



The
Jean Coutu
Group (PJC) Inc.

FIRST QUARTER REPORT TO SHAREHOLDERS
For the 13-week period ended May 29, 2010

To our shareholders:

The Jean Coutu Group is pleased to report its financial results for the first quarter of the fiscal year 2011 ended May 29, 2010.

Revenues increased by 3.8% to \$642.9 million during the first quarter of fiscal year 2011 compared with \$619.3 million during the same period of the fiscal year 2010.

Operating income before amortization ("OIBA") amounted to \$70.1 million for the first quarter of fiscal year 2011 compared with \$64.7 million for the first quarter of fiscal year 2010, an increase of 8.3%. OIBA as a percentage of revenues ended the first quarter of fiscal 2011 at 10.9% compared with 10.4% during the first quarter of the fiscal year 2010.

No share of loss in Rite Aid was accounted in the Company's earnings during the first quarter of fiscal year 2011 compared with \$30.9 million (\$0.13 per share) during the first quarter of the previous fiscal year. This is a non-cash charges.

For the first quarter of fiscal year 2011, the net earnings amounted to \$43.2 million (\$0.18 per share) compared with \$10.3 million (\$0.04 per share) for the first quarter of fiscal year 2010.

Earnings before specific items and share of loss in Rite Aid amounted to \$43.5 million (\$0.18 per share) during the first quarter of fiscal year 2011 compared with \$38.5 million (\$0.16 per share) during the first quarter of fiscal year 2010.

During the first quarter of fiscal year 2011, PJC network of franchised stores retail sales increased by 5.3% while the same-store basis sales increased by 2.9%.

"We are satisfied with the results of the first quarter of fiscal 2011. The expansion of our network and the solid operating performance of our organization have allowed us to reach our objectives," said François J. Coutu, President and Chief Executive Officer. "As for the reduction in the price of generic drugs announced by the Minister of Health and Social Services of Quebec, we will make representations for the Company and the pharmacist owners affiliated with the PJC Jean Coutu network through the associations involved. We strongly believe that the Government of Quebec must recognize that a reduction in the price of generic drugs must be adopted concurrently with measures in order to assist market participants with the transition to lower generic drug prices."

As at May 29, 2010, there were 376 stores in the PJC network of franchised stores.

The Board of the Jean Coutu Group declared a quarterly dividend of \$0.055 per share. This dividend will be payable on August 6, 2010, to all holders of Class A subordinate voting shares and holders of Class B shares listed in the Company's shareholder ledger as of July 23, 2010.

With its operations and financial flexibility, the Company is very well positioned to capitalize on the growth in the drugstore retail industry. Demographic trends are expected to contribute to growth in the consumption of prescription drugs and to the increased use of pharmaceuticals as the primary intervention in individual healthcare. Management believes that these trends will continue and that the Company will maintain its growth in revenues through differentiation and quality of offering and service levels to its network of franchised stores, with a focus on sales growth, its real estate program and operating efficiency.

The management of the Company has been informed of the prescription drug reform announced by the Minister of Health and Long-term Care in Ontario. This reform will cause a reduction in the price of generic drugs as well as a decrease in the professional allowances paid to pharmacists by generic drug manufacturers. Management does not believe that the reform in Ontario will have a significant impact on the consolidated results of the Company due to the volume of business generated in this province.

In addition, Quebec's Minister of Health and Social Services announced on June 25, that as of July 2010, the price of generic drugs will generally be established at 25% of the price for the original equivalent. The Minister also mentioned that the implementation of this reduction in prices will be postponed for a period of 4 to 8 weeks in order to consult interested parties. If measures similar to those adopted in Ontario were to be implemented in Quebec, the Company's consolidated results could be impacted.

Yours truly,

/s/ François J. Coutu

Francois J. Coutu
President and Chief Executive Officer

Non-GAAP financial measures

Management used certain non-GAAP financial measures such as:

- Operating income before amortization ("OIBA");
- Earnings (and earnings per share) before specific items and share of loss in Rite Aid.

These measures have been reconciled with performance measures defined by the Canadian GAAP in the related section of the Management's Discussion and Analysis.

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Throughout this document, The Jean Coutu Group (PJC) Inc. and its subsidiaries, unless otherwise indicated, are referred to as "Company", "Jean Coutu Group", "we" or "our". This Management's Discussion and Analysis of the financial position and results of operations ("MD&A") should be read in conjunction with the Interim Consolidated Financial Statements and the notes thereto for the 13-week periods ended May 29, 2010 (Q1-2011) and May 30, 2009 (Q1-2010), and with the Annual Report for the fiscal year ended February 27, 2010.

The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. The Company operates a network of 376 franchised stores located in the provinces of Québec, New Brunswick and Ontario under the banners of PJC Jean Coutu, PJC Clinique, PJC Santé and PJC Santé Beauté, and employs more than 17,000 people. Furthermore, as of December 2007, the Jean Coutu Group owns Pro Doc Ltd ("Pro Doc"), a Québec-based subsidiary and manufacturer of generic drugs. The Company also holds a significant interest in Rite Aid Corporation ("Rite Aid") a national chain of drugstores in the United States with nearly 4,800 stores in 31 states and the District of Columbia.

Management's Discussion and Analysis

FINANCIAL STATEMENTS AND FISCAL YEARS

The Company's Consolidated Financial Statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Unless otherwise indicated, all amounts are in Canadian dollars.

The fiscal year ended February 27, 2010, contained 52 weeks as well as the fiscal year ended February 28, 2009.

Fiscal year	Year-end date	Number of weeks
2010	February 27, 2010	52
2009	February 28, 2009	52

DEFINITIONS

Revenues

Revenues consist of sales plus other revenues derived from franchising activities. Merchandise sales to PJC franchisees through our distribution centres account for most of our sales. PJC franchised stores retail sales are not included in our revenues. However, any change in their retail sales directly affects our revenues since PJC franchisees purchase most of their inventory from our distribution centres.

Other revenues consist of royalties from franchisees based on a percentage of their retail sales, rental revenues and revenues related to certain services rendered to franchisees.

Share of loss in Rite Aid, a company subject to significant influence

The Company holds a 28.4% equity interest in Rite Aid and this investment is accounted for under the equity method in which the Company records its share of loss in Rite Aid.

During the fiscal year ended February 27, 2010, the Company's share of loss in Rite Aid exceeded the carrying value of its investment. As required by Canadian GAAP, the Company reduced the carrying value of its investment down to zero and ceased recording its share of loss in Rite Aid exceeding the carrying value of its investment, since the Company has not guaranteed obligations of Rite Aid and is not committed to provide further financial support to Rite Aid.

General and operating expenses

General and operating expenses comprise costs associated with salaries and benefits, rent, advertising, repairs and maintenance, insurance and professional fees.

NON-GAAP FINANCIAL MEASURES

Management used certain non-GAAP financial measures such as:

- Operating income before amortization ("OIBA");
- Earnings before specific items or earnings per share before specific items;
- Earnings (and earnings per share) before specific items and share of loss in Rite Aid.

Operating income before amortization ("OIBA")

OIBA is not a measure of performance under Canadian GAAP; however, management uses this performance measure in assessing the operating and financial performance of its operations. Besides, we believe that OIBA is an additional measure used by investors to evaluate operating performance and capacity of a company to meet its financial obligations.

However, OIBA is not and must not be used as an alternative to net earnings or cash flow generated by operating activities as defined by Canadian GAAP. OIBA is not necessarily an indication that cash flow will be sufficient to meet our financial obligations. Furthermore, our definition of OIBA may not be necessarily comparative to a similar measure reported by other companies.

Net earnings, which is a performance measure defined by Canadian GAAP, is reconciled hereunder with OIBA.

<i>(unaudited, in millions of dollars)</i>	13 weeks	
	Q1-2011	Q1-2010
	\$	\$
Net earnings	43.2	10.3
Financing (revenues) expenses	0.6	(2.2)
Share of loss in Rite Aid	-	30.9
Income taxes	18.7	18.7
Operating income	62.5	57.7
Amortization per financial statements	4.2	4.1
Amortization of incentives paid to franchisees ⁽¹⁾	3.4	2.9
Operating income before amortization ("OIBA")	70.1	64.7

⁽¹⁾ Amortization of incentives paid to franchisees is applied against other revenues in the Consolidated Financial Statements.

