The Jean Coutu Group (PJC) Inc.

2008
Annual Report

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Report to shareholders
3rd quarter and year end results

To our shareholders:

The Jean Coutu Group is pleased to report its financial results for the third quarter and fiscal year ended March 1, 2008.

For the 13-week period and third quarter, the net loss amounted to $269.2 million ($1.08 per share) compared with net earnings of $232.1 million ($0.89 per share) for the 14-week period and third quarter of fiscal 2007.

Canadian network sales and operating performance improved year-over-year and operating income increased by 3.6% over the like 13-week period in fiscal 2007. The Company recorded its share of Rite Aid's results during the third quarter of fiscal 2008. The share of the loss in The Jean Coutu Group's third quarter 2008 earnings amounted to $332.1 million ($1.19 after-tax per Jean Coutu Group share) including the share of Rite Aid's non-cash income tax charge of US$920.4 million from the recording of a valuation allowance against deferred income taxes assets.

Earnings before specific items and the share of Rite Aid's loss amounted to $32.3 million ($0.12 per share) during the third quarter of fiscal 2008 compared with $46.0 million ($0.18 per share) for the third quarter of the previous fiscal year.

For the fiscal year ended March 1, 2008, the net loss amounted to $251.4 million ($0.98 per share) compared with net earnings of $168.9 million ($0.65 per share) for the fiscal period ended March 3, 2007. Earnings before specific items and the share of Rite Aid's loss amounted to $107.0 million ($0.41 per share) during fiscal 2008 compared with $100.5 million ($0.39 per share) for the fiscal period ended March 3, 2007.

During the third quarter of fiscal 2008, Canadian network retail sales increased by 5.0%, while same store sales increased by 4.1% compared with the same period last year. For the fiscal year, network retail sales advanced 6.3%, while same store sales increased by 5.7% year-over-year.

Operating income before amortization ("OIBA") for Canadian operations amounted to $56.5 million in the third quarter of fiscal 2008 compared with $58.5 million for the third quarter of fiscal 2007. The decrease in OIBA is due to the additional week in the third quarter of fiscal 2007 and OIBA increased by 4.1% over the like 13-week period.

OIBA as a percentage of revenues for Canadian operations ended the fiscal quarter at 10.2%, the same level as the third quarter of fiscal 2007. OIBA as a percentage of revenues amounted to 10.1% in fiscal 2008, also the same level as in fiscal 2007.

On March 1, 2008, there were 331 stores in the system, comprised entirely of Canadian PJC Jean Coutu drugstores.

During the third quarter of fiscal 2008, the Company purchased 2.8 million Class A subordinate voting shares at an average price of $11.13 per share for a total amount of $30.7 million under a Normal Course Issuer Bid. The Company completed 100% of its planned fiscal 2008 program and purchased 13.7 million shares in the amount of $177.0 million. All shares purchased were cancelled prior to March 1, 2008.

The Board of Directors of the Company declared a quarterly dividend of $0.04 per share. This dividend is payable on May 30, 2008 to all holders of Class A subordinate voting shares and holders of Class B shares listed in the Company's shareholder ledger as at May 16, 2008.

We are satisfied with the third quarter Canadian network revenue and operating performance. Pharmacy sales showed robust growth while recent front end sales growth has been affected by a milder flu season, which impacted sales of non-prescription drugs. Rite Aid made good progress on the integration of its acquired Brooks Eckerd drugstore network and these stores showed improving trends. They expect to complete the integration by the fall of calendar 2008.

Demographic trends in Canada and the United States 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 grow its revenues through differentiation and quality of offering and service levels in its Canadian drugstore network, which it operates with a focus on sales growth, its real estate program and operating efficiency. The Company’s 30.4% equity interest in Rite Aid allows shareholders to participate in the economic benefits of their expected synergies and is expected to create shareholder value over the long-term.

Finally, we would like to thank all of our employees for their perseverance and efforts in what was an eventful year. We also thank our franchisees, shareholders, and customers for their unwavering support and trust. All of our stakeholders are a lasting source of motivation for us in the pursuit of our growth and value creation goals. We look forward to continuing to build upon The Jean Coutu Group’s position as a leader in pharmacy as we implement our strategic plan.

Yours truly,

/s/ François J. Coutu

Francois J. Coutu
President and Chief Executive Officer

COMPANY PROFILE

The Jean Coutu Group (PJC) Inc. (“the Company” or the “Jean Coutu Group”) exercises its activities in the North American drugstore retailing industry in Eastern Canada through franchised drugstores under the banners of PJC Jean Coutu, PJC Santé Beauté and PJC Clinique. The Company also holds a significant interest in Rite Aid Corporation (‘’Rite Aid’’), one of the United States’ leading drugstore chains with more than 5,000 drugstores in 31 states and the District of Columbia.

MISSION STATEMENT

The Jean Coutu Group is a leader in the North American drugstore sector in its chosen markets as well as through its investment in Rite Aid. In Canada, the Company offers high quality products for health, hygiene and beauty, in a friendly and efficient environment. Our strength lies in the reputation of the PJC drugstore network, our marketing leadership and supervision of franchisees. We are committed to providing superior returns to shareholders and offering interesting careers to all the professionals and employees in the Jean Coutu Group network.

OBJECTIVES

The Jean Coutu Group strives to be recognized as a Canadian leader with the best financial performance in Eastern Canada, the dominant player in its market and amongst the North American leaders.

CANADA

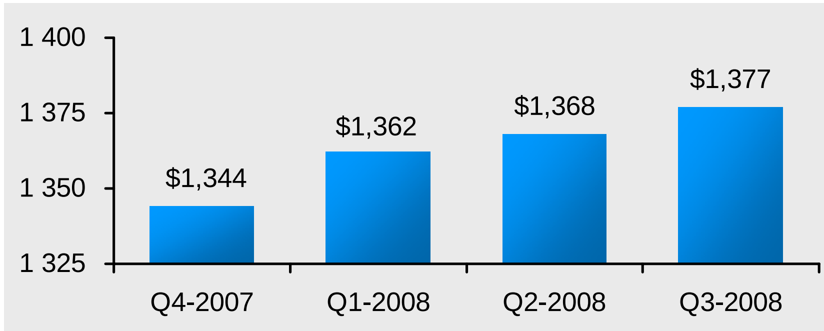
Profile of the Canadian network of franchised stores

The Jean Coutu Group is a leading pharmacy chain in Canada with 331 stores in Québec, Ontario, and New Brunswick. Our franchising activities include operating two distribution centers and providing services to our PJC stores. These services comprise centralized purchasing, distribution, marketing, training, human resources, management, operational consulting and information systems, as well as participation in our private label programs. Our PJC franchisees own and manage their stores and are responsible for merchandising and financing their inventory. They must provision their stores from our distribution centers, provided that the products requested are available and priced competitively to other suppliers. Based on total network retail sales, we supply our PJC franchisees with approximately 83% of the value of products sold, including prescription drugs. Although PJC retail sales are not included in our revenues, an increase or decrease in this regard will directly affect our performance as it impacts distribution center sales and royalties.

The PJC Jean Coutu drugstores filled 43.6 million prescriptions during fiscal 2008 (57.4 million on 52-week period basis), for a weekly average of 3,390 scripts per store. Our position as pharmacy leader can be attributed to the commitment and professionalism of our pharmacists-owners, the quality of the professional services provided and the geographic location of our stores.

Our stores use leading retail design to offer a warm and positive shopping experience for customers. Our preferred store format is 12,000 selling square feet with a drive-thru. However, we are also building smaller format and expandable stores in smaller communities. We are the number 1 retailer in digital processing in our market and offer Canada Post services in 53, or almost 19%, of our network’s full size drugstores. The front-end of our drugstores is focussed on customer wellness, offering a full choice of health and beauty products. We offer some food and convenience products, but focus on a larger selection of higher margin general merchandise and seasonal products. Furthermore, approximately 9% of our front-end retail sales come from over 2,600 private label or exclusive products. These popular products are known to represent excellent value and help enhance margins, customer traffic and loyalty.

Canadian Network – Retail sales per square foot
(in Canadian dollars)



Fiscal 2007 and 2008

Retail sales per square foot is a key performance indicator. By measuring last twelve-month total store sales divided by average square footage, the Company's management measures network performance. Sales growth is driven by the successful execution of the Company's strategies, as discussed herein.

