose the coffee blend (regular, decaffeinated, flavoured or a mixture of coffee and chocolate), strength of coffee (mild, medium and strong) and cup size (one of three). These coffeemakers also dispense hot chocolate and hot water for tea, soup or other beverages.

In the coffee services distribution channel, Van Houtte stands out in three ways:

- By offering an unparalleled, extensive line of brewing equipment, including single-cup models adapted to companies of all sizes, from SMEs to companies with several thousand employees. For customers and consumers, single cup coffee brewers offer an obvious improvement over conventional coffeemakers as they provide superior-quality coffee, available at all times. For Van Houtte, this technology is an important source of differentiation and added value that also yields higher profit margins and return on assets, since the equipment is leased to customers. Van Houtte offers its customers coffeemakers developed and manufactured by its subsidiary VKI Technologies, as well as coffeemakers that use K-cup technology developed by Keurig. Not only is Van Houtte a Keurig shareholder, but some Keurig models are manufactured under license by Van Houtte's subsidiary, VKI Technologies;

- By operating a network of branches that allow the Company to meet the needs of companies and multi-site organizations with a regional or national presence;

- By offering a product, equipment and service quality that is difficult for a smaller company to emulate.

In Canada, Van Houtte operates a network of corporate coffee services branches serving 40 urban centres from Halifax to Victoria.

In the United States, Van Houtte's Filterfresh subsidiary operates a network of 27 corporate and joint venture outlets and 26 franchisees in 29 states. Filterfresh franchisees are granted an exclusive territory for a ten-year period and the right to use the Filterfresh name and VKI equipment. In addition to an initial franchise fee, the franchisee also pays a royalty of 5% on annual gross sales. Under the franchise agreement, the franchisee must purchase all its coffeemakers and parts from VKI or from a Filterfresh authorized manufacturer. Coffee and chocolate must be purchased from Van Houtte or through authorized suppliers, while such other items as accessories and condiments must meet either industry standards or, in some cases, standards set by Filterfresh. Filterfresh sometimes buys back and integrates franchised outlets into its network of branches when franchise maturity conditions are right and Van Houtte and the franchisee deem it is mutually beneficial to proceed in this manner.

Through its combined Canadian and U.S. networks, Van Houtte operates the largest single-cup equipment base in North America: 37,350 corporate coffee brewers as at March 29, 2003, of which 14,472 are in the United States (not to mention the 10,105 units operated by U.S. Filterfresh franchisees). Each day, Van Houtte's North American Coffee Services network serves more than two million consumers.

Cafés-bistros
Van Houtte opened its first café-bistro in May 1981. As at March 29, 2003, the network comprised 63 café-bistros and coffee bars in Quebec, including three owned by the Company. Even if this sector generates a marginal portion of the Company's consolidated revenues, franchising activities are an important part of Van Houtte’s development strategy since they help promote brand recognition.

With surface areas varying between 700 to 2,000 square feet, the café-bistros offer a large selection of specialty coffee in the form of beans and beverages, as well as light menus. Coffee bars are much smaller, offer a smaller range of products and are designed to be integrated into high-traffic public spaces such as supermarkets, hospitals and campuses. The franchise network is governed by a standard contract, according to which each franchisee has the right to use the Company's trademarks and to operate a café-bistro in a specific location. Under the franchise agreement, the franchisee assumes all operating costs of the business and pays royalties on gross revenue to Van Houtte. Furthermore, the agreement specifies that the franchisee must procure all coffee products from the Company and must obtain other products from suppliers designated by the Company. In exchange for the entry fees and royalties, the Company provides franchisees with support services.

Hotels, restaurants and institutions (HRI)
Since its inception, Van Houtte has distributed its fine coffees to hotels, restaurants and institutions, a distribution channel that until now, the Company has not fully exploited. However, Van Houtte plans on leveraging the potential of its new machine, Espresso Café™ to target this sector more aggressively and systematically. The Company believes that this new machine (see p. 23 of the Annual Report) gives it a competitive lead with fine restaurants, some cafeterias and other institutional milieus.

Segmented information
Van Houtte divides its operations on a geographical basis. Segmented information is presented separately for Canada and the U.S., the Company’s core areas of activity.

The following table shows the breakdown of the Company's revenue among its main sectors for the past two years:

	Fiscal years ended			
	March 29, 2003		March 30, 2002	
REVENUES:	($000)	(%)	($000)	(%)
Canada	**$229,126**	72%	228,576	72%
United States	**88,523**	28	86,961	28
	$317,649	100%	$315,537	100%
General corporate revenues and other	8,035		5,788	
Intersegment	(8,916)		(4,997)	
TOTAL	**$316,768**		$316,328	

3.2 Customers representing more than 10% of revenues

None of Van Houtte's clients accounts for more than 5% of its total revenues.