Earnings before specific items or earnings per share before specific items

Earnings (or earnings per share) before specific items and earnings (or earnings per share) before specific items and share of loss in Rite Aid are non-GAAP measures. The Company believes that it is useful for investors to be aware of significant items of an unusual or non-recurring nature that have adversely or positively affected its Canadian GAAP measures, and that the above-mentioned non-GAAP measures provide investors with measures of performance with which to compare its results between periods without regard to these items. The Company's measures excluding certain items have no standardized meaning prescribed by Canadian GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation.

Net earnings and net earnings per share are reconciled hereunder to earnings (and earnings per share) before specific items and earnings (and earnings per share) before specific items and share of loss in Rite Aid. All amounts are net of income taxes when applicable.

<i>(unaudited, in millions of dollars, except per share amounts)</i>	13 weeks	
	Q1-2011	Q1-2010
	\$	\$
Net earnings	43.2	10.3
Unrealized foreign exchange gains on monetary items	-	(0.8)
Change in fair value of third party asset-backed commercial paper and related options of repayment	0.3	(1.9)
Earnings before specific items	43.5	7.6
Share of loss in Rite Aid	-	30.9
Earnings before specific items and share of loss in Rite Aid	43.5	38.5
Net earnings per share	0.18	0.04
Unrealized foreign exchange gains on monetary items	-	-
Change in fair value of third party asset-backed commercial paper and related options of repayment	-	(0.01)
Earnings per share before specific items	0.18	0.03
Share of loss in Rite Aid	-	0.13
Earnings per share before specific items and share of loss in Rite Aid	0.18	0.16

QUARTERLY RESULTS

SELECTED CONSOLIDATED FINANCIAL INFORMATION FOR FISCAL QUARTERS - UNAUDITED

The following table presents selected data and operating results for the quarters ended May 29, 2010 (Q1-2011) and May 30, 2009 (Q1-2010). Some of the figures provided for the previous period have been reclassified to conform to the presentation adopted for the current period.

<i>(unaudited, in millions of dollars, except per share amounts)</i>	13 weeks	
	Q1-2011	Q1-2010
	\$	\$
Sales	583.0	559.6
Other revenues ⁽¹⁾	59.9	59.7
Revenues ⁽²⁾	642.9	619.3
Gross profit	62.4	56.5
Operating income before amortization ("OIBA") ⁽³⁾	70.1	64.7
Share of loss in Rite Aid	-	30.9
Net earnings	43.2	10.3
Per share	0.18	0.04
Earnings before specific items and share of loss in Rite Aid ⁽³⁾	43.5	38.5
Per share	0.18	0.16

⁽¹⁾ Including amortization of incentives paid to franchisees.

⁽²⁾ Revenues include sales and other revenues.

⁽³⁾ See the "Non-GAAP financial measures" section.

COMPARISON OF THE CONSOLIDATED QUARTERS ENDED MAY 29, 2010 (Q1-2011) AND MAY 30, 2009 (Q1-2010)

Revenues

Revenues, which include sales and other revenues, amounted to \$642.9 million during the first quarter ended May 29, 2010 compared with \$619.3 million during the first quarter ended May 30, 2009, an increase of 3.8%. This increase is attributable to the overall market growth and the expansion of the Jean Coutu Group network of franchised stores.

Other revenues amounted to \$59.9 million during the first quarter of fiscal year 2011 compared with \$59.7 million during the first quarter of fiscal year 2010.

Gross profit

Gross profit from the first quarter of fiscal year 2011 amounted to \$62.4 million compared with \$56.5 million during the first quarter of fiscal year 2010, an increase of 10.4%. For the first quarter of fiscal year 2011, gross margin, calculated as percentage of sales, was 10.7% compared with 10.1% during the first quarter of fiscal year 2010. Increase in gross margin is mainly attributable to the additional gross margin generated by the Pro Doc operations.

OIBA

OIBA increased by \$5.4 million and amounted to \$70.1 million for the first quarter of fiscal year 2011, while amounting to \$64.7 million for the first quarter of fiscal year 2010. This increase is mostly attributable to a strong operational performance in the franchising activities and of the subsidiary Pro Doc. Gross sales of Pro Doc products, net of intercompany's eliminations, amounted to \$30.9 million in the first quarter of fiscal year 2011 compared with \$19.2 million in the first quarter of fiscal year 2010. OIBA as a percentage of revenues ended the first quarter of fiscal year 2011 at 10.9% compared with 10.4% for the first quarter of the previous fiscal year.

Financing expenses (revenues)

Financing expenses amounted to \$0.6 million during the first quarter of fiscal year 2011, compared with financing revenues of \$2.2 million during the first quarter of fiscal year 2010. Financing expenses for the first quarter of fiscal year 2011 were related to interest expense on long term debt and financing revenues for the first quarter of fiscal year 2010 were related to the recording of a gain in value with respect to the third party asset-backed commercial paper.

Share of loss in Rite Aid, a company subject to significant influence

No share of loss in Rite Aid was accounted in the Company's earnings during the first quarter of fiscal year 2011 compared with \$30.9 million (\$0.13 per share) during the first quarter of fiscal year 2010. This is a non-cash charge.

Readers are referred to the "Information on Rite Aid" section of this MD&A for more information.

Net earnings

For the first quarter ended May 29, 2010, net earnings amounted to \$43.2 million (\$0.18 per share) compared with \$10.3 million (\$0.04 per share) for the first quarter ended May 30, 2009.

Earnings before specific items and share of loss in Rite Aid amounted to \$43.5 million (\$0.18 per share) during the first quarter of fiscal year 2011 compared with \$38.5 million (\$0.16 per share) during the first quarter of the previous fiscal year, an increase of 13.0%.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION - UNAUDITED

<i>(unaudited, in millions of dollars, except per share amounts)</i>	Q1-2011	Q4-2010	Q3-2010	Q2-2010	Q1-2010	Q4-2009	Q3-2009	Q2-2009
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	642.9	637.0	678.1	608.7	619.3	607.2	620.3	567.5
Operating income before amortization ("OIBA")⁽¹⁾	70.1	71.2	71.5	61.4	64.7	61.5	60.1	56.8
Share of loss in Rite Aid	-	-	-	24.3	30.9	768.8	431.7	73.1
Net earnings (loss)	43.2	42.8	44.6	14.9	10.3	(733.6)	(399.2)	(39.1)
Per share	0.18	0.18	0.19	0.07	0.04	(3.11)	(1.66)	(0.16)
Earnings before specific items and share of loss in Rite Aid⁽¹⁾	43.5	42.9	44.2	37.1	38.5	38.5	36.7	34.2
Per share	0.18	0.18	0.19	0.16	0.16	0.16	0.15	0.14
Weighted average number of shares, diluted	236.2	236.3	236.2	236.2	236.0	236.0	240.0	245.1

⁽¹⁾ See the "Non-GAAP financial measures" section.

INFORMATION ON THE JEAN COUTU GROUP NETWORK OF FRANCHISED STORES

Within the franchising segment, the Company carries on the franchising activity under the banners of "PJC Jean Coutu", "PJC Clinique", "PJC Santé" and "PJC Santé Beauté", operates two distribution centres and coordinates several other services for the benefit of its franchisees. These services comprise centralized purchasing, distribution, marketing, training, human resources, management, operational consulting and information systems, as well as a private label program. The PJC franchisees own and manage their stores and are responsible for merchandising and financing their inventory. They must provision their store from our distribution centres, provided that the products ordered are available and priced competitively to those of other suppliers. The financial results of the PJC franchised stores are not included in the Company's Consolidated Financial Statements.