The PJC drugstore network retail sales per square foot has grown each quarter over the past year, to $1,377 per square foot for the third quarter of fiscal 2008, which we believe is top in our market. The average PJC drugstore is a leader with annual sales of $11.1 million.

Strategic Initiatives

Expansion and modernization of the Canadian network

During fiscal 2008, we completed real estate projects that improved over 10% of our full size drugstore base and opened another 16 Boutiques Passion Beauté. We expanded our Canadian network with the opening of 9 stores, of which 6 were relocations. In addition, 20 stores were renovated or expanded.

Each year, we continue to pursue the development of store planograms in order to enhance our sales environment and to showcase products in attractive areas conducive to meeting customer needs in our Canadian network.

Advertising and Internet site

A television ad campaign comprising five new commercials was introduced in fiscal 2008. This campaign helped reinforce PJC's brand awareness. We also maintained a strong presence on local radio stations. During the fiscal year, we also significantly improved our Company's product and service offer though the launch of our new consumer Internet site. The updated site contains more extensive, relevant customer information, offers exclusive promotions and distinctive services including our market leading photo offers as well as convenient on-line prescription renewals.

Human resources

The Jean Coutu Group pharmacy franchising model is anchored on the Company, its pharmacist-owners and their employees working towards the shared goals of first class customer service and professionalism across the entire network. The Company maintains close ties to various Schools of Pharmacy informing students of career opportunities in Jean Coutu pharmacies and offering them financial support. The Company provides its pharmacist-owners with the tools required to run a successful retail business, with over half of the specialized training for new owners devoted to human resources topics. Ongoing professional training and development as well as employee retention are key elements of our program. During the year, the Company pursued its 'Clientitude' or client-attitude employee training program, focused on continuing to improve our customer service. Training programs are now available for both pharmacy and front end staff through the PJC Intranet and related hardware at each of our PJC Jean Coutu drugstores. New hires and other staff can brush up on their department's standards of service using these easy-to-access, technology enabled tools. The Company and its pharmacist-owners are making the needed investments in the human resources aspect of their activities in order to be a leading pharmacy retailer.

Most admired retailer in Quebec

We are also pleased to report that The Jean Coutu Group was recently ranked as the first retailer and third overall among the 150 most admired companies in Quebec in a survey conducted by Leger Marketing for the Commerce magazine. This preferred position in the Quebec market is well ahead of any of our competitors in the retail pharmacy sector and the consulted population is almost unanimous in their positive opinion of the Company, which the survey says is attributable to The Jean Coutu Group's relentless focus on quality, service and variety of product offer. We continue to work hard to remain Number 1 in the hearts of our clients and an example of our drive to stay close to customers and their families is our *Fabuleux Cirque Jean Coutu* and the PJC Jean Coutu Health and Wellness patrol. They visited many family destinations and ski centers during the year, where team members offered animation and health and security advice in a fun atmosphere.

Pharmacy services

One of The Jean Coutu Group's key strategies is to be recognized as the Number 1 Health destination in our market. The Diabetes Information Kits as well the 'Quit to Win' Smoking Cessation Kits were again exclusively distributed at PJC drugstores during fiscal 2008. These kits are extremely popular amongst our patients and with new clients, since they integrate useful information on key health issues. We also offered medication recuperation services in our drugstores, which were also very popular with our customers.

Another of our key initiatives is to continuously improve our use of state-of-the-art technology. We continue to emphasize the advisory role of our pharmacists as we continue to improve our Rx-Pro pharmacy support software. These tools allow us to offer, among other services, personalized patient information and PJC Health Records to assist with customers' prescription drug compliance. Our personalized service is another reason why customers are loyal to their Jean Coutu pharmacist. As a market leader, the PJC network is working hard to offer first class services to its pharmacy customers.

AIR MILES® Reward Program

Valued by our customers, the AIR MILES® Reward Program, the largest coalition reward program in Canada, is a key advantage for The Jean Coutu Group since we are the only pharmacy network in Quebec to offer it. Our drugstores located in New Brunswick and Ontario also offer this program. Being part of the AIR MILES® sponsor coalition allows our loyal AIR MILES® customers to accumulate their reward miles faster than any other stand-alone loyalty program. Also, after more than a year since the launch of the Instant Redemption program, we are still the only AIR MILES® sponsor to offer this feature. Our customers greatly appreciate the convenient way to redeem their reward miles for purchases at our Jean Coutu drugstores, with average basket size substantially higher for these types of transactions.

Cosmetics

Beauty is a very important business for us and PJC Jean Coutu is a market leader in cosmetics. This success is based on our focus of this segment of our business over many years. PJC Jean Coutu was the first drugstore retailer to offer a highly successful multi-brand dermo cosmetics section in 2000 and first-to-market with our Boutiques Passion Beauté in 2002. We were the first drugstore retailer to introduce a line of professional hair colour products. In fact, our exclusive line of hair colouring products is the number 1 exclusive brand amongst drugstores and fourth overall in our market.

During fiscal 2008, sixteen new Boutiques Passion Beauté were added, for a total of 54 boutiques covering over 19% of the network of full-size drugstores. This initiative is in line with our goal of making our drugstores into destinations focussed on customer wellness, while at the same time increasing our sales in this promising growth market.

As for our product offer, in mid-priced lines, we are constantly innovating our offers and new releases are very popular with many of our customers. In addition, we were the first to import exclusive prestige lines for our drugstores and these lines of fragrances, skin care products and make up are both popular and profitable for The Jean Coutu Group and its network.

In summary, a wide product selection that includes mid-priced, exclusive and prestige brands is critical to our success. We are constantly innovating and expanding our cosmetics offer, with the result that our PJC Jean Coutu drugstores are the beauty destination for all cosmetics segments.

Photo Solutions

We are a leading destination for photo services, providing customers with rapid and accessible solutions such as in-store digital kiosks and print facilities, as well as web upload services. Also, exclusive promotions are available through our Internet site and through PJC e-mail lists, which pull demand for digital photo services into the Jean Coutu.com website, the highest rated in our market. In fiscal 2008, The Jean Coutu drugstore network continued to build market share in the photo subcategory to maintain its position as the leading retail digital photo destination in Quebec.

Private Label and Exclusive Lines Programs

As a leading drugstore retailer, we continuously innovate and introduce new products, always emphasizing health, beauty and cosmetics, an area with promising potential. In fiscal 2008, we introduced a variety of private label and exclusive lines available only at a PJC Jean Coutu drugstore. Last year, we successfully introduced the Selection PJC line during the Back-to-School season and our fiscal 2009 selection will be even more extensive. Customers have also been very positive towards the new food and convenience products offered under the PJC Délices brand.

Recently, we were the first retailer in our market to remove all automatic dishwasher detergents containing phosphates from our product selection in advance of 2010 government norms and our customers have strongly endorsed PJC Jean Coutu's position.

Pro-Doc Acquisition – Generic Drug Manufacturer

In December 2007, the Company announced that it had acquired Pro-Doc Ltée ("Pro-Doc"), a Quebec-based generic drug manufacturer. This acquisition fits with the Company's Canadian development strategy and is an interesting expansion of its core business. Pro-Doc has an excellent reputation and represents a growth opportunity for the Company.

New Initiatives in fiscal 2009

In fiscal 2009, we expect that sales of pharmacy, health-related, beauty and seasonal products will continue to increase. We will grow sales by assisting our network in implementing tailored and targeted marketing initiatives better suited to local needs. In 2009, our network of stores will strive to offer more in-store counselling services while the Company continues to implement other initiatives including the seasonal import products program. Investments will also target staff training so as to improve store service levels while improving operating efficiency throughout the network.

In fiscal 2009, we plan to introduce a new line of PJC Electronic products, offering high demand and high margin consumer electronic accessories such as headphones, telephones, connector cable and accessories in our photo departments. Finally, we are introducing the PJC Éco Nature lines of products in order to offer a variety of eco-friendly household cleaning products.

New and renovated PJC Jean Coutu drugstores and the rollout of new development tools should assist in increasing sales while continuing the expansion of a high quality network. We plan to continue to develop and improve our network while implementing leading technologies that enable us to increase revenues, identify optimal store locations and enhance the value of our property holdings. In fiscal 2009, we plan to open 13 new stores, relocate 11 stores, complete 46 store renovation and expansion projects and open more than 15 Boutiques Passion Beauté in selected drugstore locations.

Finally, we will continue to promote the PJC Jean Coutu brand and make the most of the INSTANT AIR MILES® REWARDS program to increase customer loyalty. We will continue to offer innovative promotions to allow us to optimize this program's potential and grow network sales.

