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

# ANNUAL INFORMATION FORM

Financial year ended May 31, 2004

October 8, 2004

# TABLE OF CONTENTS

Unless the context indicates otherwise, the use in this Annual Information Form of the terms *« our » and « we », the « Company », the « Jean Coutu Group* » collectively refer to The Jean Coutu Group (PJC) Inc. and barring contrary requirements or indications, to its subsidiaries.

The Annual Information Form which follows focuses on the fiscal year of The Jean Coutu Group ended May 31, 2004. Its statements deal with The Jean Coutu Group independently and without reference to the activities of Eckerd, except when the acquisition of Eckerd is specifically mentioned.

On August 20, 2004, the board of directors of the Jean Coutu Group elected to modify the Company's year end in order to conform it to the National Retail Federation's fiscal calendar. Effective this fiscal year, the Company will disclose its financial results on the basis of four even quarters of thirteen weeks, respectively ending on August 28, 2004, November 27, 2004, February 26, 2005 and May 28, 2005 for the current year.

**FORWARD LOOKING STATEMENTS**

This Annual Information Form contains certain "forward-looking statements" as defined in the *Private Securities Litigation Reform Act* of 1995. Any statement in this report not based on historical fact may be deemed a forward-looking statement. When used in this report, the words "believe,""intend,""expect,""estimate" and other similar expressions are generally intended to identify forward-looking statements. Such statements are not guarantees of the future performance of the Jean Coutu Group or its industry and involve known and unknown risks and uncertainties that may cause the outlook, the actual results or performance of the Jean Coutu Group or of its reportable segments to be materially different from any future results or performance expressed or implied by such statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## ITEM 1. CORPORATE STRUCTURE

### Incorporation of the Issuer

The Jean Coutu Group (PJC) Inc., which has its head office at 530 Bériault Street in Longueuil, Quebec, was incorporated on June 22, 1973, under the name Farmico Services Inc. (in French, Services Farmico inc.), under Part I of the Companies Act (Quebec). On January 24, 1979, the Company obtained supplementary patent letters to modify its authorised capital stock.

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

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

On March 4, 1992, on September 29, 2000 and on September 25, 2002, the Company each time modified its statutes and proceeded to split its shares on a basis of two new shares for each existing share.

### Intercorporate Relationships

As of May 31, 2004, our only subsidiary, which represented more than 10% of our consolidated assets or more than 10% of our consolidated sales and operating revenues, was The Jean Coutu Group (PJC) USA, Inc., incorporated under the laws of Delaware on August 6, 1986. This company, which is wholly owned by us and whose head office is in Warwick, Rhode Island, specializes in retail sales through a network, which comprises 336 Brooks corporate pharmacies as of May 31, 2004, warehousing and distribution, as well as managing the real estate portfolio of The Jean Coutu Group in the United States.

## ITEM 2. GENERAL DEVELOPMENT OF THE BUSINESS

### History and Profile

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

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

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

In 1987, the Company expanded into the north-eastern United States through its Jean Coutu Group (PJC) USA, Inc. subsidiary. The Company's American network had grown to include 22 corporate pharmacies in October 1995, when The Jean Coutu Group completed its largest acquisition so far: the purchase of 221 Brooks Drug Store pharmacies in New England.

Due to this acquisition, the Company now ranks among the 10 largest organisations in its North American industry. In January 2002 another acquisition added 80 pharmacies to the American network.

As of May 31, 2004, the Canadian and American network comprised of 655 corporate and franchised outlets.

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

Through its subsidiary, The Jean Coutu Group (PJC) USA, Inc., The Jean Coutu Group is also the second-largest player in the New England market, as owner-operator of 336 Brooks Pharmacy outlets in seven states as of May 31, 2004. This network is served from a central warehouse in Dayville, Connecticut, and a head office in Warwick, Rhode Island. The American subsidiary's pharmacies, warehouse and head office employed a total of 8,859 people on May 31, 2004.

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

**Principal Development and Acquisitions of the Last Three Years**

**2001-2002**

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

During the financial year 2001-2002, an additional ten PJC, one PJC Santé Beauté and four Brooks pharmacies were opened. Also, thirty PJC outlets and sixteen Brooks were enlarged, renovated or relocated.

**2002-2003**

In Canada, fiscal 2002-2003 was marked by the opening of eight new pharmacies and one PJC Clinic. In addition, three outlets were relocated among which one on Ste-Catherine Street in Montreal; with its 17,000 square feet, this pharmacy is the network's largest. Finally, nineteen establishments were remodelled or enlarged to better serve the clientele.

In the United States, seventeen Brooks pharmacies were relocated and nine stores were renovated or enlarged to reflect the new prototype concept. Moreover, four new establishments opened during fiscal 2002-2003 and eight properties were purchased for future development.

**2003-2004**

To maintain its leadership position in the industry, the Company opened during fiscal 2003-2004 seven new stores in Quebec and two new stores in New Brunswick. Six stores were significantly revamped, seven were expanded and four more were relocated. The Company has also finalized during this fiscal year the acquisition of seven new properties and of three Pharmasave stores in Ontario.

The Company has also continued expanding its Brooks network in the United States with the opening of five new stores and the acquisition of eight new properties located in the states of Connecticut, Massachusetts, Vermont and Rhode Island. Seven Brooks stores were significantly remodelled while six other stores were relocated.

*Subsequent events*

On July 31, 2004, the Company has completed the most important acquisition of its history with the acquisition of 1,549 Eckerd drugstores and support facilities located in 13 states of the Northeast, mid-Atlantic and Southeastern United States for an acquisition price of US$2.375 billion, together with closing adjustments of approximately US$112 million. The Jean Coutu Group is now the fourth largest drugstore chain in North America, with a combined network of 2,204 stores. The acquired drugstores will continue to operate under the Eckerd name.

Pursuant to this acquisition, the Jean Coutu Group now operates a combined network of 2,204 stores, including 1,885 outlets operated by the Company under the names of Eckerd and Brooks, located in eighteen states, and a network of 319 franchise stores under the PJC name located in three canadian provinces.

Further to this acquisition, the Jean Coutu Group (PJC) Inc. has become the fourth largest drugstore chain in North America. It remains the second largest in both the eastern United States and Canada.

The Business Acquisition Report (Form 51-102F4), filed by the Company on August 16, 2004, is incorporated to this Annual Information Form by reference.

## ITEM 3. DESCRIPTION OF ACTIVITIES

### Business Strengths

***Significant Scale, Leading Market Position, Extensive Geographic Footprint and Well-Recognized Store Banners***. Our store network has significant scale, a leading market position in the eastern United States and Canada, and an extensive geographic footprint. We believe our well-recognized store banners, including PJC Jean Coutu, PJC Clinique, Brooks and, from now on, Eckerd, have established reputations for convenience, professionalism and excellence in pharmacy services, front-end product selection and value, as well as customer service, that help us to differentiate our stores from those of our competitors and to increase our large base of loyal customers. We believe that the geographic diversity of our network throughout 18 states in the eastern United States, following the Eckerd Acquisition, and three eastern Canadian provinces reduces our exposure to adverse local or regional market conditions.

***Modern Store Base in Favorable Locations.*** We believe that our PJC and Brooks stores and the Eckerd stores we are acquiring are high-quality stores in strategic locations. We choose our store sites selectively to maximize store traffic and visibility and we work to manage effectively the closure or relocation of under-performing stores.

Substantial capital investments in our store network have been made in recent years. During the last five years, we have invested more than US$117 million in the aggregate in our Brooks stores and approximately 56% of our PJC and Brooks stores have been either opened, renovated, relocated or remodeled.

***Differentiated U.S. Business Model.*** We believe that our U.S. business model, which we intend to apply to the Eckerd stores, differentiates us in the following positive respects:

*Drugstore Operational Expertise.* We believe we have developed substantial drugstore operational expertise that enables us to efficiently match our product offerings to our customers' preferences. We employ this expertise throughout our product delivery chain, from supply and distribution of products to merchandising and marketing and ultimately to the sale of products to our customers. Our product delivery chain is maintained by experienced and well-trained store and management personnel. We have also developed substantial expertise in the selection of store locations and the development of store designs.

*Sophisticated Technology and Systems.* We have enhanced the efficiency of our operations through the use of technology, such as point of sale scanners, which enable us to perform in-depth analysis of and quick decision-making with respect to inventory and pharmacy and front-end sales. Further, we use our technology to refine our purchasing operations and work with our suppliers to tailor our merchandising, customize our shelf space to customer preferences and maximize in-stock positions of high-demand products in an effort to increase sales volume and gross margins. In addition, we have developed a sophisticated, proprietary pharmacy information and workflow system, known as Rx Pro in Canada and as Brooks Rx Care in the U.S. This system is designed to enable an efficient workflow process that optimizes pharmacy services with a focus on fast prescription filling, reduction in filling errors, and maximization of in-stock positions of high-demand prescription drugs.

*Streamlined Management Structure.* We have a relatively "flat", streamlined management structure. We maintain this management structure in order to expedite decision making, better address local demand for specific products and services and reduce corporate overhead expenses.

*Focus on Higher-Margin Front-End Merchandise.* We continuously refine our front-end product selection and quality in order to increase our sales of front-end merchandise. In particular, we are focused on continuing to increase our sales of higher-margin beauty and cosmetic products, over-the-counter medications, private label products and seasonal and other merchandise tailored to local tastes and demands, to further improve profit margins and differentiate our stores from those of our competitors. Our Brooks chain has experienced positive comparable store growth of front-end merchandise sales in each fiscal quarter since 1994.