Network performance <i>(unaudited)</i>	13 weeks	
	Q1-2011	Q1-2010
Retail sales <i>(in millions of dollars)</i>	\$930.4	\$883.9
Retail sales per square foot <i>(in dollars)</i> ⁽¹⁾	\$1,372	\$1,361
Retail sales <i>(in percentage)</i>		
Pharmacy, prescription drugs	63%	63%
Front-end, non-prescription drugs	9%	9%
Front-end, general merchandise	28%	28%
Retail sales growth <i>(in percentage)</i>		
Total stores		
Total	5.3%	6.7%
Pharmacy	5.8%	8.7%
Front-end	4.1%	3.7%
Same store ⁽²⁾		
Total	2.9%	3.9%
Pharmacy	3.8%	5.7%
Front-end	1.0%	1.2%

⁽¹⁾ Annual store sales are divided by average square footage.

⁽²⁾ Same store means a store that operated throughout the current fiscal year and previous fiscal year.

Retail sales increase reflects overall market growth and openings, renovations and relocations of PJC network of franchised stores.

During the first quarter of fiscal year 2011, on a same-store basis, PJC network retail sales grew 2.9%, pharmacy sales gained 3.8% and front-end sales increased by 1.0% compared with the first quarter of the previous fiscal year. During the first quarter of the fiscal year 2011, the sales of non-prescription drugs, which represented 9% of total retail sales, increased by 2.2%, whereas these sales had increased by 7.2% during the first quarter of the previous fiscal year.

PJC network of franchised stores development

During the first quarter of fiscal year 2011, there were 9 store openings including 2 relocations and one closing in the PJC network of franchised stores, compared with 7 openings, including 2 relocations, during the first quarter of the previous fiscal year.

INFORMATION ON RITE AID

Investment in Rite Aid, a company subject to significant influence

The Company holds an equity interest of 28.4% (February 27, 2010 - 28.4%) in Rite Aid Corporation ("Rite Aid"). Rite Aid is one of the United States' leading drugstore chain, operating nearly 4,800 drugstores. The equity interest in Rite Aid represents an investment subject to significant influence, which is accounted for using the equity method. On May 29, 2010, the market value of equity interest in Rite Aid was US\$289.8 million (February 27, 2010 - US\$383.0 million).

During the fiscal year ended February 27, 2010, the Company's share of loss in Rite Aid exceeded the carrying value of its investment. As required by Canadian GAAP, the Company reduced the carrying value of its investment down to zero and ceased recording its share of loss in Rite Aid exceeding the carrying value of its investment, since the Company has not guaranteed obligations of Rite Aid and is not committed to provide it with further financial support. For the 13-week period ended May 29, 2010, the Company's unrecognized share of loss in Rite Aid amounted to \$19.1 million. During the quarter ended May 30, 2009, the Company recorded a share of loss of \$30.9 million related to this investment. As at May 29, 2010, the Company's total unrecognized share of loss in Rite Aid amounted to \$108.5 million.

Selected Financial Information - Summary Consolidated Balance Sheets – Rite Aid

<i>(in millions of US dollars and under US GAAP)</i>	May 29, 2010	February 27, 2010
	\$	\$
	<i>(unaudited)</i>	<i>(audited)</i>
Current assets	4,607.5	4,508.7
Property, plant and equipment, net	2,235.2	2,293.1
Other intangibles, net	781.3	823.1
Other assets	420.1	425.0
Total assets	8,044.1	8,049.9
Current liabilities	2,345.7	2,175.7
Long-term debt	6,235.5	6,319.4
Other long-term liabilities	1,203.9	1,228.4
Stockholders' deficit	(1,741.0)	(1,673.6)
Total liabilities and stockholders' equity	8,044.1	8,049.9

Some of this information would have been different if Rite Aid had used the same accounting principles as the Jean Coutu Group, and had prepared its consolidated financial statements using the Canadian GAAP. The differences are primarily due to the fact that Rite Aid uses the last in, first out method to evaluate its inventory, whereas the Jean Coutu Group uses the first in, first out method.

The following table presents selected information from the Rite Aid balance sheet using the Canadian GAAP:

<i>(unaudited, in millions of US dollars)</i>	May 29, 2010	February 27, 2010
	\$	\$
Total assets	8,747.4	8,735.0
Total liabilities	9,586.5	9,525.9
Stockholders' deficit	(839.1)	(790.9)

CONSOLIDATED STATEMENTS OF OPERATIONS OF RITE AID FOR THE QUARTERS ENDED MAY 29, 2010 AND MAY 30, 2009

<i>(unaudited, in millions of US dollars, except per share amounts and under US GAAP)</i>	13 weeks	
	Q1-2011	Q1-2010
	\$	\$
Revenues	6,394.3	6,531.2
Costs and expenses		
Cost of goods sold	4,682.6	4,757.1
Selling, general and administrative expenses	1,622.9	1,710.7
Lease termination and impairment charges	13.5	67.0
Interest expense	141.6	109.5
Loss (gain) on sale of assets, net	0.3	(20.0)
	6,460.9	6,624.3
Loss from continuing operations before income taxes	(66.6)	(93.1)
Income tax expense	7.1	5.3
Net loss	(73.7)	(98.4)
Basic and diluted loss per share	(0.09)	(0.11)

Some of this information would have been different if Rite Aid had used the same accounting principles as the Jean Coutu Group, and had prepared its consolidated financial statements using the Canadian GAAP. The differences are primarily due to the fact that Rite Aid uses the last in, first out method to evaluate its inventory, whereas the Jean Coutu Group uses the first in, first out method.

The following table presents selected information from the Rite Aid statements of operations using the Canadian GAAP:

<i>(unaudited, in millions of US dollars)</i>	13 weeks	
	Q1-2011	Q1-2010
	\$	\$
Revenues	6,394.3	6,531.2
Net loss	(53.8)	(84.1)

The Rite Aid selected financial information above is derived from their press release of June 23, 2010, for the 13-week period ended May 29, 2010. In addition to information in Rite Aid's public disclosure documents, readers are referred to their website at www.riteaid.com. Readers are also referred to Note 6 of the Company's Interim Consolidated Financial Statements for the first quarter of fiscal year 2011 for further information on its investment in Rite Aid.

LIQUIDITY

The Company's cash flows are generated by: i) merchandise sales and rental revenues from PJC franchised stores, ii) the collection of royalties from PJC franchisees and iii) rent from properties leased to tenants other than franchisees. These cash flows are used: i) to purchase products and services for resale, ii) to finance operating expenses, iii) for real estate in-vestments, iv) to finance capital expenditures incurred to renovate and open stores and replace equipment and v) for debt service. We have typically financed capital expenditures and working capital requirements through cash flow from operating activities. The Company's larger acquisitions have been financed through long-term debt and equity.

SELECTED CONSOLIDATED INFORMATION ON LIQUIDITY

The following table presents selected information from the consolidated statements of cash flows for the quarters ended May 29, 2010 and May 30, 2009:

<i>(unaudited, in millions of dollars)</i>	13 weeks	
	Q1-2011	Q1-2010
	\$	\$
Cash flow provided by operating activities	51.3	42.8
Cash flow used in investing activities	(19.1)	(19.1)
Cash flow used in financing activities	(41.5)	(23.6)

COMPARISON OF THE CONSOLIDATED INFORMATION ON LIQUIDITY FOR THE QUARTERS ENDED MAY 29, 2010 AND MAY 30, 2009

Cash flow related to operating activities

Cash flow provided by operating activities amounted to \$51.3 million during the first quarter of fiscal year 2011 compared with \$42.8 million during the first quarter of fiscal year 2010. Non-cash items include no amount of share of loss in Rite Aid recorded during the first quarter of fiscal year 2011 compared with the share of loss in Rite Aid of \$30.9 million recorded during the first quarter of fiscal year 2010. Readers are referred to Note 9 of the Interim Consolidated Financial Statements for a listing of the net changes in non-cash operating asset and liability items.

Cash flow related to investing activities

Cash flow used in investing activities amounted to \$19.1 million during the first quarter of fiscal year 2011 as well as the first quarter of fiscal year 2010. During the first quarter of fiscal year 2011, \$10.3 million was used to acquire capital assets compared with \$10.1 million during the first quarter of the previous fiscal year. During the first quarter of fiscal year 2011, \$10.2 million was used to acquire other long-term assets compared with \$8.9 million during the first quarter of previous fiscal year. During the first quarter of fiscal year 2011, 9 new stores were opened in the PJC network of franchised stores, including 2 relocations, 8 stores were expanded or renovated.