UNITED STATES

INVESTMENT IN RITE AID CORPORATION

The Jean Coutu Group – Rite Aid Transaction

On June 4, 2007, the Company sold its United States drugstore network comprising 1,854 corporate drugstores to Rite Aid in exchange for a cash consideration of approximately US $2.3 billion and 250 million shares of Rite Aid common stock, giving it an approximate 32% common equity interest in the expanded company. Rite Aid is one of the United States' leading drugstore chains, with more than 5,000 drugstores in 31 states and the District of Columbia.

Since June 4, 2007, The Jean Coutu Group's investment in Rite Aid is accounted for under the equity method and the Company records its share of Rite Aid's net earnings or net loss in its Statement of Earnings. The company holds a 30.4% equity interest in Rite Aid as at March 1, 2008. Readers are referred to the Rite Aid investment section of this Annual Report for more details on their fiscal 2008 results.

Rite Aid believes that the acquisition of Brooks Eckerd Pharmacy, which was operated by the Company, provides several strategic benefits, including the following:

- a significant increase in the footprint and operating scale of its business, with increased presence in key strategic markets;
- the creation of the leading drugstore retailer in the Eastern United States, which Rite Aid believes will allow them to achieve the scale necessary to remain competitive with their major competitors;
- long-term value creation through net reductions in costs and expenses, achievement of meaningful synergies, including additional operational efficiencies, greater economies of scale and revenue enhancements resulting in higher operating cash flow and a decrease in their leverage ratio;
- better positioning to capture additional growth in a sector where growth is projected; and
- an opportunity to apply their scaleable infrastructure, including their programs, best practices and management capabilities, across a larger store network, which they believe will improve profitability through cost savings and sales growth.

US Industry Trends

Rite Aid believes pharmacy sales in the United States will grow over the coming years. This anticipated growth is expected to be driven by greater drug utilization, an aging population caused by the "baby boom'' generation entering their sixties, the increasing life expectancy of the American population, the introduction of new drugs and the rate of inflation.

Generic prescription drugs help lower overall costs for customers and third party payors. Rite Aid believes the utilization of existing generic pharmaceuticals is expected to continue to increase for several years and that a significant number of new generics are expected to be introduced in the next couple of years. The gross profit from a generic drug prescription in the US retail drugstore industry is greater than the gross profit from a brand drug prescription.

The US retail drugstore industry is highly competitive and has been experiencing consolidation. Rite Aid believes that the continued consolidation of the US drugstore industry, continued new store openings, increased mail order, increased competition from Internet based providers, drug importation and aggressive generic pricing program by certain competitors will further increase competitive pressures in the industry. Sales of generic pharmaceutical continue to grow as a percentage of total prescription sales, which has a dampening effect on sales growth.

The US retail drugstore industry relies significantly on third party payors. When these payors, including the Medicare Part D program and the state sponsored Medicaid agencies, reduce the number of participants or reduce their reimbursement rates, sales and margins in the industry could be reduced, and profitability of the industry could be adversely affected.

Rite Aid's Strategy

Rite Aid's strategy is to grow their sales, increase market share and reach a leverage ratio that existed prior to the Brooks Eckerd transaction. Rite Aid is striving to establish a marketing distinctiveness with their customers, improve the productivity of their existing stores and develop new and relocated stores in their strongest existing markets, leverage their size and scale for lower costs and improve their efficiencies and cost control. They believe that improving the sales of existing stores and growing in existing markets is critical to improving their profitability and cash flow. They believe that the acquisition of the Brooks Eckerd drugstores broadens and accelerates the achievement of their strategic goals and objectives.

Readers are referred to Rite Aid's public disclosure documents for the details of the components of their strategy. In addition to information contained in Rite Aid's public disclosure documents, readers are also referred to their website at www.riteaid.com.

Management's Discussion and Analysis

The discussion that follows provides an analysis of the consolidated operating results and financial position (Management's Discussion and Analysis - "MD&A") of The Jean Coutu Group (PJC) Inc. ("the Company" or the "Jean Coutu Group") for the third quarter and fiscal year ended March 1, 2008.

The Jean Coutu Group operates a network of 331 franchised drugstores in Canada located in the provinces of Québec, New Brunswick and Ontario (under the banners of PJC Jean Coutu, PJC Clinique and PJC Santé Beauté). The Company also holds a significant interest in Rite Aid Corporation (''Rite Aid''), one of the United States' leading drugstore chains with more than 5,000 drugstores in 31 states and the District of Columbia.

Management has presented certain non-Generally Accepted Accounting Principles measures in this MD&A. Although operating income before amortization ("OIBA") and earnings (loss) (or earnings (loss) per share) before specific items are not performance measures defined by Canadian Generally Accepted Accounting Principles ("GAAP"), management, investors and analysts use these measures to evaluate the operating and financial performance of the Company. Moreover, the Company's definition of these measures is not necessarily comparable to similar measures presented by other companies. These measures are reconciled with net earnings (loss), a performance measure defined by GAAP, in this MD&A.

PRESENTATION OF FINANCIAL STATEMENTS

For fiscal years 2005, 2006 and 2007, the Company reported its consolidated financial statements in US dollars. Following the disposal of its US operations on June 4, 2007, the Company changed its reporting currency to Canadian dollars considering the Company's current predominant operations in Canada. Comparative financial information previously expressed in US dollars is now presented in Canadian dollars for all periods shown.

The Company's reporting calendar was based on a floating May 31 year end using the US National Retail Federation 4-5-4 merchandising calendar. For the fiscal year beginning on June 5, 2007, the Company changed its fiscal year-end to become the Saturday closest to February 29 or March 1 in order to coincide with Rite Aid's fiscal year-end. The company's fiscal year is usually 52 weeks in durations, but includes a 53rd week every 5 to 6 years.

Fiscal year	Year end date	Weeks
2008	March 1, 2008	38 and 5 days
2007	June 4, 2007	53 and 2 days
2006	May 27, 2006	52

The fiscal year ended March 1, 2008 contains 38 weeks and 5 days due to the change in the fiscal year end while the fiscal year ended June 4, 2007 exceptionally contained 53 weeks and 2 days and reflects the sale of US operations described herein. The fiscal quarter ended March 3, 2007 exceptionally contained 14 weeks instead of the usual 13 weeks. The discussion that follows provides an analysis of the consolidated operating results based on periods in order to provide meaningful analysis for readers.

Readers may access additional information and filings relating to the Company using the following links to the www.sedar.com and www.jeancoutu.com websites.

DEFINITION OF FINANCIAL DATA

Revenues

Revenues consist of Canadian sales plus other revenues derived from franchising. Merchandise sales by our distribution centers to PJC franchisees account for most of our sales in Canada. PJC retail store sales are not included in our revenues. However, changes in their retail sales directly affect our revenues since PJC franchisees purchase most of their inventory from our distribution centers. Other revenues consist of royalties from our franchisees based on a percentage of retail sales, rental revenues and charge-backs to our franchisees in exchange for certain services.

Fiscal 2007 revenues included US retail network sales and other revenues. US sales consisted of retail sales generated by the corporate stores operating under the Brooks and Eckerd banners while other revenues included rental revenues from our properties leased to third parties.

Gross profit

Gross profit is calculated as follows: sales minus the cost of goods sold from our distribution centers, for our Canadian operations. Fiscal 2007 cost of goods sold also included distribution costs and estimated inventory losses for the US network stores.

General and operating expenses

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

Operating income before amortization (''OIBA'')

OIBA is not a measure of performance under GAAP; however, management uses this performance measure in assessing the operating and financial performance of its reportable segments. 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 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 similar measures reported by other companies.