*Commitment to Customer Care and Service.* We are committed to ensuring a highly-positive customer service experience at our stores. To this end, we strive to maintain optimal levels of courteous and professional staff members. The 2003 Third Annual Shopper Report, a U.S. consumer survey published by Chain Store Age and Capgemini, ranked our Brooks stores first in their New England area of operations in all categories, including ease of shopping, price and product assortment. We believe that our pharmacy information work flow system minimizes wait times for our pharmacy customers. Furthermore, in many of our stores we provide extended pharmacy hours, drive-through windows and prescription refills through the Internet or an interactive telephone system in response to customer demand for quality and convenience. In addition, we design the pharmacy area of our stores, including our patient consultation counters, to enhance the professional atmosphere of the pharmacy operations. It is our strategy to have our pharmacists become an integral part of the health care decision making process of our customers.

***Cash Flow Generation.*** Our Canadian franchisor and warehouse supplier operations have consistently provided us with strong cash flows. Given the significant market position of our PJC franchised stores in Quebec, we do not anticipate expanding our franchisee network during the next several years by more than 10 to 15 stores per year. As a result, and because our franchisees are responsible for funding their own capital improvements, we do not expect to make significant capital expenditures with respect to our Canadian operations during the next several years. Our Brooks stores have also consistently generated cash flows, which typically have been used to reinvest in the Brooks business. During the next several years, we expect store expansion under either our Brooks banner or the Eckerd banner to be limited to those stores that are currently committed to be opened.

***Experienced Management Team with a Proven Track Record.*** Our Company was founded in Quebec in 1969 by Jean Coutu, our Chairman of the Board. François Jean Coutu is the President and Chief Executive Officer of The Jean Coutu Group (PJC) Inc. and also manages our Canadian drugstore franchising and warehouse supplier business. Michel Coutu is the President and Chief Executive Officer of The Jean Coutu Group (PJC) USA, Inc. and manages our U.S. drugstore operations. Each of François Jean Coutu and Michel Coutu, who are sons of Jean Coutu, have worked in the retail drugstore business for more than 27 years.

Our Canadian and U.S. senior management teams have developed extensive expertise in operating a chain of corporate-owned drugstores and in operating a drugstore franchisor and warehouse supplier business. The eight senior members of these teams have an average of 24 years of retail industry experience, including an average of 13 years with our Company.

Prior to the Eckerd Acquisition, we completed two significant U.S. acquisitions, adding 301 stores to our corporate-owned drugstore network, as well as several other smaller acquisitions. We believe we have consistently improved the performance of the stores we have acquired. Further, we believe that our management's experience in integrating large groups of stores into our existing network and improving the performance of acquired stores has been and will continue to be an important factor in our success.

**Industry**

We operate in the large and growing North American pharmacy industry, which we believe offers compelling industry fundamentals and favorable demographics. According to IMS Health, prescription drug sales through all channels in the U.S. and Canada is projected to grow to be approximately US$383 billion and $24 billion, respectively, in 2008.

***Favorable Demographics for Prescription Drug Sales Growth.*** According to IMS Health, the compounded annual growth rate for prescription drug sales through all channels in the U.S. and Canada is projected to be approximately 11.7% and 11.1% respectively, for the period 2003 through 2008. We believe that several factors will contribute to this continued growth in prescription drug sales, including increasing life expectancy, the aging "baby boom" generation, the addition of a Medicare prescription drug coverage benefit in the United States, increasing marketing and utilization of lifestyle prescription drugs. According to the National Ambulatory Medical Care Survey, approximately 49.0% of all prescriptions written in the U.S. in 2001 were for individuals 55 years old and older. Similarly, according to IMS Health, 58.9% of all prescriptions filled in Canada in 2003 were for individuals 55 years old and older. According to the U.S. Census Bureau, in 2005 approximately 22.7% of the U.S. population, or approximately 67.5 million people, are expected to be 55 years old or older. This percentage of the total U.S. population is expected to grow to 29.5%, or approximately 106.2 million people, by 2025. The Canadian population is also expected to age at an accelerated pace, with people 55 years old and older expected to represent 24.7% of the total Canadian population, or approximately 8.0 million people, by 2006 and 33.3%, or approximately 11.8 million people, by 2021, according to Statistics Canada.

***Favorable Government Regulation.*** The U.S. Medicare Prescription Drug, Improvement and Modernization Act of 2003 is expected to increase prescription drug coverage for United States Medicare beneficiaries. We believe that the addition of a Medicare prescription drug coverage benefit in the United States will increase prescription drug utilization and help sustain our industry's growth rate in the future.

***Increased Focus on Consumer Health and Wellness.*** We believe there is an increased consumer focus on prevention, general wellness, early diagnosis of medical conditions and on the purchase of self-care products, such as vitamins, analgesics, herbals and smoking-cessation products and lifestyle drugs. This is expected to continue to have a positive impact on sales of prescription drugs, over-the-counter medications, nutrition supplements and other drugstore merchandise.

***Highly Fragmented U.S. Industry.*** We believe that the U.S. pharmacy industry is fragmented with no single company holding a dominant market position. In addition, the only retail concept that has been successful in achieving and retaining a dominant market position is the chain drugstore concept. The market includes several national and regional chain drugstore operators, numerous independent pharmacies, supermarkets, mass merchandisers and mail order pharmacies. In recent years, mail order pharmacies and other channels have aggressively expanded their market position and we believe this trend is continuing. We believe this expansion of market position has primarily come at the expense of the market position of independent pharmacies. The chart below details the U.S. market share of different retail sales channels by number of prescriptions filled. Convenience remains a primary competitive advantage for chain drugstore operators and independent pharmacies. While many supermarkets and mass merchandise stores offer pharmacy services, we believe that convenient locations, smaller store size and high level of customer service of many chain drugstores result in higher consumer utilization of chain drugstores.

***Front-End Sales Opportunity.*** We believe drugstore front-end merchandise, combined with prescription drugs, provide customers with a complete wellness solution. Front-end merchandise includes beauty, cosmetics and fragrance products, over-the-counter medications, personal care products, as well as consumable seasonal, promotional and other non-prescription products. Front-end merchandise sales typically provide higher gross margins than prescription drug sales. According to *Drug Store News*, 2003 drugstore U.S. front-end sales were US$38.2 billion.

We believe that the category referred to in the above chart as OTC Health, which includes over-the-counter medications, has grown over the last few years due in part to the conversion of popular prescription drugs to over-the-counter medications. Also, we believe the edible and non-edible consumables categories have grown over the same period due in part to the increased number of convenient locations and wide consumables offering of many chain drugstores.

Many drugstores offer seasonal merchandise to expand front-end product assortment and further differentiate merchandise mix relative to other retail sales channels. Additionally, many chain drugstores market private label front-end merchandise, offering customers a value alternative to branded merchandise while typically providing higher gross margins than for branded products.

## Jean Coutu (Canada)

### *General*

Our PJC franchised stores have the number one market position in Quebec, the key Canadian market in which we operate. We franchise our PJC stores because, under Quebec law, only pharmacists are permitted to own a pharmacy. The PJC name is a widely recognized brand in Quebec and our Company ranked second in the most recent *Revue Commerce* survey of the most admired companies in Quebec.

We provide our PJC franchisee network with multiple services, including centralized purchasing, distribution, marketing, training, human resources, management, operational consulting and information systems, as well as participation in our private label program. Our franchisees pay us an average franchise royalty of approximately 4% of covered franchised store revenues, and an additional fee for other services such as human resources, information technology and loss prevention services. Our PJC franchisees own their PJC businesses independently from us and, as a result, are responsible for managing their PJC franchised stores and for funding their investments in inventory and store fixtures. While sales at our PJC franchised stores are not included in our revenues, increases or decreases in sales at these stores have a direct effect on our revenues through higher or lower warehouse sales and franchise royalties.

We believe that PJC franchised stores have a strong reputation among customers for competitive prices, fast and effective delivery of high-quality, professional pharmacy services, beauty and cosmetic product offerings, targeted and extensive seasonal product programs, photo development, private label products and convenient locations. We believe PJC is also known as a leader in delivery of new and emerging services, such as web-based digital photo processing and web-based prescription refills. Further, we believe PJC is a highly desirable and sought after franchise among pharmacists in our Canadian market area.

During fiscal 2004, our PJC franchisee network filled approximately 45 million prescriptions, with an average of approximately 145,000 prescriptions per store, which we believe are among the highest prescription counts for any drugstore chain in Canada. In our PJC franchisee network during that same period, prescription drugs accounted for approximately 56% of sales and front-end merchandise accounted for approximately 44% of sales.

***Store Network***

Our typical PJC franchised stores range in size from 7,500 to 9,500 square feet, making them among the largest in Canada. Our PJC franchised stores are generally freestanding stores on corner locations or in strip shopping centers in high retail traffic areas. Approximately 39% of our PJC franchised stores are located adjacent to or in medical office buildings. Approximately 62% of the stores in our PJC franchisee network have been either opened, relocated, remodeled or reconfigured during the last five years. Our PJC franchisees generally carry between 20,000 and 25,000 front-end products, including approximately 1,800 private label and exclusive brand products. PJC's private label offerings include our *Personnelle* line of beauty and cosmetic products, which we believe have developed a reputation for high quality, as well as over-the-counter medications, personal care products and other front-end products.

The table below sets forth the provinces in which our PJC franchised stores are located.

| **Province** | **Number of stores as of May 31, 2004** |
|---|---|
| New Brunswick | 18 |
| Ontario | 9 |
| Quebec | 292 |
| Total stores | 319 |

The following table provides a history of our PJC franchised store openings, additions and closings since the beginning of fiscal 1999.

| | **Fiscal year ended May 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **1999** | **2000** | **2001** | **2002** | **2003** | **2004** |
| Number of stores at beginning of period | 286 | 291 | 291 | 293 | 302 | 311 |
| Added(1) | 5 | 3 | 3 | 5 | 3 | 4 |
| New(2) | 2 | 0 | 2 | 11 | 8 | 5 |
| Closed or sold | 2 | 3 | 3 | 7 | 2 | 1 |
| Number of stores at end of period | 291 | 291 | 293 | 302 | 311 | 319 |

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(1) Added stores are defined to be stores or clinics that were acquired by a franchisee and added to our drugstore chain and where all existing operations were kept at the same location.