Cash flow related to financing activities

During the first quarter of fiscal year 2011, the Company used \$41.5 million for its financing activities compared with \$23.6 million during the first quarter of fiscal year 2010. During the first quarter of fiscal year 2011, \$15.0 million were used to reimburse the Company's revolving credit facilities compared with \$13.1 million during the first quarter of fiscal year 2010. Furthermore, the Company used \$13.6 million to redeem Class A subordinate voting shares during the first quarter of fiscal year 2011. The Company paid a quarterly dividend of \$0.055 per Class A subordinate voting share and Class B share during the first quarter of fiscal year 2011 for a total of \$13.0 million (annualized dividend of \$0.22 per share). The Company had paid a quarterly dividend of \$0.045 per Class A subordinate voting share and Class B share during the first quarter of fiscal year 2010 for a total of \$10.6 million.

THIRD PARTY ASSET-BACKED COMMERCIAL PAPER

On May 29, 2010, the Company held third party asset-backed commercial paper ("ABCP") of a nominal amount of \$31.5 million (of which \$0.4 million is denominated in US dollars). As at May 29, 2010, notional values of Master Asset Vehicles ("MAV") II and MAV III notes are \$24.8 million (A1 - \$10.4, A2 - \$10.3, B - \$1.9, C - \$0.7 and \$1.5 of ineligible assets tracking notes) and \$6.7 million (\$0.7 million of traditional assets tracking notes and \$6.0 million of ineligible assets tracking notes), respectively.

These ABCP are accounted for at their fair value, which was \$19.2 million as of May 29, 2010 (\$19.8 million as at February 27, 2010). As at May 29, 2010, the total loss in value recorded was \$12.3 million representing 39% of the ABCP's nominal amount at that date. The change in balances of ABCP is presented in Note 6 of the Company's Interim Consolidated Financial Statements.

The Company assessed its ABCP as at May 29, 2010. Since there is no active market for ABCP, the Company has estimated their fair value by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information.

This estimate of the fair value of the ABCP is subject to significant uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in assumptions could affect the value of ABCP securities in the next fiscal year. The resolution of these uncertainties could be such that the ultimate fair value of these investments may vary from management's current best estimate.

The Company has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect there will be a material adverse impact on its business as a result of the ABCP liquidity issue.

CAPITAL STOCK

On April 29, 2010, the Company announced its intention to purchase for cancellation, if it is considered advisable, up to 11,110,000 of its outstanding Class A subordinate voting shares, representing approximately 10% of the current public float of such shares, over a 12-month period ending no later than May 3, 2011. The shares were or will be purchased through the facilities of the Toronto Stock Exchange and in accordance with its requirements.

For the 13-week period ended May 29, 2010, the Company purchased 1,667,800 Class A subordinate voting shares at an average price of \$9.01 per share for a total consideration of \$15.0 million including related costs. An amount of \$5.9 million representing the excess of the purchase price over the carrying value of the purchased shares was included in deficit. The shares purchased during the 13-week period ended May 29, 2010 were cancelled during that period, except for 806,900 shares that were cancelled after May 29, 2010.

On May 25, 2010, the Company issued 3,000,000 Class A subordinate voting shares, due to the exercise of exchange privilege of 3,000,000 Class B shares against Class A subordinate voting shares on the basis of one Class A subordinate voting share for each Class B share exchanged.

As at July 5, 2010, the total number of Class A subordinate voting shares (TSX: PJC A) issued and outstanding was 120.2 million (121.0 million as at May 29, 2010 - 118.9 million as of February 27, 2010), and the number of Class B shares amounted to 114.4 million (114.4 million as at May 29, 2010 - 117.4 million as of February 27, 2010). As at July 5, 2010, the total number of outstanding shares was 234.6 million (235.4 million as at May 29, 2010 - 236.3 million as of February 27, 2010). Furthermore, as at July 5, 2010, 1.8 million of Jean Coutu Class A subordinate voting shares stock options were outstanding.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

For more information on the Company's main contractual cash obligations under our long-term debt, long-term leases, inventories, services and capital assets commitments, readers are referred to the MD&A section of the financial statements for the fiscal year ended February 27, 2010.

Long-term debt

As at May 29, 2010, the long-term debt amounted to \$184.8 million, borrowed under its revolving credit facility, compared with \$199.9 million as at February 27, 2010. For further details, readers are referred to Note 11 of fiscal year 2010 Consolidated Financial Statements.

As at May 29, 2010, \$331.1 million of the \$516.4 million available from the revolving facility was still unused (as at February 27, 2010 - \$316.2 million of the \$516.5 million). The Company does not expect any liquidity issues. The Company has operating liquidities and has access to credit facilities in order to finance its projects. As at May 29, 2010, all of our bank covenants were respected.

Operating lease obligations

The Company leases a substantial portion of its buildings using conventional operating leases. Generally, the Company's real estate leases are for primary terms of 10 to 20 years with options to renew.

For further details, readers are referred to Note 18 of fiscal year 2010 Consolidated Financial Statements.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

The Company does not use any off-balance sheet arrangements that currently have, or that we expect are reasonably likely to have, a material effect on its financial condition, results of operations or cash flow. The Company uses operating leases for many of its properties, and, from time to time, engages in sale-leaseback transactions for financing purposes.

The Company has not taken any specific action to cover its exposure to interest rate risk. Depending on the interest rate environment, the Company may, in the future, use derivative financial instruments or other interest rate management vehicles.

Guarantees and buyback agreements

On June 4, 2007, the Company sold its US Operations to Rite Aid. As part of this transaction, the Company agreed to enter into certain customary indemnification obligations in favour of the purchaser in case of eventual breach of representations or warranties stipulated in the stock purchase agreement. Those representations or warranties refer to issues such as taxes and other indemnification obligations related to facts, circumstances or conditions in existence prior to June 4, 2007 with respect to the stock purchase agreement and other related agreements entered into with J.C. Penney Company, Inc. on July 31, 2004. Some of the indemnification guarantees are not limited in time. In addition, certain portions of the Company's indemnification guarantees are capped at US\$450,000,000, while other provisions are not subject to such a limit.

The Internal Revenue Service ("IRS") issued a report following the completion of the tax audit for the fiscal years 2004, 2005 and 2006 of the US Operations sold to Rite Aid. The Company started the appeal process of these audit results. The IRS began the audit of the fiscal year 2007. Although the final outcome of these audits cannot be determined with certainty, the Company believes that its provision related to the tax indemnification that could result from these audits is sufficient. The Company is unable to estimate potential liability for the other types of indemnification guarantees as the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

The Company has guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of \$2.5 million as at May 29, 2010. Most of those guarantees apply to loans with a maturity of one year. Those loans are also personally guaranteed by the franchisees.

The Company has also entered into commitments with financial institutions to purchase the equipment and inventories of certain of its franchisees under certain conditions. As at May 29, 2010, the maximum value of the equipment and inventories buyback agreements was \$66.2 million and \$112.9 million respectively. The Company has not paid any indemnification related to these commitments and has not recorded any liability regarding these guarantees in the Consolidated Financial Statements during the first quarter of fiscal year 2011.

FOREIGN EXCHANGE RISK MANAGEMENT

The financial information from Rite Aid, whose functional currency is not the Canadian dollar, is translated into the reporting currency according to the current rate method. Under this method, statement of earnings and statement of cash flow items of each year are translated to the reporting currency at the average monthly exchange rates and asset and liability items are translated at the exchange rate in effect at the balance sheet date. Translation adjustments resulting from exchange rate fluctuations are recorded in foreign currency translation adjustments in accumulated other comprehensive income.

Transactions denominated in currencies other than an entity's functional currency are translated according to the temporal method. Under this method, monetary assets and liabilities in foreign currencies are translated at the exchange rate in effect at the balance sheet date, non-monetary assets and liabilities in foreign currencies at their historical rates and statement of earnings items in foreign currencies at the average monthly exchange rates. All exchange gains and losses are included in the consolidated statement of earnings, unless subject to hedge accounting.