Net earnings (loss), a performance measure defined by GAAP, is reconciled hereunder with OIBA:

(in millions of dollars)	**(13 weeks) Q3-2008**	(14 weeks) Q3-2007	**(39 weeks) Fiscal 2008**	(40 weeks) 2007	(53 weeks) Fiscal 2007
	$	$	**$**	$	$
Net earnings (loss)	**(269.2)**	232.1	**(251.4)**	168.9	162.5
Financing expenses	**4.5**	60.6	**5.1**	168.1	243.3
Impairment loss (reversal) on assets held for sale	**-**	(143.9)	**-**	-	-
Adjustment to gain (gain) on sale of the retail sales segment	**0.5**	-	**4.2**	-	(144.1)
Loss on early debt retirement	**-**	-	**-**	-	178.9
Share of loss from investments subject to significant influence	**332.1**	-	**393.3**	-	-
Income taxes (recovery)	**(16.4)**	23.8	**3.8**	14.5	25.0
Operating income	**51.5**	172.6	**155.0**	351.5	465.6
Amortization per financial statements	**4.0**	3.8	**11.7**	71.5	75.4
Amortization of incentives paid to franchisees [1]	**1.0**	1.2	**2.9**	3.3	4.4
Operating income before amortization ("OIBA")	**56.5**	177.6	**169.6**	426.3	545.4

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

Earnings (loss) (or earnings (loss) per share) before specific items

Earnings (loss) before specific items and earnings (loss) per share before specific items 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 GAAP measures, and that the above-mentioned non-GAAP measures provide investors with a measure 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 GAAP and are not necessarily comparable to similar measures presented by other companies and therefore should not be considered in isolation.

Net earnings (loss) and earnings (loss) per share are reconciled hereunder to earnings (loss) before specific items and earnings (loss) per share before specific items:

(in millions of dollars, except per share amounts and all amounts are net of income taxes when applicable)	**(13 weeks) Q3-2008**	(14 weeks) Q3-2007	**(39 weeks) Fiscal 2008**	(40 weeks) 2007	(53 weeks) Fiscal 2007
	$	$	**$**	$	$
Net earnings (loss)	**(269.2)**	232.1	**(251.4)**	168.9	162.5
Restructuring charges	**-**	5.7	**-**	19.4	36.5
Reversal of amortization of the retail sales segment upon consolidation	**-**	(40.3)	**-**	(74.1)	(122.0)
Unrealized foreign exchange gains on monetary items	**-**	(7.9)	**(0.1)**	(10.6)	(0.2)
Unrealized gains on derivative financial instruments	**-**	0.3	**-**	(3.1)	(4.5)
Impairment loss (reversal) on assets held for sale	**-**	(143.9)	**-**	-	-
Adjustment to gain (gain) on sale of the retail sales segment	**0.4**	-	**3.5**	-	(76.2)
Loss on early debt retirement	**-**	-	**-**	-	125.0
Change in fair value of third party asset-backed commercial paper	**2.9**	-	**5.9**	-	-
Earnings (loss) before specific items	**(265.9)**	46.0	**(242.1)**	100.5	121.1
Earnings (loss) per share	**(1.08)**	0.89	**(0.98)**	0.65	0.62
Restructuring charges	**-**	0.02	**-**	0.07	0.14
Reversal of amortization of the retail sales segment upon consolidation	**-**	(0.15)	**-**	(0.28)	(0.47)
Unrealized foreign exchange gains on monetary items	**-**	(0.03)	**-**	(0.04)	-
Unrealized gains on derivative financial instruments	**-**	-	**-**	(0.01)	(0.02)
Impairment loss (reversal) on assets held for sale	**-**	(0.55)	**-**	-	-
Adjustment to gain (gain) on sale of the retail sales segment	**-**	-	**0.01**	-	(0.29)
Loss on early debt retirement	**-**	-	**-**	-	0.48
Change in fair value of third party asset-backed commercial paper	**0.01**	-	**0.02**	-	-
Earnings (loss) per share before specific items	**(1.07)**	0.18	**(0.95)**	0.39	0.46

EXCHANGE RATE DATA

The Company's Canadian dollar reporting currency provides shareholders with more relevant information, considering its predominant operations in Canada. The following table shows exchange rates based on the Bank of Canada closing rate expressed as Canadian dollars per US dollar.

	March 1, 2008	June 4, 2007	May 27, 2006
Average rate [1]	**1.0170**	1.1360	1.1751
Closing rate	**0.9844**	1.0584	1.1073

[1] Calculated using the average of the closing exchange rates for each day of the relevant period.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table presents selected annual financial information for the fiscal years ended March 1, 2008, June 4, 2007 and May 27, 2006:

(in millions of dollars except per share amounts)	**(39 weeks) March 1, 2008**	(53 weeks) June 4, 2007	(52 weeks) May 27, 2006
	$	$	$
Revenues			
Canada	**1,676.3**	2,145.7	1,917.8
United States	**-**	11,119.7	11,163.7
	1,676.3	13,265.4	13,081.5
OIBA			
Canada	**169.6**	216.9	193.6
United States	**-**	328.5	387.5
	169.6	545.4	581.1
Share of loss from investments subject to significant influence	**393.3**	-	-
Net earnings (loss)	**(251.4)**	162.5	119.7
Per share	**(0.98)**	0.62	0.46
Earnings (loss) before specific items	**(242.1)**	121.1	131.9
Per share	**(0.95)**	0.46	0.50
Cash dividend per share	**0.12**	0.12	0.12
Total assets	**1,949.3**	2,336.7	6,190.8
Total long-term liabilities	**198.6**	36.7	3,010.8

COMPARISON OF THE FISCAL YEARS ENDED MARCH 1, 2008 AND JUNE 4, 2007

Revenues

Total revenues, which include sales and other income, amounted to $1.676 billion for the fiscal year ended March 1, 2008 compared with $13.265 billion for the fiscal year ended June 4, 2007. The significant decrease is principally due to the sale of US operations to Rite Aid at the end of fiscal 2007 and the fact that fiscal 2008 only had three quarters due to the Company's change in fiscal year end. There were four quarters in fiscal 2007. The Company's US activities consist of a 30.4% equity interest in Rite Aid accounted for under the equity method in which the Company records its share of net earnings of Rite Aid, as discussed in the Rite Aid investment section of this MD&A.

OIBA

OIBA decreased to $169.6 million in fiscal 2008 compared with $216.9 million in fiscal 2007. OIBA for the Company's Canadian operations increased by $8.4 million to $169.6 million for the first three quarters of fiscal 2008 from $161.2 million in the first three quarters of fiscal 2007, principally due to strong top line growth. OIBA as a percentage of revenues for Canadian operations ended the fiscal year at 10.1%, the same level as the first three quarters in fiscal 2007. OIBA for US operations amounted to $328.5 million in fiscal 2007.

Net earnings (loss)

For the fiscal year ended March 1, 2008, the net loss amounted to $251.4 million ($0.98 per share) compared with net earnings of $162.5 million ($0.62 per share) for the fiscal year ended June 4, 2007.

Canadian network sales and operating results continued to perform well in fiscal 2008. Operating income for the Company's Canadian operations increased to $155.0 million in fiscal 2008 compared with $147.1 million for the first three quarters in fiscal 2007 and $197.9 million for fiscal 2007.

During fiscal 2007, the Company sold its US operations to Rite Aid. Readers are referred to the Selected Unaudited Quarterly Financial Information section of this MD&A for more information. Operating income for the former US operations was $267.7 million in fiscal 2007.

Financing expenses amounted to $5.1 million in fiscal 2008, a decrease of $238.2 million from the expense of $243.3 million recorded in fiscal 2007 due principally to the repayment of substantially all debts on June 4, 2007.

There was an income tax expense of $3.8 million in fiscal 2008 compared with $25.0 million in fiscal 2007. During this fiscal year, the Company recorded an income tax recovery of $44.2 million related to the impact of the share of Rite Aid's loss on the book value of the Company's investment in Rite Aid.

The share of Rite Aid's loss in The Jean Coutu Group's fiscal 2008 earnings amounted to $393.3 million ($1.36 after-tax per Jean Coutu Group share) including the share of Rite Aid's non-cash income tax charge of US$920.4 million from the recording of a valuation allowance against deferred income tax assets which consist primarily of federal net operating loss carry forwards.

Earnings before specific items and the share of Rite Aid's loss amounted to $107.0 million ($0.41 per share) during fiscal 2008 compared with $100.5 million ($0.39 per share) for the fiscal period ended March 3, 2007.

Earnings (loss) before specific items

The loss before specific items amounted to $242.1 million ($0.95 per share) during fiscal 2008 compared with earnings of $121.1 million ($0.46 per share) for the previous fiscal year.

DISCUSSION OF CANADIAN OPERATIONS

Profile of the Canadian network of franchised stores
Our franchising activities include operating two distribution centers and providing services to our PJC stores. These services comprise centralized purchasing, distribution, marketing, training, human resources, management, operational consulting and information systems, as well as participation in our private label program. Our PJC franchisees own and manage their stores and are responsible for merchandising and financing their inventory. They must provision their stores from our distribution centers, provided that the products requested are available and priced competitively to other suppliers.