(2) New stores are defined to be stores or clinics that were opened without buying or transferring any prescriptions from other locations.

***Franchise Operations***

In Canada, under laws that vary province by province, generally only pharmacists are permitted to own a pharmacy. As a result, we maintain a franchise relationship with all of our stores. Our franchise agreement grants the pharmacist franchisee the right to operate an establishment under the PJC banner in return for the payment to us of franchise royalties and other fees. Our PJC franchisees own their PJC businesses independently from us and, as a result, are responsible for managing their PJC franchised stores and for funding their investments in inventory and store fixtures. We believe that this substantial required investment helps ensure that the interests of our franchisees are aligned with ours and also attracts more motivated entrepreneurial franchisees. We believe our franchise model is superior to those of our competitors.

*Franchise Agreement.* Under our franchise agreement our PJC franchisees pay us an average franchise royalty of approximately 4% of covered franchised store revenues, and an additional fee for human resources, information technology and loss prevention services. The sales covered by the franchise royalty include sales of pharmacy and front-end merchandise, except postage and lottery tickets. Our PJC franchisees are required to purchase their inventory from our modern, high-capacity warehouse distribution center so long as we carry the particular item. The Company supplies its PJC franchisees with approximately 72% of the products stocked in PJC franchised stores, including virtually all of the prescription drugs stocked in those stores. The vast majority of the 28% of other products stocked are items we have determined not to carry in our warehouse.

Our franchisees agree to abide by standards that we believe help make PJC franchised stores a strong customer value and convenience proposition, such as maintaining operating hours seven days a week, including evening hours. In return for franchise royalties, we provide our franchisees with multiple services, including centralized purchasing, distribution, marketing, training, human resources, management, operational consulting, information systems and real estate management services, as well as participation in our private label program. Franchisees also pay an additional fee for human resources, information technology and loss prevention services. In addition, franchisees are obligated to participate in all large scale PJC advertising campaigns and benefit from the backing of an experienced corporate management team that has significant resources and industry expertise.

The initial term of our typical franchise agreement is five years with two five-year renewal options at either party's discretion. We have 299 PJC franchisees several of whom have franchises for multiple store locations. Among our current franchisees, 140 have been in our PJC store network for more than 10 years, including 65 who have been in the network for more than 20 years. Virtually none of our franchisees have sold their franchises or otherwise left our PJC network during the past 25 years to open a store under a competitor's banner.

*Franchisee Selection Process.* Potential franchisees undergo rigorous scrutiny and financial due diligence review before being invited to become part of the PJC franchisee network. All of our prospective franchisees are required to be licensed pharmacists in the province in which the prospective PJC franchise store is to be located. In addition to that requirement, we select franchisees based on a number of factors, including the candidate's business and pharmacy experience, management style, customer service experience and commitment to the PJC store network business strategy. After a candidate is selected as a worthwhile franchisee prospect, we perform a thorough review of the pharmacist’s financial situation to ensure that he or she has adequate resources and financial skills to operate under the PJC banner. In addition, to ensure that each newly selected franchisee is prepared to operate a PJC store, we invite each new franchisee to attend more than 100 hours of business training courses on several important aspects of operating a PJC store and owning and operating a business enterprise in general. Currently, we have a substantial number of pharmacist franchisee candidates who have been through our review process and who we believe can be PJC franchisees in the future, but who are currently waiting for a franchise to become available.

### ***Merchandising Operations***

*Pharmacy.* We believe that it is imperative that our PJC pharmacists provide high-quality and knowledgeable service and advice to customers. It is our strategy to have our PJC pharmacists become an integral part of the health care decision making process of our customers. We have developed a sophisticated, proprietary pharmacy information and workflow system designed to enable an efficient workflow process that optimizes our pharmacy services through fast prescription filling, verification of quality control, reduction in filling errors, examination of workflow data, and maximization of the availability of high demand prescription products. We believe that our pharmacy information and workflow system is critical to our goal of providing professional pharmacy services and patient care. We believe that our efforts to continually improve pharmacy services at our PJC franchised stores contribute to customer loyalty and increased customer store visits.

Each PJC pharmacy is staffed with pharmacists and drug clerks at all times. PJC pharmacist and drug clerk staffing levels are maintained in accordance with business needs to ensure accurate and timely service. Each PJC franchisee carries a complete line of both brand name and generic prescription drugs.

In order to ensure our PJC pharmacists are equipped with the latest developments in pharmacology, we established the Jean Coutu Academy. The Jean Coutu Academy offers PJC pharmacists many continuing education programs, including:

- monthly lectures pertaining to different illnesses and their treatments,
- continuing education through correspondence courses and seminars, and
- periodic publications updating current market and industry trends.

In addition, all PJC pharmacies have direct access to a prescription drug information center that answers questions or special requests concerning the use of a medication or other medical-related issues. We have also developed an in-house training program for our PJC drug clerks, which we believe is unique in our industry.

*Front-End Merchandise.* Our PJC franchised stores carry a wide variety of front-end merchandise, including over-the-counter medications, personal care products, private label products, as well as consumable, seasonal and promotional items tailored to local consumer tastes and demands for convenience and quality. Our PJC franchised stores also carry an extensive selection of high-quality beauty, cosmetics and fragrance merchandise of a type most often found in the United States in department or specialty stores. In Canada, consumers have traditionally looked to pharmacies rather than specialty or department stores for high-quality cosmetic and beauty products. We hold the exclusive rights for the sale in Canada of the *Garraud Paris* and *Jean d'Estrées Paris* lines of French beauty products and the *Crema Color from Solfine* line of Italian hair coloring. We believe that the selection and quality of such merchandise carried by our PJC franchised stores provides these stores with a competitive advantage relative to other Canadian drugstores, mass merchandisers and food retailers.

*Private Label Products.* Our PJC franchised stores carry approximately 1,800 private label products, including the exclusive cosmetic and beauty products described above. PJC's private label offerings include our *Personnelle* line of beauty and cosmetic products, which we believe have developed a reputation for high quality, as well as over-the-counter medications, personal care products and other front-end products. We intend to continue to promote and expand private label and exclusive brand merchandise offerings at our PJC franchised stores to drive sales of these products.

***Marketing and Advertising***

We maintain centralized marketing and advertising programs for our PJC franchised store network. We believe that our PJC franchisees benefit from our strong, recognizable brand name, experienced and professional marketing support, and lower advertising costs resulting from the scale of our operations. We regularly consult our franchisees on product selection and hold five purchasing exhibitions annually, one of which is devoted exclusively to cosmetics.

The PJC advertising circular is our top promotional vehicle, although we participate regularly in other marketing channels, such as radio, television and local newspapers. These circulars are designed to increase sales of beauty, cosmetic and fragrance products, over-the-counter medications and private label merchandise, to satisfy local tastes and demands and to emphasize our PJC Jean Coutu brand name, the quality of our pharmacy services and our commitment to customer service. We design our marketing efforts and advertising to be targeted and straightforward to facilitate efficient and high-quality in-store execution. We encourage our franchisees to maintain strong in-stock positions for promotional merchandise featured in our circulars, which we believe increases the effectiveness of our advertising expenditures.

Other PJC marketing initiatives include participation in the Air Miles® Reward Program. Our PJC franchised stores are the exclusive Quebec drugstore participants in the Air Miles® Reward Program. Consumers in the Air Miles® Reward Program earn reward miles in connection with product purchases at retailers in various categories that may be redeemed for over 300 different rewards including travel services, leisure and entertainment, electronics and gift certificates, including gift certificates redeemable at PJC franchised stores. The Air Miles® Reward Program promotes customer loyalty by encouraging consumers to shop at retailers that are participating sponsors in the Air Miles® Reward Program rather than all retailers as in the case of airline branded credit cards with mileage benefits.

***Purchasing and Distribution***

As a warehouse supplier to our PJC franchised stores, we purchase brand name and generic (non-brand name) prescription drugs from numerous manufacturers and wholesalers. We believe that competitive sources are readily available for substantially all of the prescription drugs and front-end merchandise that we supply to our PJC franchised stores and that the loss of any one supplier would not have a material effect on our business. The largest supplier to our Canadian warehouse and distribution center operations for fiscal 2004 was Pfizer Canada, which accounted for approximately 8 % of the dollar value of our Canadian warehouse and distribution center supplier volume.

In our Canadian operations, we utilize a sophisticated data warehouse to track and analyze warehouse inventory levels and selling trends at our PJC franchised stores. We believe this enables us to optimize merchandise levels and product mix in our warehouse and to aid our franchisee purchasing decisions. Approximately 72% of PJC franchised store merchandise is purchased from us and distributed by our own trucks or third party providers from our distribution center in Longueuil, Quebec. The remainder of PJC franchised store merchandise is purchased by our franchisees from third party suppliers.

***Real Estate***

We have significant Canadian real estate assets. As of May 31, 2004, we owned 166 properties, including all or a portion of 79 strip malls, 10 parcels of undeveloped land and 77 free-standing buildings, most of which house a PJC franchised store. We believe that PJC franchised stores attract other high-quality tenants to our properties because of the consistent retail traffic at our PJC franchised stores. We own and lease to our franchisees 126 of our PJC franchisee locations. All of these leases contain two five-year renewal options and involve fair market value rent increases. In addition, we sublet 193 store locations to other PJC franchisees under non-cancelable leases we have entered into directly with landlords. The leases we have entered into with landlords generally have original terms of 10 years. Our PJC leases with other landlords generally contain two five-year renewal options, and involve fair market value rent increases. We believe that our Canadian real estate assets enable us to ensure that prime locations remain under the PJC banner.