RELATED PARTY TRANSACTIONS

Franchising activities include transactions with enterprises controlled by an executive with significant influence on the Company. As at May 29, 2010, Mr. François J. Coutu, President and Chief Executive Officer of the Company, held a participation in 2 PJC franchises (May 30, 2009 – 3 PJC franchises). The transactions between the Company and these enterprises are carried out in the normal course of business and are measured at the exchange amount.

CHANGES IN ACCOUNTING POLICIES

There were some changes in accounting policies that may have a material impact on the Company's Consolidated Financial Statements as noted herein.

Fiscal year 2010

Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid investments that have maturities of less than three months at the date of acquisition, and are presented net of outstanding cheques. When the amount of outstanding cheques is greater than the amount of cash and cash equivalents, the net amount is presented as bank overdraft on the Company's consolidated balance sheet. Accordingly, prior periods figures have been reclassified to conform with this accounting policy.

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company has adopted this Section as of March 1, 2009. The adoption of this new Section had no material impact on the Company's Consolidated Financial Statements.

Financial instruments - Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosures relating to the assessment of financial instruments' fair value and liquidity risk. These amendments will be effective for annual financial statements of the fiscal year ending after September 30, 2009. Accordingly, the Company has adopted the additional disclosures in its annual financial statements for the fiscal year ending February 27, 2010. Additional information are presented in Note 21, "Financial instruments disclosure", of the most recently prepared audited annual Consolidated Financial Statements.

Recent pronouncements

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new accounting standards: Section 1582, "Business combinations", Section 1601, "Consolidated financial statements", and Section 1602, "Non-controlling interests". These new standards will be effective for interim and annual reporting periods beginning on or after January 1, 2011. Early adoption of these Sections is permitted as long as they are adopted simultaneously. These new accounting standards are intended to harmonize Canadian accounting standards with IFRS. The Company will adopt these Sections in the fiscal year beginning February 27, 2011.

Section 1582 replaces Section 1581 of the same name and establishes standards for the accounting of business combinations. It applies prospectively to business combinations with acquisition dates on or after the first annual reporting period beginning on or after January 1, 2011. Therefore, this Section would have an impact on the Company's Consolidated Financial Statements if a business combination occurs after its adoption.

Sections 1601 and 1602 together replace section 1600 "Consolidated financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of these Sections should not have a significant impact on the Company's Consolidated Financial Statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada announced that accounting standards in Canada, as used by public companies, will converge with IFRS. The Company's changeover date from current Canadian GAAP to IFRS is for interim and annual financial statements of fiscal year ending March 3, 2012. From this fiscal year, the Company will prepare both the current and comparative financial information using IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company's IFRS convergence project includes three steps:

- **Planning and diagnosis:** The Company has completed the planning and diagnosis activities, which included the development of an IFRS convergence plan, the establishment of a steering committee comprised of senior management and a high level assessment of the differences between current Canadian GAAP and IFRS that could have a material impact for the Company. Also, the Company retained the services of an independent advisor to facilitate the management of the project and to assist employees with technical matters and training.
- **Analysis and design of accounting policies:** The Company has substantially completed the analysis and design of accounting policies stage, which consisted of a detailed assessment of accounting policies or disclosure differences between Canadian GAAP and IFRS. For the differences identified, the Company establishes the impact of these differences on its accounting policies, information systems, processes and controls.
- **Implementation and execution:** The Company is currently implementing the action plan developed in the analysis and design of accounting policies stage which involves the creation of new accounts and financial statement models, together with changes in systems and process. Accounting policies, including transitional exemptions under the provisions of IFRS 1 "First time adoption of IFRS", will also be approved during this stage. This stage will be completed at the end of the Company's fiscal year ended February 26, 2011.

Based on the analysis performed, a list of the major differences between Canadian GAAP and IFRS that are likely to impact the Company have been established. Notwithstanding the above, the proposed projects of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee are likely to potentially modify some of the actual IFRS requirements which might therefore ultimately impact the identified major differences.

Project governance and disclosure

During fiscal 2010, on recommendation of the steering committee, the Company has presented its analysis of the differences in standards and of the accounting policy choices potentially having a material impact on the financial statements of the Company, as well as its choices of transitional exemptions under the provisions of IFRS 1 "First time adoption of IFRS" to its audit committee for approval. The audit committee has approved these choices. The Company has also presented to its audit committee a preliminary unaudited opening balance sheet reflecting the choices made and the estimates made at the end of the fourth quarter of fiscal 2010. A preliminary version of the note on the impact of transition and of the template financial statements is currently in preparation. Preliminary IFRS interim financial statements of the fiscal year 2011 will be prepared for internal use and presented to senior management and the audit committee during fiscal 2011.

Business activities

The review of major contracts, particularly those related to financing, is underway but the Company does not anticipate any major impacts. The short-term compensation programs fluctuate, among others, based on the respect of the budget. Since the fiscal 2011 results and fiscal 2012 budget will be prepared under IFRS, the Company does not anticipate any impact on the calculation of amounts related to these programs.

Systems, processes and internal controls

The impacts on processes and systems were reviewed and the required adjustments will be made during fiscal 2011. In particular, a project to establish a new fixed assets ledger is underway. A special procedure will be required, during fiscal 2011, to produce two sets of financial statements in parallel. To do so, the Company is planning to use its current consolidation system and manual processes. Additional internal controls regarding financial reporting may be required to meet the specific activities surrounding the first adoption and other internal controls will be required when implementing changes to our systems and processes. The Company will assess all the effects of the implementation of IFRS on its process of internal controls.

Training

To date, training sessions were provided to key personnel of the Company. In addition, the steering committee and the audit committee have received training on the major differences between Canadian GAAP and IFRS that may affect the Company's financial statements, as well as the expected impact of each of these differences and the choices available to the Company when applicable. Additional specific training will be given to staff during the fiscal year 2011 based on changes in accounting policies, systems and processes.

Here are the major differences that are likely to impact the Company and some preliminary conclusions:

Property and equipment

Under IFRS, after initial recognition, it is possible to measure the property and equipment using the cost model or the revaluation model. The revaluation model is not allowed under Canadian GAAP. The Company will continue to use the cost model.

Under IFRS, property and equipment have to be amortized based on their components. Under Canadian GAAP, component identification rules are less stringent. The Company identified new components to be amortized separately under IFRS for buildings held for leasing. The carrying value of these property and equipment and the corresponding amortization expense will be different.

Investment property

Under Canadian GAAP, there is no definition and specific standard for investment property. Some of the buildings held for leasing of the Company meet the definition of investment property. Under IFRS, investment property may be valued at the cost model or using a fair value. The buildings affected by this difference are currently being evaluated by the cost model in Canadian GAAP. The Company will continue to use the cost model.

Employee benefits

Under Canadian GAAP, past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees expected to benefit from the amendment. Under IFRS, these costs are amortized on a straight-line basis over the average period until the benefits become vested. To the extent that the amended benefits are already vested, past service costs are recognized immediately. The cost of past service vested at the transition date will be recognized in retained earnings in the opening balance sheets.

IAS 19, Employee Benefits, allows certain actuarial gains and losses to be either deferred and amortized, subject to certain provisions (corridor approach), or immediately recognized through equity. The Company will recognize its actuarial gains and losses immediately through equity.

Sale and leaseback transactions

Under Canadian GAAP, in a sale and leaseback transaction, if the seller-lessee retains more than a minor portion but less than substantially all of the property, the amount included in the determination of net income immediately is measured under certain criteria. Under IFRS, if a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognised immediately.

In its transitional balance sheet, the Company has, in the other long-term liabilities, a deferred gain related to sale and leaseback transactions that would have been recognized immediately as a gain under IFRS. Consequently, this deferred gain will be recognized in retained earnings in the opening balance sheet at transition date.

Impairment of assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36, "Impairment of Assets", uses a one-step approach testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in more write-down where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis.