NETWORK PERFORMANCE [1]

	(13 weeks) Q3-2008	(14 weeks) Q3-2007	**(39 weeks) Fiscal 2008**	(53 weeks) Fiscal 2007
Retail sales *(in millions of dollars)*	**$844.5**	$869.9	**$2,439.3**	$3,147.5
Retail sales per square foot *(in dollars)* [2]	**$1,377**	$1,332		
Retail sales by department *(in percentage)*				
Pharmacy, prescription drugs	**61%**	59%	**61%**	60%
Front-end, non-prescription drugs	**9%**	10%	**9%**	9%
Front-end, general merchandise	**30%**	31%	**30%**	31%
Retail sales growth *(in percentage)* [3]				
Total stores				
Total	**5.0%**	8.5%	**6.3%**	7.5%
Pharmacy	**7.9%**	9.1%	**9.0%**	8.9%
Front-end	**0.0%**	7.9%	**1.8%**	5.6%
Same store				
Total	**4.1%**	7.8%	**5.7%**	6.8%
Pharmacy	**7.3%**	8.6%	**8.6%**	8.4%
Front-end	**-1.2%**	6.9%	**0.8%**	4.7%

(1) Franchised outlets retail sales are not included in the Company's Consolidated Financial Statements.
(2) Last twelve-month total store sales divided by average square footage.
(3) Growth is calculated based on comparable periods.

During fiscal 2008, there were 9 store openings, including 6 relocations in the PJC franchised store network compared with 9 openings, 5 relocations and 3 closings during fiscal 2007. In addition, 20 stores were significantly renovated or expanded during fiscal 2008 compared with 14 stores in fiscal 2007.

Retail sales increases reflected overall market growth and growth resulting from recent network development activity and previous period openings and renovations. The percentage growth figures in this MD&A are calculated based on comparable periods. For the fiscal year ended March 1, 2008 and on a same-store basis, total PJC retail sales grew 5.7%, pharmacy sales gained 8.6% and front-end sales grew 0.8% year-over-year. This year's front-end sales growth figures were negatively impacted by substantial declines in the sales of allergy and cough, cold and flu medications due to a milder season in fiscal 2008. During fiscal 2008, sales of these non-prescription drugs, which represent 9% of total retail sales, increased 0.5%, whereas these sales increased 5.4% during the comparable period in fiscal 2007.

SELECTED FINANCIAL INFORMATION – CANADIAN OPERATIONS

The following table presents selected additional financial information and operating results for Canadian operations for the fiscal quarters, periods or years ended March 1, 2008, March 3, 2007 and June 4, 2007:

(in millions of dollars, except for margin figures)	**(13 weeks) Q3-2008**	(14 weeks) Q3-2007	**(39 weeks) Fiscal 2008**	(40 weeks) 2007	(53 weeks) Fiscal 2007
	$	$	**$**	$	$
Sales	**494.9**	512.6	**1,507.6**	1,434.3	1,927.0
Cost of goods sold	**449.3**	467.5	**1,370.0**	1,308.8	1,757.3
Gross profit	**45.6**	45.1	**137.6**	125.5	169.7
As a % of sales	**9.2%**	8.8%	**9.1%**	8.7%	8.8%
Other revenues (1)	**59.1**	59.6	**171.6**	166.3	223.1
General and operating expenses	**48.2**	46.2	**139.6**	130.6	175.9
Operating income before amortization	**56.5**	58.5	**169.6**	161.2	216.9
Amortization (1)	**5.0**	5.0	**14.6**	14.1	19.0
Operating income	**51.5**	53.5	**155.0**	147.1	197.9

(1) Amortization of incentives paid to franchisees is presented in amortization instead of being applied against other revenues as in the Company's Consolidated Financial Statements.

Sales
Canadian operations distribution center sales increased $73.3 million in fiscal 2008, to $1.508 billion, from $1.434 billion in the first three quarters of fiscal 2007, for an increase of 5.1%.

Gross profit
Gross profit increased $12.1 million in fiscal 2008 to $137.6 million from $125.5 million in the first three quarters of fiscal 2007 for an increase of 9.6%. Gross margin was 9.1% for fiscal 2008, compared with 8.7% for the first three quarters of fiscal 2007. A favourable mix in front-end sales combined with an increase in the wholesaler margin for pharmacy distribution center sales resulted in an improvement in the overall gross margin.

Other revenues
Other revenues amounted to $171.6 million in fiscal 2008 compared with $166.3 million in the first three quarters of fiscal 2007. The increase was due mainly to increased royalties resulting from additional network retail sales in fiscal 2008.

General and operating expenses
General and operating expenses for fiscal 2008 were $139.6 million compared with $130.6 million for the first three quarters of fiscal 2007. General and operating expenses represented 8.3% of revenues for the fiscal year compared with 8.2% for the first three quarters and for fiscal 2007.

OIBA
OIBA for Canadian operations increased to $169.6 million in fiscal 2008 compared with $161.2 million in the first three quarters of fiscal 2007, for a 5.2% increase, due to strong top line growth combined with the increase in the wholesaler margin for pharmacy distribution center sales. OIBA as a percentage of revenues amounted to 10.1% in fiscal 2008, the same level as in fiscal 2007.

Operating income

Canadian operations operating income increased by $7.9 million or 5.4% to $155.0 million from $147.1 million in the first three quarters of fiscal 2007, principally as a result of the growth of revenues and margins over a relatively fixed cost base.

COMPARISON OF THE QUARTERS ENDED MARCH 1, 2008 AND MARCH 3, 2007

The following table presents selected data and operating results for the third quarters ended March 1, 2008 and March 3, 2007.

(in millions of dollars, except per share amounts)	**(13 weeks) Q3-2008**	(14 weeks) Q3-2007
	$	$
Revenues		
Canada	**553.0**	571.0
United States	**-**	3,125.5
	553.0	3,696.5
OIBA		
Canada	**56.5**	58.5
United States	**-**	119.1
	56.5	177.6
Share of loss from investments subject to significant influence	**332.1**	-
Net earnings (loss)	**(269.2)**	232.1
Per share	**(1.08)**	0.89
Earnings (loss) before specific items	**(265.9)**	46.0
Per share	**(1.07)**	0.18

Revenues

Total revenues, which include sales and other income, amounted to $553.0 million for the fiscal quarter ended March 1, 2008 compared with $3.697 billion for the fiscal quarter ended March 3, 2007. The decrease is principally due to the sale of US operations to Rite Aid at the end of fiscal 2007. The Company's US activities consist of a 30.4% equity interest in Rite Aid accounted for under the equity method in which the Company records its share of net earnings of Rite Aid, as discussed in the Rite Aid investment section of this MD&A.

OIBA

OIBA for the Company's Canadian operations amounted to $56.5 million in the third quarter of fiscal 2008 compared with $58.5 million for the third quarter of fiscal 2007. The decrease in OIBA is due to the additional week in the third quarter of fiscal 2007; OIBA actually increased by 4.1% over the like 13-week period. OIBA as a percentage of revenues for Canadian operations ended the fiscal quarter at 10.2%, the same level as the third quarter of fiscal 2007. OIBA for US operations amounted to $119.1 million in the third quarter of fiscal 2007.

Net earnings (loss)

For the fiscal quarter ended March 1, 2008, the net loss amounted to $269.2 million ($1.08 per share) compared with net earnings of $232.1 million ($0.89 per share) for the fiscal quarter ended March 3, 2007.

Canadian network sales and operating performance improved year-over-year. Canadian operations operating income amounted to $51.5 million compared with $53.5 million. The decrease in operating income is due to the additional week in the third quarter of fiscal 2007; this measure actually increased by 3.6% over the like 13-week period.

Financing expenses amounted to $4.5 million in the third quarter of fiscal 2008, a decrease of $56.1 million from the expense of $60.6 million recorded in the third quarter of fiscal 2007, due principally to the repayment of substantially all debts on June 4, 2007.

There was an income tax recovery of $16.4 million in the third quarter of fiscal 2008 compared with an income tax expense of $23.8 million in the third quarter of fiscal 2007. During the fiscal quarter, the Company recorded an income tax recovery of $33.9 million related to the impact of the share of Rite Aid's loss on the book value of the Company's investment in Rite Aid.