### *Information Systems*

Our warehouse supplier operations and the operations of our PJC franchised stores are supported by the use of modern technology, including point of sale scanners, that enables in-depth analysis of and quick decision-making with respect to store and warehouse inventory and front-end and pharmacy sales, which enhances the efficiency of our operations and those of our PJC franchisees. For example, through efficient use of information provided by our technology systems, we refine our purchasing operations on an ongoing basis and work with our suppliers to tailor our merchandising. We also work with PJC franchisees to customize their shelf space to customer preferences in an effort to increase sales volumes and gross margins. As part of our strategy to provide franchisees with the best possible information technology services, we established a subsidiary, Rx Information Centre Ltd., which is responsible for the development, installation and management of information systems for our PJC and Brooks store networks, as well as related distribution centers and administrative offices. We intend to expand the responsibility of this unit to the Eckerd stores in the future.

Rx Information Centre also works to ensure smooth and effective communications between us and the PJC franchised store locations. Rx Information Centre provides on-line reports and statistics regarding service as well as back office management tools. Rx Information Centre maintains a help desk with a goal to provide seven-day support to our PJC franchised stores and Brooks stores. Rx Information Centre also works to make available to our PJC franchised stores new equipment, software updates and training assistance with a goal to act as a one-stop technology source for our PJC franchisees.

Rx Information Centre is also mandated to promote the ongoing automation of operations in our warehouse and distribution center facilities to optimize transportation and warehousing activities, inventory control, supply chain efficiencies, handling costs inventory movements, as well as forecasting inventory replenishment in support of our goal of just-in-time inventory distribution.

Rx Information Centre has developed a sophisticated, proprietary pharmacy information and workflow system used in all our PJC franchised stores and Brooks stores. This system is known as Rx Pro in Canada and Brooks Rx Care in the U.S. This system is designed to enable an efficient workflow process that optimizes pharmacy services through fast prescription filling, verification of quality control, reduction in filling errors, reduced chances of adverse drug interaction, examination of workflow data and maximization of the availability of high-demand prescription products. At the customer's request, this system also allows our Canadian customers to utilize any PJC store to refill prescriptions.

## Jean Coutu (USA)

### *General*

Our U.S. operations began in 1987 with one store and grew primarily through acquisitions, including our acquisition of 221 Brooks stores in 1994 and 80 Osco stores in 2002. Today our Brooks operations comprise 336 corporate-owned stores and one regional distribution center located in Dayville, Connecticut. Brooks is the second largest retail drugstore chain in New England and has a number one or two market position in 56% of the New England markets in which it operates. We believe that Brooks has a strong reputation among customers for competitive prices, fast and effective delivery of professional pharmacy services, high-quality beauty and cosmetic product offerings, targeted and extensive seasonal product programs, photo development, private label products, convenient locations and a wide selection of convenience foods and other consumables. The Brooks banner has been in use for more than 65 years, making it one of the most widely-recognized banners in the New England retail drugstore industry. In 2004, *Drug Store News* awarded Brooks the "Best Regional Chain of the Past 20 Years" in their Regional Excellence Awards.

### *Store Network*

Our typical Brooks stores range in size from 10,000 to 13,500 square feet and are freestanding stores on corner locations or in strip shopping centers in high retail traffic areas. Approximately 52% of our Brooks stores have been either opened, relocated, remodeled or reconfigured during the last five years, with investments of more than US$117 million in the aggregate during that time. Our Brooks stores have experienced positive comparable store growth of front-end merchandise sales in each fiscal quarter since 1994. Our Brooks stores generally carry between 18,000 and 20,000 front-end products, including approximately 1,200 private label products. The Brooks private label product offerings include beauty and cosmetic products, over-the-counter medications, personal care products and other front-end products.

The table below sets forth the states in which our Brooks stores are located.

| State | Number of stores as of May 31, 2004 |
|---|---|
| Connecticut | 47 |
| Maine | 6 |
| Massachusetts | 166 |
| New Hampshire | 37 |
| New York | 2 |
| Rhode Island | 46 |
| Vermont | 32 |
| Total stores | 336 |

The following table provides a history of our Brooks store openings, acquisitions and closings since the beginning of fiscal 1999.

| | Fiscal year ended May 31, | | | | | |
|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
| Number of stores at beginning of period | 242 | 254 | 252 | 251 | 331 | 332 |
| Acquired[(1)] | 11 | 0 | 0 | 80 | 0 | 0 |
| New[(2)] | 9 | 4 | 5 | 4 | 4 | 5 |
| Closed or sold | 8 | 6 | 6 | 4 | 3 | 1 |
| Number of stores at end of period | 254 | 252 | 251 | 331 | 332 | 336 |

(1) Acquired stores are defined to be stores that were acquired and all existing operations were kept at the same location.

(2) New stores are defined to be stores that were opened without buying or transferring any prescriptions from other locations.

### *Merchandising Operations*

*Pharmacy.* We believe that it is imperative that our Brooks pharmacists provide high-quality and knowledgeable service and advice to customers. It is our strategy to have our Brooks pharmacists become an integral part of the health care decision making process of our customers. In our Brooks stores we utilize the same sophisticated, proprietary pharmacy information and workflow system to ensure highly professional pharmacy services and patient care that is used in our PJC franchised stores. In our Brooks stores, we have branded this system Brooks Rx Care. We believe that our efforts to continually improve pharmacy services at our Brooks stores contribute to customer loyalty and increased customer store visits.

Each Brooks pharmacy is staffed with pharmacists, pharmacy technicians and drug clerks in accordance with business needs to ensure accurate and timely service. Each Brooks pharmacy carries a complete line of both brand name and generic prescription drugs. In the 12 months ended May 31, 2004, approximately 45 % of the prescriptions filled in our Brooks store network were for brand name drugs and approximately 55 % of the prescriptions filled were for generic substitutes.

As part of our ongoing employee development program and as a way to improve customer service, we have applied for and received American Council on Pharmaceutical Education accreditation. Internally, we have also increased our education efforts by retaining two professors from the University of Rhode Island to maintain offices in our pharmacy corporate department and two professors from the Massachusetts College of Pharmacy in two Boston area stores.

*Front-End Merchandise.* Our Brooks stores carry a wide variety of front-end merchandise, including beauty, cosmetic and fragrance products, over-the-counter medications, personal care products, private label products, as well as consumable, seasonal and promotional items tailored to local consumer tastes and demands for convenience and quality. As part of our strategy to differentiate Brooks from discount stores and supermarkets with respect to front-end merchandise, we are working to enhance our reputation as a source of high-quality beauty, cosmetics and fragrance merchandise. We believe such products represent a significant opportunity for growth in front-end sales. To capitalize on this growth opportunity, we are opening Derma Skincare Centers in several of our Brooks stores. These centers will be stocked with high-quality skincare products including the French skincare brands *Vichy Laboratories*, *Avene* and *Dermablend*. These products generally carry higher margins and are priced at a premium to traditional drugstore cosmetics. We currently have six centers in operation with several additional locations expected to be completed by the end of fiscal 2005. Moreover, we believe we are well positioned to leverage our experience in our PJC franchised stores in merchandising high-quality beauty, cosmetics and fragrance merchandise and to incorporate the best practices used in those stores.

*Private Label Products.* Our Brooks stores carry approximately 1,200 private label products. The Brooks private label, brands include *Brooks*, *Harvard Square* and *Fidelity*.

### ***Marketing and Advertising***

Our Brooks advertising and promotion strategy utilizes print, circulars, as well as targeted regional radio and television ads. Circulars are our broadest form of advertising for our Brooks stores, with approximately four million distributed weekly through various channels such as newspaper and magazine inserts. These circulars are designed to increase sales of higher-margin products and to attract customers to what we refer to as the four front-end "quadrants" of our Brooks stores: convenience foods and other convenience items; health products; beauty and cosmetic items; and seasonal and promotional offerings. Further, these circulars are customized to feature beauty and cosmetic products, over-the-counter medications and private label merchandise, to satisfy local tastes and demands and to emphasize the Brooks brand name, the quality of our pharmacy services and our commitment to customer service. We design our marketing efforts and advertising to be targeted and straightforward to facilitate efficient and high-quality in-store execution. We work to maintain strong in-stock positions for promotional merchandise featured in our circulars, which we believe increases the effectiveness of our advertising expenditures.

***Purchasing and Distribution***

For fiscal 2004, we purchased approximately 93 % of the dollar volume of branded prescription drugs for our Brooks store network from a single supplier, McKesson Corporation. Under our contract, McKesson has agreed to supply our Brooks store network with supplies of brand name prescription drugs. We purchase generic (non-brand name) prescription drugs from numerous manufacturers and wholesalers. We believe that competitive sources are readily available for substantially all of the brand name and generic prescription drugs and front-end merchandise we carry in our Brooks stores and that the loss of any one supplier would not have a material effect on our business. The largest supplier of front-end merchandise for the fiscal year ended May 31, 2004, was Procter & Gamble, which accounted for approximately 8.0% of the dollar value of our Brooks front-end inventory purchases.

Purchasing for our Brooks stores is generally centralized to assure consistency and efficiency. At Brooks, we utilize an advanced data warehouse to track and analyze stock levels and selling trends enabling us to optimize merchandise levels and mix. For the period ended May 31, 2004, approximately 77 % of our Brooks front-end merchandise and 82 % of prescription drugs for our Brooks stores were purchased centrally and distributed, principally by our own trucks, through our Brooks distribution center in Dayville, Connecticut. The remainder of Brooks store merchandise is shipped directly to the Brooks stores or is purchased locally at the store level.