IFRS also requires the reversal of an impairment loss when the recoverable amount is higher than the carrying value (by no more than what the depreciated amount of the asset would have been had the impairment not occurred) unlike Canadian GAAP, which does not permit reversals.

Also, under Canadian GAAP, impairment testing on goodwill is done by reporting unit. Under IAS 36, impairment testing is performed at the cash generating unit level. A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

IFRS requires the Company to conduct an asset impairment test at the date of adoption of IFRS if indicators of impairment exist except for goodwill where a test is mandatory. The Company has not yet quantified the impact of impairment adjustments, if any, at the present time. However, the Company has identified its cash generating units and has determined that this change would not materially impact the Company's basis for evaluating the impairment of its goodwill.

Stock-based compensation

Under Canadian GAAP, gradually vested stock options are considered as a single award. Under IFRS, each tranche is to be considered a separate award. The stock-based compensation expense will have to be recognized over the expected term of each vested tranche. The expected impact on this expense is not significant for the Company.

Key transitional exemptions under the provisions of IFRS 1 "First time adoption of IFRS":

1. **Business combinations** – IFRS 3, Business Combinations, may be applied retrospectively or prospectively. The retrospective basis would require restatement of some or all of the business

combinations that occurred prior to the transition date. The Company will avail itself of this exemption and will not restate its business acquisitions prior to the transition date.

2. **Fair value as deemed cost** – IFRS 1 provides a choice between measuring property and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. The Company have decided not to avail itself of this exemption.
3. **Employee benefits** – IAS 19, Employee Benefits, allows certain actuarial gains and losses to be either deferred and amortized, subject to certain provisions (corridor approach), or immediately recognized through equity. Retrospective application of the corridor approach for recognition of actuarial gains and losses in accordance with IAS 19 would require the Company to determine actuarial gains and losses from the date the benefit plans were established. At the transition date, the Company will recognize all its cumulative actuarial gains and losses in equity.
4. **Stock-based compensation** – An entity may apply IFRS 2, Share-based Payment, only to equity instruments unvested at its transition date. The Company will elect to not apply IFRS 2 to equity instruments that were granted and vested before the date of transition to IFRS.
5. **Cumulative translation differences** – Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, the Effects of Changes in Foreign Exchange Rates, from the date a subsidiary or associate was formed or acquired. IFRS 1 allows cumulative translation gains and losses to be reset to zero at the transition date. The Company has elected to reset all cumulative translation gains and losses to zero in opening retained earnings at the transition date.

Other key analyses are in progress or will be undertaken shortly. Consequently, preliminary findings do not appear in the above list of major differences. Any choices made or variances identified will be communicated once the analyses have been completed.

Although activities are processing according to convergence plan, the quantitative impact on these differences and elections on the Company's future financial position and results of operations cannot be definitively determined.

In addition to the sections noted above, there are generally more extensive presentation and disclosure requirements under IFRS compared to Canadian GAAP. These have been noted in the detailed analysis and are being added to draft IFRS financial statements.

RISKS AND UNCERTAINTIES

The Risks and uncertainties section of the fiscal year 2010 MD&A discusses various issues for which the industry and the Company are exposed. The detail and description of these issues remain unchanged except for the recent developments in Ontario and Quebec described in the strategies and outlook section below.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to have materially affected, the Company's internal control over financial reporting during the first quarter ended May 29, 2010.

STRATEGIES AND OUTLOOK

With its operations and financial flexibility, the Company is very well positioned to capitalize on the growth in the drugstore retail industry. Demographic trends are expected to contribute to growth in the consumption of prescription drugs and to the increased use of pharmaceuticals as the primary intervention in individual

healthcare. Management believes that these trends will continue and that the Company will maintain its growth in revenues through differentiation and quality of offering and service levels to its network of franchised stores, with a focus on sales growth, its real estate program and operating efficiency.

The management of the Company has been informed of the prescription drug reform announced by the Minister of Health and Long-term Care in Ontario. This reform will cause a reduction in the price of generic drugs as well as a decrease in the professional allowances paid to pharmacists by generic drug manufacturers. Management does not believe that the reform in Ontario will have a significant impact on the consolidated results of the Company due to the volume of business generated in this province.

In addition, Quebec's Minister of Health and Social Services announced on June 25, that as of July 2010, the price of generic drugs will generally be established at 25% of the price for the original equivalent. The Minister also mentioned that the implementation of this reduction in prices will be postponed for a period of 4 to 8 weeks in order to consult interested parties. If measures similar to those adopted in Ontario were to be implemented in Quebec, the Company's consolidated results could be impacted.

Forward-looking statements

This MD&A contains forward-looking statements that involve risks and uncertainties, and which are based on the Company's current expectations, estimates, projections and assumptions made by the Jean Coutu Group in light of its experience and its perception of historical trends. All statements that address expectations or projections about the future, including statements about the Company's strategy for growth, costs, operating or financial results, are forward-looking statements. All statements other than statements of historical facts included in this MD&A, including statements regarding the prospects of the Company's industry and the Company's prospects, plans, financial position and business strategy may constitute forward-looking statements within the meaning of the Canadian securities legislation and regulations. Some of the forward-looking statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "project", "could", "anticipate", "plan", "foresee", "believe" or "continue", the negatives of these terms, the variations of them or the use of other similar terms. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. These statements do not reflect the potential impact of any non-recurring items or of any mergers, acquisitions, dispositions, asset write-downs or other transactions or charges that may be announced or that may occur after the date hereof. While the list below of cautionary statements is not exhaustive, some important factors that could affect our future operating results, financial position and cash flows and could cause our actual results to differ materially from those expressed in these forward-looking statements, namely changes in the legislation or the regulatory environment as it relates to the sale of prescription drugs and the pharmacy exercise, the success of the Company's business model, changes in laws and regulations, or in their interpretations, changes to tax regulations and accounting pronouncements, the cyclical and seasonal variations in the industry in which we operate, the intensity of competitive activity in the industry in which we operate, the supplier and brand reputations, our equity interest in Rite Aid Corporation ("Rite Aid"), our ability to attract and retain pharmacists, labour disruptions, including possibly strikes and labour protests, the accuracy of management's assumptions and other factors that are beyond our control.

These and other factors could cause our actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Investors and others are cautioned that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that would cause the Company's actual results to differ from current expectations, please also refer to the Company's public filings available at www.sedar.com and www.jeancoutu.com. In particular, further details and descriptions of these and other factors are disclosed in the Company's Annual Information Form under "Risk Factors" and in the "Risks and uncertainties" section of the MD&A for the fiscal year ended February 27, 2010. We expressly disclaim any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or any other reason, unless required by the applicable securities laws.

July 5, 2010

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of earnings

13 weeks

For the periods ended May 29, 2010 and May 30, 2009	2010	2009
<i>(unaudited, in millions of Canadian dollars, unless otherwise noted)</i>	\$	\$
Sales	583.0	559.6
Other revenues (Note 3)	59.9	59.7
	642.9	619.3
Operating expenses		
Cost of goods sold	520.6	503.1
General and operating expenses	55.6	54.4
Amortization of property and equipment	4.2	4.1
	580.4	561.6
Operating income	62.5	57.7
Financing expenses (revenues) (Note 4)	0.6	(2.2)
Earnings before the following items	61.9	59.9
Share of loss in Rite Aid, a company subject to significant influence (Note 6a)	-	30.9
Income taxes	18.7	18.7
Net earnings	43.2	10.3
Basic and diluted earnings per share, in dollars (Note 5)	0.18	0.04

Consolidated statements of comprehensive income

13 weeks

For the periods ended May 29, 2010 and May 30, 2009	2010	2009
<i>(unaudited, in millions of Canadian dollars)</i>	\$	\$
Net earnings	43.2	10.3
Other comprehensive income		
Foreign currency translation adjustments	-	(6.9)
Comprehensive income	43.2	3.4

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

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of changes in shareholders' equity

13 weeks

For the periods ended May 29, 2010 and May 30, 2009

2010

2009

(unaudited, in millions of Canadian dollars)

\$

\$

Capital stock, beginning of period

650.8

648.1

Redemption of stock (Note 7)

(9.1)

-

Options exercised

0.1

1.2

Capital stock, end of period

641.8

649.3

Contributed surplus, beginning of period

32.7

28.4

Stock-based compensation cost

0.2

0.2

Stock-based compensation in Rite Aid, a company subject to significant influence

-

2.1

Contributed surplus, end of period

32.9

30.7

Deficit, beginning of period

(254.0)

(324.1)

Net earnings

43.2

10.3

Dividends

(13.0)

(10.6)

Excess of purchase price over carrying value of Class A subordinate voting shares acquired (Note 7)

(5.9)

-

Deficit, end of period

(229.7)

(324.4)

Accumulated other comprehensive income, beginning of period

80.1

103.2

Foreign currency translation adjustments

-

(6.9)

Accumulated other comprehensive income, end of period

80.1

96.3

Total shareholders' equity

525.1

451.9

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

THE JEAN COUTU GROUP (PJC) INC.