The share of Rite Aid's loss in the Company's third quarter fiscal 2008 earnings amounted to $332.1 million ($1.19 after-tax per Jean Coutu Group share) including the share of Rite Aid's non-cash income tax charge of US$920.4 million from the recording of a valuation allowance against deferred income tax assets.

Earnings before specific items and the share of Rite Aid's loss amounted to $32.3 million ($0.12 per share) during the third quarter of fiscal 2008 compared with $46.0 million ($0.18 per share) for the third quarter of the previous fiscal year.

Earnings (loss) before specific items
The loss before specific items amounted to $265.9 million ($1.07 per share) during the third quarter of fiscal 2008 compared with earnings of $46.0 million ($0.18 per share) for the previous fiscal year.

DISCUSSION OF CANADIAN OPERATIONS

The percentage growth figures in this MD&A are calculated based on comparable periods. For the third quarter of fiscal 2008 and on a same-store basis, total PJC retail sales grew 4.1%, pharmacy sales gained 7.3% and front-end sales declined by 1.2% year-over-year. This year's front-end sales growth figures were negatively impacted by substantial declines in the sales of allergy and cough, cold and flu medications due to a milder season in the third quarter of fiscal 2008. During the third quarter of fiscal 2008, sales of these non-prescription drugs, which represent 9% of total retail sales, increased 0.6%, whereas these sales increased 9.4% during the third quarter of fiscal 2007.

Sales
Canadian operations distribution center sales amounted to $494.9 million during the third quarter of fiscal 2008 compared with $512.6 million for the third quarter of fiscal 2007. The decrease in sales is due to the additional week in the third quarter of fiscal 2007. Distribution center sales actually increased by 4.0% over the like 13-week period.

Gross profit
Gross profit was $45.6 million for the third quarter of fiscal 2008 compared to $45.1 million for the third quarter of fiscal 2007. Gross margin was 9.2% for the third quarter of fiscal 2008, compared with 8.8% for the third quarter of fiscal 2007. A favourable mix in front-end sales combined with an increase in the wholesaler margin for pharmacy distribution center sales resulted in an improvement in the overall gross margin.

Other revenues
Other revenues amounted to $59.1 million in the third quarter of fiscal 2008 compared with $59.6 million in the third quarter of fiscal 2007. These revenues increased over the like 13-week period due mainly to increased royalties resulting from additional network retail sales in fiscal 2008.

General and operating expenses
General and operating expenses for the fiscal quarter ended March 1, 2008 were $48.2 million compared with $46.2 million for the fiscal quarter ended March 3, 2007. General and operating expenses represented 8.7% of revenues for the fiscal quarter compared with 8.1% for the same quarter in fiscal 2007.

Operating income
Canadian operations operating income amounted to $51.5 million compared with $53.5 million and the decrease is due to the additional week in the third quarter of fiscal 2007. This measure actually increased by 3.6% over the like 13-week period, principally as a result of the growth of revenues and margins over a relatively fixed cost base.

SELECTED UNAUDITED QUARTERLY FINANCIAL INFORMATION

(in millions of dollars, except per share amounts)	**Fiscal year ended March 1, 2008**	Q3 2008	Q2 2008	Q1 2008	Fiscal year ended June 4, 2007	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
	$	$	$	$	$	$	$	$	$	$
Revenues										
Canada	**1,676.3**	553.0	583.0	540.3	2,145.7	548.4	571.0	538.5	487.8	505.1
United States	**-**	-	-	-	11,119.7	2,708.9	3,125.5	2,650.5	2,634.8	2,765.9
	1,676.3	553.0	583.0	540.3	13,265.4	3,257.3	3,696.5	3,189.0	3,122.6	3,271.0
OIBA										
Canada	**169.6**	56.5	59.0	54.1	216.9	55.7	58.5	52.7	50.0	47.6
United States	**-**	-	-	-	328.5	63.4	119.1	83.8	62.2	99.9
	169.6	56.5	59.0	54.1	545.4	119.1	177.6	136.5	112.2	147.5
Share of loss from investments subject to significant influence	**393.3**	332.1	31.6	29.6	-	-	-	-	-	-
Net earnings (loss)	**(251.4)**	(269.2)	9.5	8.3	162.5	(6.4)	232.1	79.3	(142.5)	34.0
Per share	**(0.98)**	(1.08)	0.04	0.03	0.62	(0.02)	0.89	0.30	(0.54)	0.13
Earnings (loss) before specific items	**(242.1)**	(265.9)	15.4	8.4	121.1	20.6	46.0	34.8	19.7	46.6
Per share	**(0.95)**	(1.07)	0.06	0.03	0.46	0.08	0.18	0.13	0.08	0.18

On August 23, 2006, the Company entered into a definitive agreement with Rite Aid whereby the Company would dispose of its network in the United States. During the first quarter of fiscal 2007, as provided under GAAP, the Company presented the assets and liabilities related to US operations as assets held for sale, performed an impairment test and recognized a $155.0 million impairment loss on assets held for sale following the announcement of the transaction. However prior to the transaction closing date, the factors affecting the impairment test fluctuated favourably and during fiscal 2007 the Company reversed the original loss due principally to an increase in the value of the Rite Aid shares to be received as consideration. As at the closing of the transaction on June 4, 2007, the fair value of the investment in the US operations, net of estimated transaction costs, resulted in a gain on sale of $76.2 million net of income taxes. During fiscal 2007, the Company also recognized restructuring charges in the amount of $61.6 million and it ceased amortizing the assets related to its US operations since they were classified as assets held for sale. Amortization charges amounting to $205.3 million were reversed upon consolidation during fiscal 2007. The loss on early debt retirement amounted to $125.0 million net of income taxes. Readers are referred to notes 4 and 13 of the Consolidated Financial Statements for more information.

Since June 4, 2007, The Jean Coutu Group's investment in Rite Aid is accounted for under the equity method and the Company records its share of Rite Aid's net earnings or net loss in its Statement of Earnings.

DISCUSSION OF THE RITE AID INVESTMENT

The Company holds a 30.4% equity interest in Rite Aid and this investment is accounted for under the equity method. Rite Aid reported a net loss, including non-cash tax charge, for the fiscal year ended March 1, 2008 of US$1.079 billion (US$1.54 per Rite Aid share) compared with net income of US$26.8 million (US$0.01 loss per Rite Aid share) for the previous fiscal year.

The share of Rite Aid's loss in The Jean Coutu Group's fiscal 2008 earnings amounted to $393.3 million ($1.36 after-tax per Jean Coutu Group share) including the share of Rite Aid's non-cash income tax charge of US$920.4 million from the recording of a valuation allowance against deferred tax assets.

SELECTED FINANCIAL INFORMATION – RITE AID CORPORATION

CONSOLIDATED BALANCE SHEETS OF RITE AID AS AT

(in millions of US dollars and under US GAAP)	**March 1, 2008**	March 3, 2007
	$	$
Current assets	**4,921.9**	2,953.0
Property, plant and equipment, net	**2,873.0**	1,743.1
Goodwill	**1,783.4**	656.0
Other intangibles, net	**1,187.3**	178.2
Deferred tax assets	**384.2**	1,381.0
Other assets	**338.2**	179.7
Total assets	**11,488.0**	7,091.0
Current liabilities	**2,798.0**	1,589.9
Long-term debt	**5,799.9**	3,084.1
Other long-term liabilities	**1,178.9**	754.2
Stockholders' equity	**1,711.2**	1,662.8
Total liabilities and stockholders' equity	**11,488.0**	7,091.0

This information above would have shown different results if Rite Aid had prepared its consolidated financial statements using The Jean Coutu Group's accounting policies under Canadian GAAP. This is principally attributable 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 impact of these GAAP differences affects the following selected balance sheet measures under Canadian GAAP:

(in millions of US dollars)	**March 1, 2008**	March 3, 2007
	$	$
Current assets	**5,484.6**	3,499.6
Current liabilities	**2,982.2**	1,808.6
Stockholders' equity	**2,069.1**	1,990.7

The Jean Coutu Group's interest in Rite Aid is approximately 30.4% as of March 1, 2008. To the best of its knowledge, the Company is not aware of any contingent issuance of securities by Rite Aid that might significantly affect The Jean Coutu Group's share of Rite Aid's earnings.