***Third-Party Payors***

Mass Health accounted for approximately 10.2 % of our pharmacy sales at Brooks for the period ended May 31, 2004. No other single health plan contract or other third-party payor accounted for more than 10% of such revenues during the same period. In a typical third-party payment plan, we contract with a third-party payor (such as an insurance company, a prescription benefit management company, a governmental agency, a private employer, a health maintenance organization or other managed care provider) that agrees to pay for all or a portion of a customer's eligible prescription purchases in exchange for reduced prescription rates. State Medicaid programs may set allowable prescription dispensing fees as well as any discount that a pharmacy may apply to a drug.

For the period ended May 31, 2004, the top five third-party payors in our Brooks store network accounted for approximately 43.5 % of Brooks pharmacy sales. Third-party payor prescriptions represented 94.9 % of pharmacy sales and 92.6 % of the prescriptions filled at our Brooks store network during the preiod ended May 31, 2004.

In the ordinary course of business, our Brooks pharmacy operations are subject to audits by third-party payors and may be required to reimburse amounts determined to be overpayments. Any significant loss of third-party payor business, overpayment or dispute over compliance with the terms of a third party payor agreement could have a material adverse effect on our business and results of operations.

***Real Estate***

Brooks has significant real estate assets in the markets in which it operates. Our Brooks operations comprise 336 stores and one regional distribution center. Of our 336 Brooks stores, approximately 135 are free standing stores and approximately 93 stores have drive-up windows. Our headquarters are located in Warwick, Rhode Island. We own 102 U.S. properties, including 84 Brooks store locations, our Brooks distribution center and our Brooks corporate headquarters, and we lease the remaining 252 locations under non-cancelable leases, many of which have original terms of 10 to 15 years. In addition to minimum rental payments, which are set at competitive market rates, certain of these leases require additional payments based on sales volume, as well as reimbursement for taxes, maintenance and insurance. Our Brooks leases generally contain two five-year renewal options, and involve fair market value rent increases. We believe that our Brooks real estate assets will enable us to ensure that prime locations remain under the Brooks banner.

### *Information Systems*

Our Brooks operations are supported by the use of technology, including point of sale scanners, which enable us to perform in-depth analysis of and quick decision-making with respect to inventory and pharmacy and front-end sales, which we believe enhances the efficiency of our Brooks operations. For example, through efficient use of information provided by our technology systems, we refine our purchasing operations and work with our suppliers to tailor our merchandising and customize our shelf space to customer preference in an effort to increase sales volume and gross margins. Our Brooks information technology systems are developed and maintained by Rx Information Centre Ltd., our subsidiary responsible for the development, installation and management of information systems for our Canadian and U.S. stores, distribution centers and administrative offices.

We utilize in all our Brooks stores the sophisticated, proprietary pharmacy information and workflow system designed by Rx Information Centre and also used in our PJC franchised stores. In our Brooks stores, we have branded this system Brooks Rx Care. This system is designed to enable an efficient workflow process that optimizes our pharmacy services through fast prescription filling, verification of quality control, reduction in filling errors, reduced chances of adverse drug interaction, examination of workflow data and maximization of the availability of high-demand prescription products. At the customer's request, this system also allows our Brooks customers to utilize any Brooks store to refill prescriptions.

**Human Resources**

As of May 31, 2004, The Jean Coutu Group and its subsidiaries had 9,905 permanent employees: 1,046 in Canada[1] and 8,859 in the United States. Employees were distributed as follows:

| | |
|---|---|
| The Jean Coutu Group (PJC) Inc. | 773 |
| RX Information Centre | 138 |
| Services Sécurivol | 135 |
| Total employees in Canada | 1,046 |
| The Jean Coutu Group (PJC) USA Inc. | 8,859 |
| **TOTAL** | **9,905** |

On May 31, 2004, 389 employees of the Company in Canada were unionised. These employees work at The Jean Coutu Group's distribution centre in Longueuil and are members of the Syndicat des travailleuses et travailleurs de PJC entrepôt-CSN. The renewal of the collective agreement was negotiated in 2002 and operations at the distribution center were disrupted by an eight-week labour dispute. The three-year collective agreement, ending December 31, 2005, was signed on January 18, 2003.

As of May 31, 2004, the Canadian franchised outlets employed a total of 13,043 people, 32 of those employees in one outlet were unionised.

In the United States, Brooks operations employed approximately 8,859 persons, 8,603 of whom were working in the corporate pharmacies network and and distribution center, and 202 employees were working in administrative functions at the head office.

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

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

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

1 This number includes corporate employees only and excludes Canadian franchised network personnel.

## Trademarks

The Jean Coutu Group owns or holds rights to trademarks or trade names used in conjunction with the operation of its business including, but not limited to, "Brooks" and "Brooks Rx Care" in the United States; "Personnelle", "PJC", "PJC Jean Coutu" and "PJC Clinique" in Canada; and "Rx Pro" in the provinces of Quebec and New Brunswick. As a result of the Eckerd acquisition, the Company has also acquired rights to trademarks or trade names used in conjunction with the operation of the TDI business, including, but not limited to, "Eckerd", "Ecker$_x$d" and "Genovese".

## Economic and Competitive Environment

The PJC and Brooks stores (including the Eckerd stores acquired by our Company) compete with local, regional and national companies, including other drugstore chains and banner groups, independently-owned drugstores, supermarkets, mass merchandisers and discount stores. We primarily compete with national drugstore chains, such as Shoppers Drug Mart in Canada and Walgreens and CVS in the United States, but also increasingly face competition from supermarkets and mass merchandisers, such as Wal-Mart and Target, who have expanded their offerings to include pharmacy products and services. We also face increasing competition from internet-based providers, mail order pharmacies and, in the U.S., re-importation of prescription drugs. See "Risk and Uncertainties — Competition" on page 34 of the 2004 annual report of the Company.

Chain drugstores remain the main channel for prescription drug sales and have increased their share of prescription sales at the expense of the independently-owned drugstores, which have difficulty competing with chain drugstores on the pricing of front-end merchandise. Another major factor for the competitiveness of chain drugstores is the convenience of chain drugstore locations. According to a 2004 *National Association of Chain Drug Stores Foundation Survey*, 68% of consumers identified convenience as the prime reason they choose a particular pharmacy.

## Risks Factors

The « Risks and Uncertainties » section of out “Management’s Discussion and Analysis” on pages 34 and 35 of the of the Company’s 2004 annual report is incorporated herein by reference, as supplemented from time to time in the « Risks and Uncertainties » sections of our quaterly reports to shareholders.

## ITEM 4. DIVIDENDS

The following table provides a summary of the dividends declared and paid by the Company to all holders of Class A Subordinate Voting Shares and Class B Shares for the three most recent years.

| **Fiscal year ended May 31 (per share)** | |
|---|---|
| 2004 | $0.12 |
| 2003 | $0.12 |
| 2002 | $0.09 |

For the period ending May 31, 2005, The Jean Coutu Group intends to maintain its dividend policy, which provides for the payment to shareholders of four quarterly dividends based on financial forecasts for the current year.

The declaration, amount and date of any future dividends will continue to be considered by the Board of Directors of the Company based upon and subject to the Company's earnings and financial requirements, any covenants in its loan documentation and other conditions prevailing at the time.

**Event subsequent to May 31, 2004**

On August 20, 2004, the Board of Directors of The Jean Coutu Group declared a quarterly dividend of $0.03 per Class A Subordinate Voting Share and Class B Share. This dividend was paid on September 23, 2004 to all shareholders of the Company on record on September 9, 2004.

## ITEM 5. CAPITAL STRUCTURE

Our authorized share capital consists of an unlimited number of Class A Subordinate Voting Shares without par value, an unlimited number of Class "B" Shares without par value (the "Class B Shares") and an unlimited number of Class "C" Shares without par value, issuable in one or more series (the "Class C Shares"). As of May 31, 2004, 106,673,510 Class A Subordinate Voting Shares and 120,250,000 Class B Shares were issued and outstanding as fully paid. No Class C Shares are presently issued and outstanding.

The following is a summary of the material provisions concerning the various classes of shares of our authorized share capital and is subject to the complete text of the rights, privileges, conditions and restrictions attached to these shares.

### Class A Subordinate Voting Shares and Class B Shares

*Voting rights*

The Class A Subordinate Voting Shares are entitled to one vote per share and the Class B Shares are entitled to ten votes per share.

*Change in voting rights attached to the Class B Shares*

In the event that the "Coutu Family" ceases to be the beneficial owner, directly or indirectly, of shares representing 50% or more of the votes attaching to all shares then outstanding, the Class B Shares shall thereupon confer upon their holder the right to one vote per share.

"Coutu Family" means Jean Coutu, and his descendants, born or to be born, or any one of them, as well as a body corporate, a partnership or a trust, however constituted, controlled by one or more of them.

*Issue of Class B Shares*

As long as any Class B Shares are outstanding, we shall not, at any time, unless the holders of such shares shall have given their consent by way of special resolution, issue Class A Subordinate Voting Shares unless, at the time of issue and in the manner determined by our Board of Directors, we offer to the holders of Class B Shares the right to subscribe for, pro rata the number of shares they respectively hold, an aggregate number of Class B Shares such that, if the holders of Class B Shares decided to subscribe for all of the Class B Shares that they will be entitled to subscribe for at that time, the proportion of voting rights attaching to the Class B Shares issued and outstanding immediately following such subscription in relation to all the voting rights attaching to all of the issued and outstanding shares immediately following the issue of Class A Subordinate Voting Shares shall be the same immediately following the issue of Class A Subordinate Voting Shares as immediately prior to that issue.

*Dividends*

The Class A Subordinate Voting Shares and Class B Shares participate equally, share for share, in any dividend which may be declared, paid or reserved for payment by us.