Consolidated balance sheets

	As at May 29, 2010	As at February 27, 2010
<i>(in millions of Canadian dollars)</i>	\$ (unaudited)	\$ (audited)
Assets		
Current assets		
Accounts receivable	197.4	194.1
Inventories	166.6	163.8
Prepaid expenses and others	10.8	8.8
	374.8	366.7
Investments (Note 6)	60.6	61.0
Property and equipment	399.6	394.6
Goodwill	36.0	36.0
Other long-term assets	132.5	126.6
	1,003.5	984.9
Liabilities		
Current liabilities		
Bank overdraft	22.6	13.3
Accounts payable and accrued liabilities	217.8	195.2
Income taxes payable	22.9	36.1
	263.3	244.6
Long-term debt	184.8	199.9
Other long-term liabilities	30.3	30.8
	478.4	475.3
Shareholders' equity		
Capital stock (Note 7)	641.8	650.8
Contributed surplus	32.9	32.7
Deficit	(229.7)	(254.0)
Accumulated other comprehensive income	80.1	80.1
	(149.6)	(173.9)
	525.1	509.6
	1,003.5	984.9

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

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of cash flows

13 weeks

For the periods ended May 29, 2010 and May 30, 2009

2010

2009

(unaudited, in millions of Canadian dollars)

\$

\$

Operating activities

Net earnings	43.2	10.3
Items not affecting cash		
Amortization	7.6	7.0
Change in fair value of third party asset-backed commercial paper and related options of repayment (Note 6b)	0.3	(1.9)
Share of loss in Rite Aid, a company subject to significant influence	-	30.9
Future income taxes	1.1	6.1
Other	0.6	(1.2)

52.8

51.2

Net changes in non-cash asset and liability items (Note 9)

(1.5)

(8.4)

Cash flow related to operating activities

51.3

42.8

Investing activities

Investments	(1.1)	(0.1)
Purchase of property and equipment	(10.3)	(10.1)
Proceeds from disposal of property and equipment	2.5	-
Other long-term assets	(10.2)	(8.9)

(19.1)

(19.1)

Cash flow related to investing activities

Financing activities

Net change in revolving credit facility, net of fees	(15.0)	(13.1)
Repayment of long-term debt	-	(1.1)
Issuance of capital stock	0.1	1.2
Redemption of capital stock	(13.6)	-
Dividends	(13.0)	(10.6)

(41.5)

(23.6)

Cash flow related to financing activities

Net change in cash and cash equivalents

(9.3)

0.1

Bank overdraft, beginning of period

(13.3)

(21.2)

Bank overdraft, end of period

(22.6)

(21.1)

The accompanying notes are an integral part of these consolidated financial statements. See supplemental cash flow information in Note 9.

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

1. Financial statement presentation

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting policies ("GAAP"). These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements and, accordingly, should be read in conjunction with the most recently prepared annual consolidated financial statements for the fiscal year ended February 27, 2010.

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make certain estimates and assumptions. These may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. They may also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas requiring the use of management estimates relate to: inventory, investments, loss in value of investments, fair value of financial instruments, incentives paid to franchisees and allowances, specifically those related to income taxes as well as guarantees and contingencies.

These unaudited interim consolidated financial statements have been prepared based on accounting policies and methods of application consistent with those used in the preparation of the most recently prepared audited annual consolidated financial statements.

The Company has two reportable segments that are defined by geography and by the nature of their business: franchising segment in Canada, and an investment in Rite Aid Corporation ("Rite Aid"), an entity subject to significant influence, which operates in the United States. Within the franchising segment, the Company carries on the franchising activity under the banners of "PJC Jean Coutu", "PJC Clinique", "PJC Santé" and "PJC Santé Beauté", operates two distribution centres and coordinates several other services for the benefit of its franchisees. The investment in Rite Aid is accounted for using the equity method as described in Note 6a). Consequently, all information required is included in the consolidated statements of earnings and notes to the consolidated financial statements.

2. Changes in accounting policies

Fiscal year 2010

a) Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid investments that have maturities of less than three months at the date of acquisition, and are presented net of outstanding cheques. When the amount of outstanding cheques is greater than the amount of cash and cash equivalents, the net amount is presented as bank overdraft on the Company's consolidated balance sheet. Accordingly, prior periods figures have been reclassified to conform with this accounting policy.

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

2. Changes in accounting policies *(continued)*

b) Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company has adopted this Section as of March 1, 2009. The adoption of this new Section had no material impact on the Company's consolidated financial statements.

c) Financial instruments - Disclosures

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosures relating to the assessment of financial instruments' fair value and liquidity risk. These amendments will be effective for annual financial statements of the fiscal year ending after September 30, 2009. Accordingly, the Company has adopted the additional disclosures in its annual financial statements for the fiscal year ending February 27, 2010. Additional information are presented in Note 21, "Financial instruments disclosure", of the most recently prepared audited annual consolidated financial statements.

Future accounting standards

d) International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada announced that accounting standards in Canada, as used by public companies, will converge with International Financial Reporting Standards ("IFRS"). The Company's changeover date from Canadian GAAP to IFRS is for interim and annual financial statements of the fiscal year ending March 3, 2012. From this fiscal year, the Company will prepare both the current and comparative financial information using IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company has completed the planning and diagnosis activities of its transition plan and has substantially completed the analysis and design of accounting policies phase. The Company is currently implementing the action plan developed in the analysis and design of accounting policies phase that involves the creation of new accounts and financial statements models, system changes and process changes. At this time, the impacts on the Company's future financial position and results of operations cannot be definitively determined.

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

2. Changes in accounting policies (continued)

Future accounting standards (continued)

e) Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new accounting standards : Section 1582, "Business combinations", Section 1601, "Consolidated financial statements", and Section 1602, "Non-controlling interests". These new standards will be effective for interim and annual reporting periods beginning on or after January 1, 2011. Early adoption of these Sections is permitted as long as they are adopted simultaneously. These new accounting standards are intended to harmonize Canadian accounting standards with IFRS. The Company will adopt these Sections in the fiscal year beginning February 27, 2011.

Section 1582 replaces Section 1581 of the same name and establishes standards for the accounting of business combinations. It applies prospectively to business combinations with acquisition dates on or after the first annual reporting period beginning on or after January 1, 2011. Therefore, this Section would have an impact on the Company's consolidated financial statements if a business combination occurs after its adoption.

Sections 1601 and 1602 together replace section 1600 "Consolidated financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The adoption of these Sections should not have a significant impact on the Company's consolidated financial statements.