CONSOLIDATED STATEMENTS OF OPERATIONS OF RITE AID FOR THE FISCAL PERIODS AND YEARS ENDED

(in millions of US dollars and under US GAAP, except per share amounts)	**Q4-2008**	Q4-2007	**Fiscal 2008**	Fiscal 2007
	$	$	**$**	$
Revenues	**6,824.8**	4,533.5	**24,326.9**	17,399.4
Costs and expenses				
Cost of goods sold	**4,936.5**	3,313.7	**17,689.3**	12,710.6
Selling, general and administrative expenses	**1,774.3**	1,114.9	**6,366.1**	4,338.5
Store closing and impairment charges	**43.7**	25.2	**86.2**	49.3
Interest expense	**127.3**	69.5	**449.6**	275.2
Other	**1.0**	8.9	**9.2**	7.5
	6,882.8	4,532.2	**24,600.4**	17,381.1
(Loss) income before income taxes	**(58.0)**	1.3	**(273.5)**	18.3
Income tax expense (benefit)	**894.9**	(14.5)	**802.7**	(11.6)
Net (loss) income from continuing operations	**(952.9)**	15.8	**(1,076.2)**	29.9
Income (loss) from discontinued operations, net of gain on disposal and income taxes	**0.7**	(0.7)	**(2.8)**	(3.1)
Net (loss) income	**(952.2)**	15.1	**(1,079.0)**	26.8
Basic and diluted (loss) income per share	**(1.20)**	0.01	**(1.54)**	(0.01)

This information above would have shown different results if Rite Aid had prepared its consolidated financial statements using The Jean Coutu Group's accounting policies under Canadian GAAP. This is principally attributable 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 impact of these GAAP differences affects the following selected statements of operations measures under Canadian GAAP:

(in millions of US dollars)	**Q4-2008**	Q4-2007	**Fiscal 2008**	Fiscal 2007
	$	$	**$**	$
Cost of goods sold	**4,961.7**	3,297.4	**17,673.2**	12,667.7
(Loss) income before income taxes	**(83.2)**	17.6	**(257.4)**	61.1
Net (loss) income	**(962.1)**	24.6	**(1,064.4)**	52.2

The Rite Aid selected financial information, derived from their quarterly results press release of April 10, 2008 and, since June 4, 2007, reflects the acquisition of the Company's US operations and the related financing. In addition to information in Rite Aid's public disclosure documents, readers are also referred to that company's website at www.riteaid.com. Readers are also referred to Note 9 of the Company's fiscal 2008 Consolidated Financial Statements for further discussions on the Rite Aid investment.

Sensitivity analysis

A US$1.00 decline in the value of the common stock of Rite Aid below the current carrying value per share, considered by Management to be other than temporary, would have had a $248.1 million (or $1.00 per Jean Coutu Group share) pre-tax effect on results for the fiscal year ended March 1, 2008.

COMPARISON OF THE FISCAL YEARS ENDED JUNE 4, 2007 AND MAY 27, 2006

Revenues

Total revenues, which include sales and other income, rose $183.9 million or 1.4% to $13.265 billion for the fiscal year ended June 4, 2007 compared with $13.082 billion for the fiscal year ended May 27, 2006.

Canada: Revenues from Canadian operations showed double digit growth during fiscal 2007, reaching $2.146 billion for the fiscal year ended June 4, 2007, an increase of $227.9 million or 11.9% over revenues for the fiscal year ended May 27, 2006. Canadian revenues increased in part due to a 53-week and 2 day period in fiscal 2007 fiscal year compared with a 52-week period in fiscal 2006. Fiscal 2007 Canadian revenues increased by 9.8% on a comparable period basis. During fiscal 2007, there were 9 store openings, including 5 relocations in the PJC franchised store network compared with 12 openings, 6 relocations and 5 acquisitions during fiscal 2006. In addition, 10 stores were significantly renovated and 8 were expanded during fiscal 2007 compared with 4 and 4 respectively during fiscal 2006. There were also 3 store closures during fiscal 2007 compared with 5 closures during fiscal 2006. At June 4, 2007, the PJC network had 328 stores. Sales increases reflected growth resulting from recent network development activity and previous period openings and renovations. For the fiscal year ended June 4, 2007 compared with the fiscal year ended May 27, 2006, on a comparable period, same-store basis and in local currency, total PJC retail sales grew 6.8%, pharmacy sales gained 8.4% and front-end sales picked up 4.7% year-over-year.

United States: Revenues from US operations amounted to $11.120 billion for the fiscal year ended June 4, 2007, down $44.0 million from last fiscal year. US operations revenues increased by 2.9% when expressed in US dollars. During fiscal 2007 on a comparable period and same-store basis, total retail sales increased 1.3%, pharmacy sales gained 1.5% and front-end sales increased 0.5% year-over-year. During fiscal 2007, there were 17 new store openings including 10 relocations, acquisition of 4 stores and 15 store closures, bringing our US network to 1,854 Brooks and Eckerd stores prior to the closing of the Rite Aid transaction on June 4, 2007. During fiscal 2006, there were 38 new store openings including 19 relocations, 2 store acquisitions and 85 store closures and our US network had 1,858 Brooks and Eckerd drugstores as at May 27, 2006.

Brooks Eckerd same-store sales continued to improve in the pharmacy section even though they were impacted by the conversion of brand name drugs to generics, which have a lower selling price, but higher gross margins to the drugstore retailer. The effect of generic drugs replacing brand drugs on pharmacy sales growth was 4.4% during fiscal 2007 compared with 2.3% in fiscal 2006. Generic prescriptions accounted for 61.9% of all prescriptions sold in May 2007, compared to 57.1% in May 2006. The generic substitution rate, that is the rate at which Brooks Eckerd substitutes generics for branded drugs while filling prescriptions, increased from 94.0% in fiscal 2006 to 95.3% in fiscal 2007, and reached 95.6% in May 2007, with a positive effect on our pharmacy margins. Prescriptions from Medicare Part D as a percentage of overall pharmacy business reached 16.0% of all prescriptions sold in May 2007. Third party health plans covered 96.1% of pharmacy sales in fiscal 2007 compared with 95.6% in fiscal 2006. Front-end sales growth was negatively impacted by the continued decline in the photo category which was partially offset by a 52% increase in the digital print business. The effect of the decline in sales in the photo category on front-end sales growth was 1.2% during fiscal 2007. Sales growth was also negatively impacted by the declining availability of certain private label and other products toward the end of fiscal 2007 and pending the closing of the Rite Aid transaction. Sales in the general merchandise, consumables and beauty categories showed the strongest performance of all front-end categories.

OIBA

Fiscal 2007 OIBA was impacted by certain restructuring charges principally related to the transition pay program associated with the transaction. OIBA decreased to $545.4 million in the fiscal year ended June 4, 2007 from $581.1 million in the fiscal year ended May 27, 2006, in part due to certain restructuring charges which were partially offset by additional days in fiscal 2007.

OIBA for the Company's Canadian operations increased to $216.9 million in fiscal 2007 compared with $193.6 million in fiscal 2006, an increase of 12.0%, due to strong top line growth. OIBA for US operations decreased to $328.5 million in fiscal 2007 from $387.5 million in fiscal 2006.

Net earnings
For the fiscal year ended June 4, 2007, net earnings were $162.5 million ($0.62 per share) compared with net earnings of $119.7 million ($0.46 per share) for the fiscal year ended May 27, 2006.

Canadian network sales and operating performance improved over fiscal 2006 while US sales performance was acceptable despite challenges prior to the closing of the Rite Aid transaction.

On August 23, 2006, the Company entered into a definitive agreement with Rite Aid whereby the Company would dispose of its network in the United States. On June 1, 2007, both companies announced that the Federal Trade Commission ("FTC") and several state regulatory agencies required Rite Aid to divest 26 stores in nine states and that the Hart-Scott-Rodino Act waiting period had expired, permitting the parties to close the transaction. On June 4, 2007, the Company completed the sale of its network in the United States comprising 1,854 corporate drugstores to Rite Aid in exchange for a cash consideration of US$2.300 billion, subject to a working capital adjustment then estimated at US$14.4 million in favor of the Company, and 250 million shares of Rite Aid common stock, giving it approximately a 32% common equity interest in the expanded company.

Since August 23, 2006, the Company ceased amortizing the assets related to its US operations since they were classified as assets held for sale. Accordingly, amortization charges amounting to $205.3 million were reversed in consolidation during fiscal 2007.

Earnings before specific items
Earnings before specific items were $121.1 million ($0.46 per share) for the fiscal year ended June 4, 2007 compared to $131.9 million ($0.50 per share) for the previous fiscal year.