*Exchange privilege in the event of a Bid*

Should a Bid (as defined below) be made in respect of the Class B Shares to the holders of Class B Shares without being concurrently made upon the same terms to the holders of Class A Subordinate Voting Shares, each Class A Subordinate Voting Share will become exchangeable into one Class B Share at the holder's option in order to permit such holder to accept such bid, subject however to the acceptance of the Bid by the holders of a number of outstanding Class B Shares which entitles them, at a given date, to more than 50% of the voting rights attaching to all of the shares in our share capital carrying voting rights.

"Bid" as defined in our Articles of Amendment, means a take-over bid, a take-over bid by way of an exchange of securities or an issuer bid (as defined in the *Securities Act* (Quebec), as currently enacted or as it may be amended or reenacted thereafter) in order to purchase Class B Shares; provided, however, that a Bid does not include (i) a Bid made at the same time, price and conditions to all of the holders of Class B Shares and to all of the holders of Class A Subordinate Voting Shares, (ii) a Bid for all or any part of the Class B Shares issued and outstanding at the time of the Bid, where the purchase price for each Class B Share does not exceed 115% of the average market price obtained by averaging the closing prices of the Class A Subordinate Voting Shares during the 20 days of market activity preceding the date of the Bid, or (iii) a Bid made by one or more members of the Coutu Family, to one or more members of the Coutu Family.

The exchange privilege may be exercised until the expiry date of a Bid by providing us or our transfer agent with a written notice of intention to exercise the said exchange privilege in respect of all or any part of the Class A Subordinate Voting Shares held accompanied by the share certificates representing such shares. The exchange privilege shall be deemed to have been exercised at the date at which such written notice accompanied by the share certificates are received by us or our transfer agent; our Articles of Amendment provide for the processing of notices and share certificates, the issuance of share certificates, the exercise of voting rights, the sending of notices by our transfer agent to the holders of Class A Subordinate Voting Shares and the payment of the purchase price for the shares sold pursuant to the bid.

*Exchange privilege attached to Class B Shares*

Each Class B Share may at any time, at the holder's option, be exchanged for one Class A Subordinate Voting Share.

*Liquidation*

In the case of liquidation or dissolution of The Jean Coutu Group (PJC) Inc. or of any other distribution of our assets among our shareholders for the purposes of the winding-up of our affairs, the holders of Class A Subordinate Voting Shares and the holders of Class B Shares shall be entitled to divide equally all of our assets available for payment or distribution, on a share-for-share basis, based upon the number of shares they hold respectively, without preference or distinction.

*Rank*

Except as otherwise provided for above, each Class A Subordinate Voting Share and each Class B Share carry the same rights, are equal in all respects and must be treated by us as if they were shares of one class. The Class A Subordinate Voting Shares and the Class B Shares rank, as to dividends and reimbursement of capital in the event of liquidation or dissolution, after the Class C Shares.

*Amendment*

Our Articles of Amendment provide that certain amendments, the effect of which is to affect the rights, privileges, conditions and restrictions attached to the Class A Subordinate Voting Shares and to the Class B Shares, must be authorized by at least $^{3}/_{4}$ of the votes cast at a meeting of the holders of Class A Subordinate Voting Shares or, as the case may be, of the holders of Class B Shares, duly held for that purpose.

**Class C Shares**

The Class C Shares may be issued from time to time in one or more series and our directors may determine by way of resolution the denomination, rights, privileges, conditions and restrictions attaching to each series. The Class C Shares of each series rank equally with the Class C Shares of any other series as to dividends and reimbursement of capital in the event of liquidation or dissolution of our Company, and rank before the Class A Subordinate Voting Shares and Class B Shares as to dividends and reimbursement of capital.

*Voting rights*

The Class C Shares, as a class, are not entitled to any voting rights, save those instances where class voting rights are provided for in our Articles of Amendment.

*Liquidation*

In the event of liquidation or dissolution of The Jean Coutu Group (PJC) Inc. or any other distribution of our assets among our shareholders for the purpose of the winding-up of our affairs, the holders of Class C Shares shall be entitled to receive the paid-up capital in respect of such shares, as well as any non-cumulative dividend declared and remaining unpaid at the time of distribution or, as the case may be, any cumulative dividend accumulated and remaining unpaid, whether declared or not, but will be entitled to no further participation in our assets.

*Amendment*

Our Articles of Amendment provide that certain amendments, the effect of which is to affect the rights, privileges, conditions and restrictions attached to Class C Shares, must be authorized by at least $^{3}/_{4}$ of the votes cast at a meeting of the holders of the Class C Shares duly held for that purpose.

**Event Subsequent to May 31, 2004**

Further to a public offering and a private placement in the United States initiated by the Company on July 8, 2004, 33,350,000 Subscription Receipts were issued for gross proceeds of CAN$ 581,957,500. On July 30, 2004, these Subscription Receipts were exchanged for Class A Subordinate Voting Shares of The Jean Coutu Group on a one-to-one basis.

## ITEM 6. MARKET FOR THE NEGOCIATION OF SECURITIES

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

In order to clarify the nature of the securities traded on its exchange and to standardize their classification, the Toronto Stock Exchange has undertook, since July 30, 2004, to change the symbols of the shares with non-conventional voting structures. In this context, the stock symbol of the Class A Subordinate Voting Shares of The Jean Coutu Group will be changed to include an additional two-character voting structure indicator “SV”. When this change is enacted, the Class A Subordinate Voting Shares will be traded under the symbol PJC.SV.A.

This change to the Class A Subordinate Voting Shares stock symbol will not change any attributes or rights of the security or any aspect of its ownership. All other caracteristics of the shares, including CUSIP numbers, will remain unchanged.

### Trading Prices and Volumes

The information below pertaining to prices is stated in canadian dollars and per share.

| Month | High | Low | Volume |
|---|---|---|---|
| June 2003 | 16.49 | 15.62 | 1,503,700 |
| July 2003 | 16.59 | 14.68 | 3,430,900 |
| August 2003 | 15.45 | 14.15 | 5,618,400 |
| September 2003 | 17.00 | 14.59 | 3,125,600 |
| October 2003 | 17.70 | 16.33 | 4,237,600 |
| November 2003 | 17.82 | 15.70 | 3,332,600 |
| December 2003 | 16.50 | 15.62 | 2,220,700 |
| January 2004 | 16.95 | 14.76 | 8,387,900 |
| February 2004 | 16.06 | 15.36 | 4,298,000 |
| March 2004 | 17.30 | 15.31 | 5,440,000 |
| April 2004 | 19.79 | 17.06 | 18,651,600 |
| May 2004 | 19.74 | 18.15 | 4,163,600 |
| **Total** | | | **64,410,600** |

## ITEM 7. DIRECTORS AND OFFICERS

### Directors

The names, principal occupations and places of residence of the Directors of The Jean Coutu Group, as well as the number of Class A subordinate voting Shares and Class B Shares directly or indirectly owned by each one as of August 30, 2004, are detailed on pages 7 to 9 of the Management Proxy Circular.

### Officers

The names, places of residence, and principal occupations of the past five years of the Officers of The Jean Coutu Group and its subsidiaries appear in the following table. The information is accurate as of May 31, 2004.

| Name, place of residence | Occupation [2] |
|---|---|
| ***THE JEAN COUTU GROUP (PJC) INC.*** | |
| **Jean Coutu**<br>Montreal, Quebec | Chairman of the Board |
| **François J. Coutu**<br>Montreal, Quebec | President and Chief Executive Officer |
| **Andre Belzile**<br>Drummondville, Quebec | Senior Vice President, finance and corporate affairs |
| **Michel Boucher**<br>Longueuil, Quebec | Chief Information Officer |
| **Carole Bouthillette**<br>Longueuil, Quebec | Vice President, Finance |
| **Denis Courcy**<br>Laval, Quebec | Vice President, Human Resources and Legal Affairs |

[2] For the past five years, all Officers of the Company and the American Subsidiary have occupied the positions given above or other management positions within the Company, except for Andre Belzile who prior to May 10, 2004 acted as Vice president and chief finance officer of Cascades Inc., Alphonse Galluccio who prior to August 26, 2002 was acting as Principal Director of Samson Bélair / Deloitte & Touche and Normand Messier, who left in 1995 to join Groupe Cadieux as a Vice-President and joined the Company again in 2001.

| Name, place of residence | Occupation [6] |
|---|---|
| **Louis Coutu**<br>Montreal, Quebec | Vice President, Commercial Policies |
| **Alphonse Galluccio**<br>Montreal, Quebec | Vice President, Internal Audit |
| **Yvon Goyer**<br>Lachenaie, Quebec | Vice President, Services and Promotions |
| **Caroline Guay**<br>Montreal, Quebec | Director, Legal Affairs and Corporate Secretary |
| **Alain Lafortune**<br>St-Sauveur, Quebec | Senior Vice President, Purchasing and Marketing |
| **Jacques Lamoureux**<br>Longueuil, Quebec | Vice President, Operations |
| **Richard Mayrand**<br>Montreal, Quebec | Vice President, Pharmacy and Public Affairs |
| **Johanne Meloche**<br>Laval, Quebec | Vice President, Cosmetics, Exclusive Brands and Beauty Programs |
| **Normand Messier**<br>Longueuil, Quebec | Senior Vice President, Network Exploitation |
| **Jean-Pierre Normandin**<br>Varennes, Quebec | Vice President, Distribution Centre |
| **Carole Rennie**<br>Longueuil, Quebec | Controller |

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

| | |
|---|---|
| **Michel Coutu**<br>Providence, Rhode Island | President and Chief Executive Officer |
| **Barbara Donnellan**<br>Franklin, Massachusetts | Vice President, Information Systems |
| **Kai Goto**<br>Chepachet, Rhode Island | Vice President, Warehouse and Distribution |
| **C. Daniel Haron**<br>Warwick, Rhode Island | Vice President, Pharmacy and Professional Affairs |
| **Donald Kinney**<br>Franklin, Massachusetts | Vice President, Drugstore Operations |
| **Susan Manville**<br>Smithfield, Rhode Island | Controller |

| Name, place of residence | Occupation [6] |
|---|---|
| **David A. Morocco**<br>Newton, Massachusetts | Senior Vice President, Marketing |
| **Robert Pouliot**<br>North Kingstown, Rhode Island | Vice President, Purchasing |
| **Peter Schmitz**<br>Newport, Rhode Island | Vice President, Real estate |
| **Kenneth Spader**<br>Cumberland, Rhode Island | Vice President, Construction, Facilities, Engineering and Store Planning |
| **Kathleen Topor**<br>North Providence, Rhode Island | Treasurer |
| **William Z. Welsh, Jr.**<br>East Greenwich, Rhode Island | Executive Vice President and Chief Operating Officer |
| **Randy Wyrofsky**<br>North Providence, Rhode Island | Senior Vice President, Finance and Chief Financial Officer |

As of May 31, 2004, the Directors and Officers of the Company beneficially, as a group, owned, directly or indirectly, or exercised control over 5.83% of Class A subordinate voting Shares and 100% of Class B Shares.