3.3 Geographic segmentation of sales

Geographically segmented sales information appears on page 12 of this Annual Information Form.

3.4 Product development

A discussion of recent product development appears on pages 23 and 25 of the Company's 2003 Annual Report and is incorporated by reference.

3.5 Sources and availability of raw materials

Van Houtte purchases green coffee beans from the main coffee producing countries in South and Central America, as well as some African countries. Due to the Company's positioning in the gourmet coffee market, its buyers select green coffee beans almost exclusively in the arabica group, based on the quality of the harvest, the plantation and weather conditions. The Company deals mainly through Canadian brokers. It buys most of its inventory three to six months in advance, basing its importing and inventory policies on conditions within the international market and its assessment of future trends in raw material prices. The Company buys its green coffee in US dollars and uses future contracts to offset the impact of any price fluctuations due to unforeseeable external factors.

3.6 Intangibles: patents, trademarks, licenses and franchises

As at March 29, 2003, intangible assets totalled $138,361,000, including $132,963,000 in corporate goodwill, and the rest in trademarks and deferred charges. The Company, directly or through its subsidiaries, owns or holds the rights to several trademarks in the United States, Canada and various other countries in Europe and Asia. The principal brand names held by the Company are "Van Houtte," "A.L. Van Houtte," "Orient Express," "Café Christophe Van Houtte," "Gérard Van Houtte," "Azzura," "Red Carpet," "Selena," "Filterfresh," "Suprema," "Piccolina", "Caffè Mio", "Caffè! Caffè!", "Espresso Café" and "Scalehammer". As provided for in an agreement with Keurig, the Company is an authorized user of the "Keurig" and "K-Cup" trademarks. Given the strategic importance of these brand names, the Company has set up control and protection mechanisms needed to safeguard their continuity.

The Company owns approximately 20 patents protecting its innovations pertaining to components of single-cup coffeemakers in most industrialized countries. The Company's policy is to apply for patents when, in the opinion of management, a patent provides effective and financial protection against imitation.

3.7 Seasonal variations

As for the industry as a whole, Van Houtte's business is subject to a decrease in sales during the summer vacation periods, particularly in the coffee services sector. The summer months correspond to the end of the Company's first quarter and the beginning of its second quarter. However, this factor is somewhat offset by the fact that the first quarter includes 16 weeks instead of 12, which provides for more consistent quarterly results from an accounting point of view.

3.8 Termination or renegotiation of material contracts

Apart from the collective agreements discussed in Section 3.13 and the employment contract of the president and chief executive discussed below, no contract that could have a material impact on the Company's business is expected to be terminated or to be due for renegotiation in fiscal 2004.

On July 15, 2003, the Company announced the resignation of Marc G. Fortier, until then its president and chief executive officer. In accordance with his employment contract, Van Houtte will pay Mr. Fortier an amount equal to two years' salary plus bonuses, i.e., $510,000 in July 2003 and an equal amount in July 2004. In addition, Mr. Fortier is entitled to the benefits stipulated under his pension plan as soon as he is eligible. Van Houtte will record a provision in the first quarter of 2004 covering all of these expenses.

3.9 Principal plants and properties

The following table sets forth information regarding the Company's principal properties:

Location	Principal Activity	Nature of Interest	Size (sq. ft.)
8300 19th Avenue (1) Montreal, Quebec	Company Head Office and roasting plant	owned	45,000
8470 19th Avenue Montreal, Quebec	Distribution centre and Café-bistro Division	owned	65,000
3200 2nd Street Longueuil, Quebec	Equipment mfg. plant & VKI Head Office	owned	48,620
2625 Duchesne St. St-Laurent, Quebec	Roasting plant (Gérard Van Houtte Inc.)	owned	33,204
5233 Industrial Park Henderson (Kentucky)	Roasting plant and distribution centre	leased	35,000
8215 17th Avenue Montreal, Quebec	Distribution centre and Coffee Services Division	leased	73,679

(1) This building had a mortgage of $1,549,000 as at March 29, 2003.

In addition, the Company leases 81 sites where it operates its coffee services and vending machines.

3.10 Competitive conditions

Over the past five years, Van Houtte has stepped up its shipment by more than 13.3% on average per year, a performance clearly above the entire coffee industry in Canada. In fact, Van Houtte has carved a unique position in the Canadian industry.