3. Other revenues

	13 weeks	
	2010	2009
	\$	\$
Royalties :		
Gross royalties	29.6	30.0
Amortization of incentives paid to franchisees	(3.4)	(2.9)
Net royalties	26.2	27.1
Rent	20.0	18.5
Sundry	13.7	14.1
	59.9	59.7

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

4. Financing expenses (revenues)

	13 weeks	
	2010	2009
	\$	\$
Interest on long-term debt	0.4	0.9
Unrealized foreign exchange gains on monetary items	-	(0.8)
Realized foreign exchange losses (gains) on monetary items	(0.1)	0.1
Interest revenues on loans and receivable accounted for under the effective interest rate method	(0.1)	(0.2)
Change in fair value of third party asset-backed commercial paper and related options of repayment (Note 6b)	0.3	(1.9)
Other financing expenses (revenue), net	0.1	(0.3)
	0.6	(2.2)

5. Earnings per share

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

	13 weeks	
	2010	2009
Net earnings	\$ 43.2	\$ 10.3
Weighted average number of shares (in millions) used to compute basic and diluted earnings per share	236.2	236.0
Basic and diluted earnings per share, in dollars	\$ 0.18	\$ 0.04

For the 13-week period ended May 29, 2010, 1,453,000 of antidilutive stock options have been excluded from the computation of diluted earnings per share (2,451,000 for the 13-week period ended May 30, 2009).

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

6. Investments

	As at May 29, 2010	As at February 27, 2010
	\$	\$
Investment in Rite Aid, a company subject to significant influence	-	-
Investments in companies subject to significant influence - Others	7.9	7.9
Long-term receivables from franchisees	43.8	40.1
Third party asset-backed commercial paper	19.2	19.8
	70.9	67.8
Current portion (included in accounts receivable)	10.3	6.8
	60.6	61.0

a) Investment in Rite Aid, a company subject to significant influence

The Company holds an equity interest of 28.4% (February 27, 2010 - 28.4%) in Rite Aid. Rite Aid is one of the United States' leading drugstore chain, operating nearly 4,800 drugstores. The equity interest in Rite Aid represents an investment subject to significant influence, which is accounted for using the equity method. On May 29, 2010, the market value of equity interest in Rite Aid was US\$289.8 million (February 27, 2010 - US\$383.0 million).

During the fiscal year ended February 27, 2010, the Company's share of loss in Rite Aid exceeded the carrying value of its investment. As required by Canadian GAAP, the Company reduced the carrying value of its investment down to zero and ceased recording its share of loss in Rite Aid exceeding the carrying value of its investment, since the Company has not guaranteed obligations of Rite Aid and is not committed to provide it with further financial support. For the 13-week period ended May 29, 2010, the Company's unrecognized share of loss in Rite Aid amounted to \$19.1 million. During the quarter ended May 30, 2009, the Company recorded a share of loss of \$30.9 million related to this investment. As at May 29, 2010, the Company's total unrecognized share of loss in Rite Aid amounted to \$108.5 million.

THE JEAN COUTU GROUP (PJC) INC.**Notes to the unaudited interim consolidated financial statements**

For the periods ended May 29, 2010 and May 30, 2009

*(Tabular amounts are in millions of Canadian dollars unless otherwise noted)***6. Investments (continued)****b) Third party asset-backed commercial paper**

On May 29, 2010, the Company held third party asset-backed commercial paper ("ABCP") of a nominal amount of \$31.5 million (of which \$0.4 million is denominated in US dollars). As at May 29, 2010, notional values of Master Asset Vehicles ("MAV") II and MAV III notes are \$24.8 million (A1 - \$10.4, A2 - \$10.3, B - \$1.9, C - \$0.7 and \$1.5 of ineligible assets tracking notes) and \$6.7 million (\$0.7 million of traditional assets tracking notes and \$6.0 million of ineligible assets tracking notes), respectively.

These ABCP are accounted for at their fair value, which was \$19.2 million as of May 29, 2010 (\$19.8 million as at February 27, 2010). As at May 29, 2010, the total loss in value recorded was \$12.3 million representing 39% of the ABCP's nominal amount at that date.

The details in the changes in balances of ABCP and options to repay drawdowns of credit facilities with restructured notes in the consolidated balance sheet, and in the change in fair value of ABCP recognized in net income (Note 4) are presented as follows:

	Fair value of ABCP	Options of repayment	Change in fair value
	\$	\$	\$
Fair value as at February 28, 2009	21.8	-	-
Initial gain on options of repayment	-	3.4	(3.4)
Change in fair value	(1.5)	-	1.5
Principal repayments	(2.4)	-	-
Effect of change in exchange rates	(0.2)	-	-
Fair value as at May 30, 2009 / Impact on net results	17.7	3.4	(1.9)
Change in fair value	3.2	(0.5)	(2.7)
Principal repayments	(1.1)	-	-
Fair value as at February 27, 2010 / Impact on net results	19.8	2.9	(4.6)
Change in fair value	(0.4)	0.1	0.3
Principal repayments	(0.2)	-	-
Fair value as at May 29, 2010 / Impact on net results	19.2	3.0	0.3

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

6. Investments (continued)

b) Third party asset-backed commercial paper (continued)

The Company assessed its ABCP as at May 29, 2010. Since there is no active market for ABCP, the Company has estimated their fair value by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information.

This estimate of the fair value of the ABCP is subject to significant uncertainty. While management believes that its valuation technique is appropriate in the circumstances, changes in assumptions could affect the value of ABCP securities in the next fiscal year. The resolution of these uncertainties could be such that the ultimate fair value of these investments may vary from management's current best estimate.

The Company has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect there will be a material adverse impact on its business as a result of the ABCP liquidity issue.

7. Capital stock

a) Normal course issuer bid

On April 29, 2010, the Company announced its intention to purchase for cancellation, if it is considered advisable, up to 11,110,000 of its outstanding Class A subordinate voting shares, representing approximately 10% of the current public float of such shares, over a 12-month period ending no later than May 3, 2011. The shares were or will be purchased through the facilities of the Toronto Stock Exchange and in accordance with its requirements.

For the 13-week period ended May 29, 2010, the Company purchased 1,667,800 Class A subordinate voting shares at an average price of \$9.01 per share for a total consideration of \$15.0 million including related costs. An amount of \$5.9 million representing the excess of the purchase price over the carrying value of the purchased shares was included in deficit. The shares purchased during the 13-week period ended May 29, 2010 were cancelled during that period, except for 806,900 shares that were cancelled after May 29, 2010.

THE JEAN COUTU GROUP (PJC) INC.

Notes to the unaudited interim consolidated financial statements

For the periods ended May 29, 2010 and May 30, 2009

(Tabular amounts are in millions of Canadian dollars unless otherwise noted)

7. Capital stock (continued)

b) Exercise of exchange privilege

On May 25, 2010, the Company issued 3,000,000 Class A subordinate voting shares, due to the exercise of exchange privilege of 3,000,000 Class B shares against Class A subordinate voting shares on the basis of one Class A subordinate voting share for each Class B share exchanged.

As at May 29, 2010, the total number of Class A subordinate voting shares issued and outstanding was 121.0 million (118.9 million as of February 27, 2010) and the number of Class B shares was 114.4 million (117.4 million as of February 27, 2010) for a total of 235.4 million shares outstanding (236.3 million as of February 27, 2010).

8. Pension plans

The Company offers defined benefit and defined contribution pension plans providing pension benefits to its employees. The defined benefit and defined contribution pension plans expenses are as follows:

	13 weeks	
	2010	2009
	\$	\$
Defined contribution pension plans	0.5	0.4
Defined benefit pension plans	0.5	0.5
	1.0	0.9

THE JEAN COUTU GROUP (PJC) INC.**Notes to the unaudited interim consolidated financial statements**

For the periods ended May 29, 2010 and May 30, 2009

*(Tabular amounts are in millions of Canadian dollars unless otherwise noted)***9. Supplemental cash flow information**

	13 weeks	
	2010	2009
	\$	\$
Net changes in non-cash asset and liability items		
Accounts receivable and prepaid expenses	(5.3)	(10.8)
Inventories	(2.8)	3.0
Accounts payable and accrued liabilities, and income taxes payable	6.8	1.0
Other long-term assets	(0.1)	(1.4)
Other long-term liabilities	(0.1)	(0.2)
Net changes in non-cash asset and liability items	(1.5)	(8.4)
Other information		
Interest paid	0.5	0.9
Income taxes paid	30.7	16.7
	As at May 29, 2010	As at February 27, 2010
	\$	\$
Property and equipment acquired included in accounts payable and accrued liabilities	6.2	5.1
Redemption of capital stock included in accounts payable and accrued liabilities	1.4	-

10. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.



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