## ITEM 8. LITIGATION

There are various legal proceedings and claims pending against us, most of which are with respect to Eckerd, that are common to our operations for which, in some instances, no provision has been made. While it is not feasible to predict or determine the ultimate outcome of these matters, it is the opinion of management that these suits will not result in monetary damages not covered by insurance that in the aggregate would be material and adverse to our business or operations.

We are covered by insurance policies that carry deductibles. At this time, we believe that we are adequately covered through the combination of insurance policies and self-insurance. Future losses which exceed insurance policy limits or, under adverse interpretations if any, are excluded from coverage would have to be paid out of general corporate funds.

## ITEM 9. INTEREST OF INFORMED PERSONS AND OTHER PERSONS IN MATERIAL TRANSACTIONS

The interest of informed persons and other persons involved in material transactions are described on page 22 of the Management Proxy Circular dated August 30, 2004.

## ITEM 10. TRUST AGENT AND REGISTRAR

The transfer agent and registrar for the shares of the Company is National Bank Trust Company, 1100 University Street, Suite 900, Montreal, Quebec H3B 4L8. Registrar offices are located in Toronto, Calgary and Vancouver.

## ITEM 11. MATERIAL CONTRACTS

As of April 4, 2004, the Company intervened as purchaser within the context of a stock purchase agreement reached between The Jean Coutu Group (PJC) Inc., J.C. Penney Company, Inc. and TDI Consolidated Corporation. Under this agreement, TDI Consolidated Corporation, a subsidiary of JC Penney Company Inc. which operated 2,800 pharmacies under the Eckerd name, had accepted to transfer ownership of its assets to the Jean Coutu Group and to CVS. As described under Heading 2 of this Annual Information Form under the paragraph *Subsequent Event,* this agreement was finalized on July 31, 2004.

## ITEM 12. AUDIT COMMITTEE DISCLOSURE

### Charter

1. **Composition**

   1) The Audit Committee shall consist of at least three (3) members and a maximum of seven (7) members.
   2) Each of the members of the Audit Committee shall be a director of the Company.
   3) Each member of the Audit Committee shall be independent.
   4) Each member of the Audit Committee shall be financially litterate.

2. **Election of members**. The members, as well as the president of the Audit Committee, are elected by the Directors of the Company during the first meeting of the Board of Directors immediately following the general shareholders meeting of the Company.

3. **Terms of mandate** The mandate of a member of the Audit Committee begins at the date of the meeting of the Board of Directors during which he is elected to this position and expires at the date of the first meeting of the Board of Directors during which his successor is duly elected or appointed, unless the member is replaced before the end of the term by resolution of the Board of Directors.

4. **Death, incapacity or resignation of a member.** In the event that the Board of Directors must fill a Audit Committee vacancy resulting from the death, the incapacity or the resignation of a member, the member of the Audit Committee appointed to fill the Audit Committee vacancy is dispensed from the application of paragraphs 3) and 4) of article 1 for a period ending at the latest of the two following dates:

   a) The next annual shareholders meeting of the Company, or
   b) six (6) months after the event leading to the vacancy.

   The present article shall apply whenever the Board of Directors of the Company has reason to believe that this exemption could significantly reduce the capacity of the Audit Committee to act independently and to comply with other regulatory requirements.

5. **Meeting of the Committee.** The Audit Committee is required to meet at least four (4) times a year in the place, and at the date and time determined by the secretary after consultation with the president and the members of the Audit Committee. A member of the Audit Committee can request the holding of an extraordinary meeting at any time by sending the secretary a notice to this effect.

6. **Invitation to attend**. A notice with the time, date and object of any meeting of the Audit Committee shall be sent by any mode of transmission permitted by law or communicated by telephone to each member and to the auditors of the Company at least two (2) days before the date of the meeting.

7. **Conference call.** The members of the Audit Committee may participate to a meeting via means allowing all the said participants to communicate between themselves, more specifically by conference call.

8. **Quorum**. The quorum of the Audit Committee consists in the majority of members attending the meeting.

9. **President**. The meeting of the Audit Committee is presided by a member of the Audit Committee appointed by the Board of Directors and in his absence by a member chosen among the members then attending any given meeting.

10. **Procedure**. Audit Committee meeting procedures are the same as those in effect during Board of Director meetings.

11. **Majority required**. The questions debated during an Audit Committee meeting are decided by the majority of votes cast.

12. **Remuneration**. The members of the Audit Committee receive in compensation for their services on the said committee the remuneration determined via a resolution of the Board of Directors of the Company.

13. **Powers**. The Audit Committee has the following powers:

    a) to communicate directly with or to meet privately with any manager or employee of the Company, as well as its internal or external auditors;

    b) to hire independent attorneys or other counselors it deems necessary to exercise its functions;

    c) to determine and pay the fees of the counselors it employs.

14. **Mandate**. The preparation and the presentation of the financial statements of the Company, their accuracy, as well as the efficiency of the internal audit is the responsibility of management. Management is also responsible for maintaining adequate internal control and procedures, as well as for the implementation of appropriate policies and standards regarding accounting and presentation of financial statements. The external auditors are responsible for the audit of annual financial statements in accordance to generally accepted accounting principles.

    The Audit Committee is created to review on a continuous basis the pertinence and the efficiency of these activities and to assist the Board of Directors to oversee the accuracy of the financial statements of the Company, of the pertinence and the efficiency of internal controls, of the independence of external auditors, and of compliance by the Company to legal and regulatory requirements.

    The Audit Committee must revise its mandate each year.

    The Audit Committee’s mandate extends to the Company, its divisions and subsidiaries and is described more particularly as follows:

#### **14.1 *Responsibilities in respect to financial disclosure and financial reports***

- The Audit Committee reviews quarterly the financial statements and the management discussion and analysis of the Company before its approval by the Board of Directors;

- It ensures that the Company complies with regulatory standards relative to the preparation and the disclosure of financial statements and the management report.

- It inquires about changes to accounting policies having a major impact on the presentation of financial statements.

- It reviews and makes sure that all claims or lawsuits which may have a major impact of the finances of the Company are correctly recorded in the financial statements.

- It ensures that the financial statements of the Company are accurate, reliable and honest.

- It evaluates the decisions taken by management or by the auditors relative to the presentation of financial statements.

- It reviews the press releases concerning the annual and quarterly releases of financial results of the Company before their approval by the Board of Directors.

### 14.2 *Relationship with external auditors*

- The Audit Committee recommends to the Board of Directors the appointment of the external auditors as well as their fees, and reviews their employment perquisites, as well as other services they may be called upon to provide to the Company and the circumstances which may justify and warrant a change of external auditors, which report directly to this committee;
- It oversees the work of the external auditor employed to deliver an audit report or render other audit, review or attestation services to the Company, including the resolution of disagreements between management and the external auditor concerning financial information;
- It discusses and reviews the competence, independence and objectivity of the external auditors and of the partner of the external audit firm in charge of the mission with the Company, as well as the rotation of the partner in charge or of the other partners involved on the engagement team;
- It reviews the mandate and the external audit program, the letter of recommendation which follows the annual audit and the corresponding follow-ups, the major changes to accounting policies, the main value judgements which are the basis of the financial statements and how they are drafted;
- It preapproves all non-audit services that the external auditor of the Company or those of its subsidiaries must render to the Company or to its subsidiaries within the context of the *Control Procedure Relative to the Employment of Auditors*;
- It may reach the external auditors directly at any time;
- It meets management and the external auditors separately at least once a year and more often, as necessary.
- It questions external auditors regarding their relationship with the management of the Company, as well as the difficulties encountered during their audit mandate, as the case may be.

### 14.3 *Responsibilities concerning the internal audit*

- The Audit Committee meets the vice president, internal audit, as well as the management of the Company, to discuss the efficiency of internal controls implemented by the Company, as well as the measures taken to rectify any major weakness or failure discovered;

- It reviews the mandate and the internal audit programs, the resources granted to the function and the follow-ups made in accordance to the recommendations of the vice president, internal audit;

- It reviews the statements of the vice president, internal audit concerning the efficiency of the internal controls of the Company with regard to the audit work performed;

### 14.4 *Responsibilities concerning internal controls*

- The Audit Committee supervises the presentation by management of information concerning internal controls.