Roasting

Van Houtte is the leading roaster of gourmet coffee in Canada. By offering solutions tailored to each of its customers, the Company succeeds in efficiently serving all channels of the retail food sector: grocery stores, superstores, convenience stores, drugstores, restaurants, etc. In this sense, Van Houtte is an integral part of the marketing strategy of its customers, for whom it formulates concepts that give it an exclusive edge with its clientele. Due to the quality and variety of its assortment of gourmet coffees, the size and visual appeal of its displays and their optimal use of selling space, Van Houtte has literally redefined the "coffee category" for supermarket shoppers. Its concepts, which are like boutiques within grocery stores, usually generate significant increases in its customers' coffee sales. This performance has enabled Van Houtte to expand its share of the Canadian market every year, with the result that it currently supplies coffee to over 3,000 supermarkets across Canada, half of which are outside Quebec, in addition to thousands of retail outlets of various types.

In the last five years, Van Houtte achieved strong growth in roasting and marketing revenues outside Quebec. Among other things, thanks to the solid relationships it has forged with major national chains in the retail food industry, the Company was able to take advantage of industry consolidation by implementing its "Van Houtte" and "Orient Express" concepts in hundreds of new sales outlets in Ontario, mostly in the Toronto and Ottawa areas. It also became a major player in the Atlantic Provinces and in Western Canada. In September 1998, the Company accelerated its expansion from coast to coast by acquiring Gold Cup Coffee Company Ltd., a coffee distributor serving an extensive customer base in the retail food and foodservice sectors, mainly across British Columbia and Alberta but also in Manitoba, Saskatchewan and Ontario. With this acquisition, Van Houtte became a truly national organization and moved into the No. 1 position in the Canadian industry. In fiscal 2002, Van Houtte coffees became the best-selling gourmet coffees in supermarkets in all the Canadian regions.

In the United States, Van Houtte now distributes its coffees to some 1,350 grocery stores operating under the Publix chain across Florida and Georgia, the BI-LO chain in Virginia and North and South Carolina, and the Hannaford and Stop and Shop chains in New England, New York and New Jersey. This first phase has proven positive so far and allows the Company to contemplate the implementation of more complete concepts, adapted to the specific features of these markets.

Coffee services

Van Houtte is the leading coffee services company in North America as well as the leading player in the marketing of single-cup brewing technology. Since it entered the coffee services market in 1992, the Company has constantly broadened its coverage of the Canadian market through internal growth and business acquisitions, both in the traditional and single-cup coffee service segments. Through Red Carpet and Selena Coffee, Van Houtte ranks first in the Canadian coffee services market with a market share of more than 50% and branches in 40 urban centres across the country. The second largest operator and the only one besides the Company to serve the entire country has a market share of approximately 15%. The rest of the market is relatively fragmented and held by regional and local operators.

In the United States, the market remains very fragmented and still consists of local, and in some cases, regional independent companies. Van Houtte estimates it holds approximately 3% of this highly fragmented sector.

3.11 Research and development

In fiscal 2003, the Company allocated approximately $1.4 million to its R&D programs, devoted to the following: design and improvement of single-cup brewers and, more generally, brewing technologies; related technologies, such as coin-operated mechanisms, water treatment technologies; roasting technologies, development and fine-tuning of blends and recipes.

3.12 Environmental protection requirements

Management knows of no environmental protection requirement that could have a material impact on the capital expenditures, earnings or competitive position of the Company for the current or upcoming fiscal years.

3.13 Number of employees

As at March 29, 2003, Van Houtte and its subsidiaries were staffed by a total of 1,778 employees of which 1,650 are permanent.

In Canada, 85 employees of the Montreal roasting plant are members of the United Food and Commercial Workers International Union-Canada, local 501. Their last collective agreement was signed on June 1, 2003, expiring on May 31, 2008. In addition, 16 employees are unionized and belong to the United Food and Commercial Workers International Union-Canada, local 503. Their collective agreement was signed on June 26, 1999 for a period of five years. The 20 unionized employees of the vending machine network are represented by the United Food and Commercial Workers International Union-Canada, locals 832 and 503. Their collective agreements were signed respectively on June 1, 2000 for a period of three years (negotiations are currently underway to renew this agreement) and June 26, 1999 for a period of five years.

In the U.S., 18 employees are unionized and belong to the International Brotherhood of Teamsters, local 804. Their collective agreement was signed on October 26, 2000 for a period of four years.

As well, 48 employees of VKI Technologies are members of the United Food and Commercial Workers International Union-Canada, 501. Their last collective agreement was signed on January 1, 2002 for a period of five years.

Van Houtte has never experienced a work stoppage and is on good terms with its employees. It favours an open management style based on communication, training and support for human resources.

3.14 Foreign operations

A growing portion of Van Houtte's operations is carried out in the U.S. Both revenues and expenses are made in U.S. currency and generate no material foreign exchange risk. All of the Company's purchases of green coffee are paid in U.S. dollars. Forward exchange contracts are used to hedge against foreign exchange fluctuations.

ITEM 4: SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.1 Data for the last five fiscal years

(in thousands of dollars, except per-share amounts)

	Fiscal years ended				
	March 29, 2003(1)	March 30, 2002(2)	March 31, 2001	April 1, 2000	April 3, 1999
Operating revenues	**$316,768**	$316,328	$279,173	$250,352	$234,614
EBITDA (3)	**61,610**	63,828	63,290	55,860	49,002
Earnings before non-recurring charges	**19,612**	18,283	21,789	18,971	17,030
per share, basic	**0.91**	0.84	1.01	0.88	0.79
per share, fully diluted	**0.91**	0.83	1.00	0.88	0.79
Net earnings	**14,728**	5,176	21,789	18,971	17,030
per share, basic	**0.68**	0.24	1.01	0.88	0.79
per share, fully diluted	**0.68**	0.24	1.00	0.88	0.79
Cash flow	**50,662**	48,742	47,679	42,437	37,449
per share, basic	**2.34**	2.26	2.21	1.96	1.73
per share, fully diluted	**2.33**	2.23	2.17	1.91	1.68
Total assets	**370,110**	377,698	340,702	269,288	233,495
Shareholders' equity	**212,241**	207,234	210,864	193,711	180,210
Long-term debt	**83,226**	95,392	80,153	40,501	23,217
Dividends per share	**0.20**	0.20	0.18	0.16	0.14
Coffee shipments (millions of lbs.)	23.1	22.1	19.5	16.6	14.1
Number of installed single-cup brewers	37,350	36,433	35,628	31,555	25,680

(1) Earnings for fiscal 1999 to 2002 are after depreciation and goodwill, in accordance with accounting principles in effect during this period.
(2) Adjusted to take into account activities abandoned in 2003.
(3) Earnings before interest, taxes, depreciation and amortization, before participation in the results of companies subject to significant influence and net of non-controlling interest

As Van Houtte's sales are subject to fluctuations in coffee prices, real business growth is best measured by increases in the volume of roasted coffee shipped by the Company and in the number of corporate-owned single-cup equipment. Finally, the fiscal year ended April 1, 2000 consisted of 52 weeks, as opposed to 53 weeks the previous year.

4.2 Quarterly results

Summary quarterly results for fiscal 2003 and 2002 appear on page 28 of the Company's 2003 Annual Report and are incorporated by reference.

4.3 Dividend policy

Van Houtte intends determining at mid-year the appropriateness of paying a dividend and, if so, the amount of such dividend based on the Company's financial position and investment plans. A dividend of $0.20 per share was paid in fiscal 2003, corresponding to approximately 9% of the previous year's cash flow per share.

ITEM 5: MARKET FOR THE NEGOTIATION OF SECURITIES

The subordinate voting shares of Van Houtte Inc. are traded on the Toronto Stock Exchange under the VH symbol.

ITEM 6: BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date hereof, the name, municipality of residence and principal occupation of each of the Directors and Officers of the corporation is as follows:

Directors:

Name and Municipality of Residence	Principal Occupation and Position held with the Company	Period of service as a director	Shares owned beneficially by a director or over which a director exercised control of direction as at July 23, 2003	
			Multiple Voting Shares	**Subordinate Voting Shares**
Sylvain Bernier Mont St-Hilaire, Quebec	Executive Vice-President and Chief Operating Officer The Beauregard group of companies	2002 to date	-	1,000
Jean Chagnon Montreal, Quebec	President Lallemand Inc.	1995 to date	-	5,000
Michael Gray Richmond, Virginia	President and Chief Executive Officer Performance Food Group, Inc.	1999 to date	-	500
Paul-André Guillotte Montreal, Quebec	Chairman of the Board Van Houtte Inc.	1980 to date	1,400,000	16,818
Yvon Julien Longueuil, Quebec	Corporate Director	1993 to date	-	4,734
Jean-Yves Monette Laval, Quebec	President and Chief Executive Officer Van Houtte Inc.	2003 to date	-	4,676
Michel Ouellet Laval Quebec	Corporate Director	1993 to date	-	1,071,096

Directors:

Name and Municipality of Residence	Principal Occupation and Position held with the Company	Period of service as a director	Shares owned beneficially by a director or over which a director exercised control of direction as at July 23, 2003	
			Multiple Voting Shares	**Subordinate Voting Shares**
Robert Parizeau Montreal, Quebec	Chairman of the Board Aon Parizeau Inc.	2002 to date	-	2,000
Christian Pouliot Montreal, Quebec	Corporate Director	1993 to date	-	1,113,794
Pierre Van Houtte Montreal, Quebec	Honorary Chairman of the Board Van Houtte Inc.	1980 to date	2,500,000	334,400
Pierre-Luc Van Houtte St-Donat de Montcalm, Quebec	Secretary Van Houtte Inc. And Corporate Director	1980 to date	-	1,000

Officers:

Name and Municipality of Residence	Position held within the Company
Bruce Andrew Minesing, Ontario	Vice-President - National Sales
Jean-Olivier Boucher Laval, Quebec	Director, Legal Affairs
Stéphane Breault St-Lambert, Quebec	President, Café Bistros
Jacques Brunelle Lorraine, Quebec	Vice-President Canadian Operations – Coffee Services Vice-President – Central Region
Roger Cohen Brookline, Massachusetts	President, Filterfresh Coffee Services, Inc., Van Houtte USA
Normand De Césaré Blainville, Quebec	Corporate Controller
Gérard Geoffrion Montreal, Quebec	Executive Vice-President & Chief Financial Officer
Johanne Groulx Lachine, Quebec	Vice-President, Supply Chain & Trade Policy
Ed Holloran Wilmington, Massachusetts	Vice-President – Business Development, Van Houtte USA
Catharine Horne Etobicoke, Ontario	Vice-President – Strategic Service Providers

Officers:

Name and Municipality of Residence	**Position held within the Company**
David Laurie Montreal, Quebec	Vice-President, Retail Sales - Canada
Roger Leblanc Laval, Quebec	Vice-President, Manufacturing & Distribution
Jamie Livingston Richmond, British Columbia	Vice-President Operations – Pacific Region
Miles Malanowich Puyallup, Washington	Vice-President Operations – Western Region, Van Houtte USA
Robert Mann Calgary, Alberta	Vice-President Operations – Prairie Region
Ronald McArthur Aurora, Ontario	Vice-President, Acquisitions
Angelo Mottillo Montreal, Quebec	Vice-President – Business Development, VKI Technologies
Thierry Pejot-Charrost Montreal, Quebec	Director, Internal Audit
Lucia Pollice Laval, Quebec	Vice-President Operations – Eastern Region
Walter Prokopchuk Mansfield, Massachusetts	Vice-President Operations – Eastern Region, Van Houtte USA
Robert St-Jean Framingham, Massachusetts	Vice-President – Finance & Administration
Mario Tougas St-Julie, Quebec	President, VKI Technologies Inc.
Ricardo Tozzi La Prairie, Quebec	Vice-President - Operations, VKI Technologies

Over the past five years, the above-mentioned officers have held similar positions with the companies indicated next to their names, their subsidiaries, their predecessors or affiliated companies, with the exception of Jacques Brunelle, who before 2001 was Vice-President Sales at Canada Post Corporation; Catharine Horne who before 2001 was General Manager, Commercial Sales – Ontario and Atlantic Provinces for Canada Post Corporation; Bruce Andrew, who before April 2001 was National Director of Sales at Red Carpet Food Systems; Lucia Pollice who, from January 2001 to July 2002 was General Manager, Retail/Distribution Sectors for Ontario, and from January 1997 to December 2000 was Manager, IBM PC Telesales Eastern Region; David Laurie who prior to February 2001 was Director of Sales – Eastern Canada at Pillsbury; Robert St-Jean who prior to July 2000 was Financial Director – Production and Supply Chain of Quest International North America; and, Jean-Olivier Boucher who prior to November 2002 was Director, Mergers and Acquisitions at the Canadian Imperial Bank of Commerce.

ITEM 7: ADDITIONAL INFORMATION

Other information, including information on the remuneration of officers, indebtedness of officers, principal holders of Van Houtte securities, as well as the interest of insiders in material transactions, is presented in the Management Proxy Circular prepared for the Company's Annual General Shareholders' Meeting on September 9, 2003 and are incorporated by reference. Additional financial information for the fiscal year ended March 29, 2003 is presented in the Company's Annual Report, in the comparative financial statements and notes thereto found on pages 31-46. These documents are available to the public under the conditions provided for in section 87 of the Quebec *Securities Act*, at the Head Office of the Company:

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ITEM 8: MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL POSITION

Management's Discussion and Analysis of Operating Results and Financial Position, as well as the Consolidated Financial Statements and notes thereto presented in the Company's 2003, 2002, 2001, 2000 and 1999 annual reports are integrated by reference in this Annual Information Form.