- It requires that management implements appropriate internal and disclosure controls of financial information extracted or derived from the financial statements of the Company for the benefit of the public;

- It reviews, evaluates and approves periodically such controls;

- It verifies all investments and operations likely to impact negatively the sound financial situation of the Company when it is brought to its attention by the auditor(s) or an executive;

- It oversees the implementation of procedures concerning the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;

- It oversees the implementation of procedures concerning the confidential, anonymous submission by employees of the issuer, including its divisions and subsidiaries, of concerns regarding questionable accounting or auditing matters.

**14.5** ***Review of transactions between tied persons***

The Audit Committee reviews the report from management concerning all of the transactions conducted between related persons and/or entities during the year.

**14.6** ***Responsibilities concerning oversight organizations***

- The Audit Committee reviews all important reports received from regulatory instances.
- The Audit Committee reviews the evaluation and the statements of management relative to compliance to particular regulatory requirements, as well as to the plans of management aiming to remedy any failure discovered.
- It ensures that the recommendations or regulatory bodies be implemented and then monitored.

Lastly, the Audit Committee reviews all other financial matters that it deems fit or that the Board of the Directors decides to bring forward to its attention.

15. **Report**. The Audit Committee reports about its activities to the Board of Directors verbally during a meeting of the Board of Directors following an Audit Committee meeting and by submitting a meeting report at the next meeting of the Board of Directors.

**Composition of the Audit Committee**

The audit committee is presently formed of five independent independant directors, i.e. Mr. L. Denis Desautels, president of the committee and Mrs. Lise Bastarache, Mr. Marcel Dutil, Mrs. Claire Léger and Mr. Laurent Picard.

**Relevant Education and Experience**

The following section names each member of the audit committee as well as his relevant education and experience regarding the execution of his responsibilities as a member of the said committee.

***L. Denis Desautels.*** Mr. Desautels is executive-in-residence at the School of Management of the University of Ottawa. He has been a chartered accountant since 1964. He has practiced as a certified public accountant, auditor and one of the senio partners of the firm Ernst & Young LLP (formerly Clarkson Gordon) from 1964 to 1991. In 1991, Mr. Desautels was appointed

Auditor General of Canada, position that he held till 2001. In this capacity, he was notably responsible for the auditing of financial statements of the Government of Canada, the governements of the Territories and several crown corporations. He is presently a member of audit committees of four listed companies and two non-profit organizations. He is the chair of three of these committees, which provides him with a first-hand opportunity to appreciate the role and the functioning of an audit committee.

Over the course of his career, Mr. Desautels has acquired competence in the audit of major public and private companies and by way of consequence, he is quite familiar with generally accepted accounting principles. He is able to understand financial statements of a complexity generally presenting accounting problems comparable to those that could be found in the financial statements of The Jean Coutu Group (PJC) Inc. In addition, his experience as external auditor during the last thirty-seven (37) years has allowed him to acquire a solid understanding of internal controls and of the process leading to the preparation of financial statements.

***Lise Bastarache.*** Mrs. Bastarache is currently Regional Vice President, Private Banking Quebec for RBC Financial Group. Mrs. Bastarache has also served as Analyst in Commercial Markets and Deputy Chief Economist for RBC Financial Group during the past five years. Mrs. Bastarache holds a Bachelors degree and a Master's degree in Economics at the University of Quebec in Montreal as well as the course requirements of a PhD in Economics from the McGill University. As Analyst in Commercial Markets of the RBC Royal Bank, Mrs. Bastarache has analyzed the financial statements of many large corporations that presented accounting problems generally comparable in scope and complexity to those found in the financial statements of The Jean Coutu Group (PJC) Inc.

In addition, as vice president of RBC Private Banking, Mrs. Bastarache is ultimately responsible for the internal controls and of the drawing up the income statements of her division.

***Marcel Dutil.*** Mr. Dutil is chairman of the board of directors and chief executive officer of Le Groupe Canam Manac inc., company that he created in 1973 following the acquisition of les Aciers Canam Inc. As chairman of the board of directors and chief executive officer of Le Groupe Canam Manac inc. and as director of several public companies since 1974, such as Border Trust, National Bank of Canada, Transcontinental inc., Québec Téléphone and others, Mr. Dutil has acquired a good understanding of generally accepted accounting principles in Canada and has regulary been called upon to analyze and evaluate financial statements presenting accounting problems generally comparable to those that could reasonably be expected to be found in the financial statements of The Jean Coutu Group (PJC) Inc. He has acted as a member of several audit committees for some twenty years, as those of Québec Téléphone, Maax, and National Bank of Canada (for a period of one year).

***Claire Léger.*** Mrs. Léger is chairman of the board of directors of the St-Hubert Group Inc. She holds a Bachelor's degree in Commerce (1966) as well as a Master's degree in business administration (1986). Her university degrees and her work experience as manager interested in the evolution of accounting standards, have allowed her to acquire a solid understanding of generally accepted accounting principles in Canada. Her career as manager and owner of St-Hubert Group Inc., has required that she analyze and evaluate financial statements of a complexity at least comparable to those of The Jean Coutu Group (PJC) Inc. She has acquired a thorough understanding of internal controls and of the process leading to the drawing up of financial statements, as well as to the role and functioning of audit committees such as those of Quebecor Inc., St-Hubert Group Inc. and The Jean Coutu Group (PJC) Inc.

***Laurent Picard.*** Mr. Picard holds a doctorate in business management (DBA) which he obtained from the Harvard University business management faculty in 1964. He has held several positions throughout his career, notably executive vice president and then president of the Canadian Broadcasting Corporation. He has analyzed and evaluated financial statements that presented accounting problems comparable in scope and complexity to those found in the financial statements of the Jean Coutu Group (PJC) Inc. His functions have lead him to acquire a thorough understanding of generally accepted accounting principles in Canada, of internal controls and of the process leading to the drawing up of financial statements.

Mr. Picard sits or has sat on some fifteen board of directors for the last thirty-five (35) years. He has been a member of the audit committee of the majority of these companies and in this capacity he has acquired in-depth knowledge of the role and of the functioning of audit committees. In addition to the audit committee of the Jean Coutu Group (PJC) Inc., Mr. Picard presently sits on the audit committees of Lombard Odier Darier Hentsch Inc., Lombard Odier Trust and Dorel Industries Inc.

**Policies regarding services rendered by auditors**

The audit committee has adopted a policy concerning the scope of the services rendered by the external auditors, which policy is in force since the 1st quarter of the current fiscal. This policy forbids the Company from engaging auditors to provide certain non-audit services to the Company and its subsidiaries, including bookkeeping or other services related to accounting records or financial statements, financial information systems design and implementation, appraisal or valuation services, actuary services, internal audit services, investment banking services, management functions or human resources functions, legal services and expert services not associated to the audit function. The policy allows, in particular circumstances, the Company to engage the services of auditors to provide non-audit services, other than the prohibited services, only when these services are specifically approved by the audit committee.

A copy of the policy concerning the scope of the services rendered by external auditors may be obtained free of charge upon request to the corporate secretary of the Company, at the head office of the Company located at 530 rue Bériault, Longueuil, Québec, J4G 1S8.

**Remuneration of auditors**

The following table presents by category the fees billed by the external auditors of the firm Samson/Bélair Deloitte & Touche for the fiscal year ended May 31, 2004 and 2003.

| **Category of fees** | **2004** | **2003** |
|---|---:|---:|
| | (Canadian currency) | (Canadian currency) |
| Audit fees | 697,221 | 680,600 |
| Fees associated to the audit | 8,000 | 5,600 |
| Fees associated to taxation services | 157,020 | 184,060 |
| Other fees | 127,165 | 161,395 |
| **Total** | **989,406** | **1,031, 655** |

**« Audit fees»** include the total fees paid out to Samson/Bélair Deloitte & Touche for the audit of annual consolidated financial statements and other audits and regulatory deposits.

**« Fees associated to the audit»** include the total fees paid out to Samson/Bélair Deloitte & Touche for services associated to the audit fees, notably the audit of the retirement plan, the consultation relative to the accounting and financial disclosure standards.

**« Fees associated to taxation services»** include the total fees paid out to Samson/Bélair Deloitte & Touche for compliance to taxation legislation, taxation advice as well as consultation and tax planning services in view of the drawing up of income tax declarations of the Company, of capital taxes and sales taxes.

**« Other fees»** include the total fees paid out to Samson/Bélair Deloitte & Touche for all other services other than those presented in the categories of fees, fees associated to the audit and fees associated to taxation services, notably the consultation services for the diligent audit for the purpose of acquisitions.

### ITEM 13. ADDITIONAL INFORMATION

Further financial and corporate information is available on Internet at www.sedar.com or www.jeancoutu.com.

Information on the Company's americain operations are available at www.brooks-rx.com.

In addition, the Company shall provide to any person, upon request to the Secretary of the Company:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities :

   i. one copy of the Company's annual information form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the annual information form,

   ii. one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the Company subsequent to the financial statements for its most recently completed financial year,

   iii. one copy of the management proxy circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors, and

   iv. one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under I to III above; or at any other time, one copy of any of may require the payment of a reasonable the documents referred to in I, II and III above, provided that the Company.

(b) at any other time, one copy of any documents referred to in i, ii and iii above, provided the Company may require the payment of a reasonable fee if the per son requiring the information is not a securities' holder of the Company.

Additional information, including officers' and directors' remuneration and loans granted to them, if any, principal shareholders of the Company, stock options and the interest of insiders in material transactions, if any, is contained in the management proxy circular August 30, 2004 which was prepared for the 2004 annual meeting of shareholders. Other financial information is included in the audited consolidated financial statements and the notes thereto for the fiscal year ended May 30, 2004 as well as Management's Discussion and Analysis thereon. All such additional information relating to the Company is available on SEDAR at www.sedar.com.

The foregoing documents may be obtained by contacting the Corporate Secretary at the head office of the Company, located at 530, Beriault Street, Longueuil, Quebec, J4G 1S8.