FINANCIAL POSITION

Total assets were $1.949 billion as at March 1, 2008 a decrease of $387.4 million from June 4, 2007. The decrease is principally due to the recording of the Company's share of loss of Rite Aid during the fiscal year.

On June 4, 2007, the Company held cash and cash equivalents amounting to $40.7 million. During fiscal 2008, the Company used $177.0 million of cash to repurchase shares under a Normal Course Issuer bid and cash was used for investments, business acquisition and dividends. As a result, long-term debt increased by $162.1 million to $169.5 million as at March 1, 2008 due to borrowing on the revolving credit facility.

Pursuant to the sale of the retail sales segment on June 4, 2007, the Company no longer directly operates corporate drugstores in the United States but rather holds a 30.4% common equity interest in Rite Aid, carried in the amount of $1.089 billion and grouped with investments at the fiscal year end. The decrease in the carrying value of the Rite Aid investment is due to the recording of the Company's share of Rite Aid fiscal 2008 loss, which includes a non-cash income tax charge from the recording of a valuation allowance against deferred income tax assets.

The Company held investments in third party asset-backed commercial paper in the amount of $35.6 million less a $7.1 million ($5.9 million after-tax) provision for change in fair value as at March 1, 2008. These assets are classified as long-term and grouped with investments.

Shareholders' equity amounted to $1.484 billion as at March 1, 2008, a net decrease from June 4, 2007, resulting principally from operating income, the share of loss of Rite Aid in the amount of $393.3 million, the redemption of Class A subordinate voting shares in the amount of $177.0 million and foreign currency translation adjustments of $82.2 million.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash flows are generated by: i) merchandise sales to, and rent received from, PJC franchised stores, ii) the collection of royalties from PJC franchisees, iii) rent from properties leased to tenants other than franchisees and iv) in fiscal 2007, the sale of prescription drugs and other products by the Company's US corporate-owned store network. These cash flows are used: i) to purchase products and services for resale, ii) to finance operating expenses, iii) for real estate investments, iv) to finance capital expenditures incurred to renovate and open stores, and replace equipment and v) in fiscal 2007, 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.

Cash flow from operating activities

Cash provided by operating activities was $146.4 million for fiscal 2008 compared with $192.3 million in fiscal 2007. The $144.1 million reversal of the gain on sale of the retail sales segment and the $67.9 million write-off of deferred financing fees recorded during fiscal 2007 as well as the $393.3 million share of loss from investments subject to significant influence recorded during fiscal 2008 were non-cash items. Net changes in non-cash operating asset and liability items represented a $10.9 million increase in cash in fiscal 2008 compared with a $47.4 million increase in fiscal 2007. Readers are referred to Note 23 of the Consolidated Financial Statements for a listing of the net changes in non-cash operating asset and liability items.

Cash flow from investing activities

Cash used in investing activities was $143.1 million for fiscal 2008 compared with cash provided of $2.300 billion in fiscal 2007. In fiscal 2008, the Company used $46.1 million principally for a payment to Rite Aid related to the finalization of the adjustments on the disposal of the retail sales segment compared with proceeds of $2.450 billion in fiscal 2007. In fiscal 2008, $65.8 million was used to acquire investments and business acquisition compared with $2.2 million during fiscal 2007. In fiscal 2008, $23.0 million was used to acquire capital assets for Canadian operations compared with $38.6 million. The fiscal 2007 total figure of $154.1 million includes the purchase of capital assets for the former US operations in the amount of $115.5 million. During fiscal 2008, 9 new drugstores were opened in the Canadian PJC drugstore network, of which 6 were relocations, and several other stores were expanded or renovated.

In fiscal 2009, the Company plans to allocate approximately $60 million to capital expenditures and incentives to franchisees and another $55 million is expected to be invested by franchisees in Canada. The Company's planned capital expenditures will be funded entirely from internally generated cash flow and use of the revolving credit facility.

Cash flow from financing activities

During the fiscal year ended March 1, 2008, $43.9 million was used in financing activities compared with $2.565 billion in fiscal 2007. During fiscal 2008, $163.9 million was provided by the Company's revolving credit facilities compared with $5.3 million in fiscal 2007. The Company repaid long-term debt in the amount of $0.6 million compared with $2.541 billion in fiscal 2007 when it sold its former US operations at the end of the fiscal year. As a result of the transaction, the Company repaid all of the term loans maturing in 2009 and 2011 and substantially all of the US$350.0 million unsecured senior notes and the US$850.0 million unsecured senior subordinated notes. During fiscal 2008, the Company received net proceeds of $0.5 million from the issuance of capital stock compared with $2.1 million in fiscal 2007. During fiscal 2008, $177.0 million was used to redeem 13.7 million Class A subordinate voting shares. The Company paid a quarterly dividend of $0.04 per Class A subordinate voting share and Class B share during the three fiscal quarters of fiscal 2008 for a total of $30.7 million during fiscal 2008 (annualized dividend of $0.16 per share). The Company paid a quarterly dividend of $0.03 per Class A subordinate voting share and Class B share, resulting in an annualized dividend payment of $0.12 per share for a total of $31.4 million during fiscal 2007.

The Company wishes to inform shareholders that the dividends payable during calendar 2007 to all holders of Class A subordinate voting shares and holders of Class B shares are eligible dividends as defined in the Income Tax Act (Canada) and any applicable corresponding provincial provisions. Therefore, individuals resident in Canada may be entitled to enhanced dividend tax credits that reduce the income tax otherwise payable. This designation also applies to subsequent dividends until further notice.

In fiscal 2008, the net result of the Company's operating, investing and financing activities was a decrease in cash and cash equivalents of $40.7 million. The Company was in a net borrowing position of $169.5 million as at March 1, 2008, whereas it held cash and cash equivalents of $40.7 million as at June 4, 2007.

As at March 1, 2008, $335.0 million of the available credit facilities of $500.0 million were unused. The Company has operating liquidities and access to credit facilities to finance its operating activities and is in compliance with all of its bank covenants as at March 1, 2008.

The following table presents selected data from the consolidated statements of cash flows for the third quarters ended March 1, 2008 and March 3, 2007.

(in millions of dollars)	**(13 weeks) Q3-2008**	(14 weeks) Q3-2007
	$	$
Selected data – Consolidated Statements of Cash Flows		
Cash flow provided by operating activities	**73.7**	167.2
Cash flow used in investing activities	**(42.5)**	(31.2)
Cash flow used in financing activities	**(31.2)**	(128.9)
Foreign currency translation adjustments	**-**	48.3
Increase in cash and cash equivalents	**-**	55.4
Cash and cash equivalents, beginning of period	**-**	80.4
Cash and cash equivalents, end of period	**-**	135.8

Cash flow from operating activities
Cash flow provided from operating activities was $73.7 million for the third quarter ended March 1, 2008 compared with $167.2 million for the same quarter in fiscal 2007. These figures include non-cash items in the amounts of $143.9 million related to the gain on sale of the retail sales segment recorded during the third quarter of fiscal 2007 as well as a $332.1 million share of loss from investments subject to significant influence recorded during the third quarter of fiscal 2008.

Cash flow from investing activities
Cash used in investing activities was $42.5 million for the third quarter ended March 1, 2008 compared with $31.2 million in the third quarter of fiscal 2007. $25.0 million was used to acquire investments and business acquisition in the third quarter of fiscal 2008 compared with $1.7 million in the third quarter of fiscal 2007. Also, $10.1 million was used to acquire capital assets in the third quarter of fiscal 2008 compared with $33.0 million for the same quarter in fiscal 2007. During the third quarter of fiscal 2007, the Company received proceeds of $3.1 million from the disposal of capital assets. $7.4 million was used for long-term assets during the third quarter of fiscal 2008 compared with $0.2 million for the third quarter last fiscal year.

Cash flow from financing activities
During the third quarter ended March 1, 2008, $31.2 million was used in financing activities compared with $128.9 million for the third quarter of fiscal 2007. Long-term debt increased by $9.8 million during the third quarter of fiscal 2008 compared with $2.4 million during the third quarter of fiscal 2007. The Company repaid long-term debt in the amount of $0.3 million compared with a $125.3 million in the third quarter of fiscal 2007. During the third quarter of fiscal 2008, $30.7 million was used to redeem Class A subordinate voting shares. The Company paid dividends of $10.0 million in the third quarter of fiscal 2008 compared with $7.9 million for the same quarter in fiscal 2007. The Company paid a quarterly dividend of $0.04 per Class A subordinate voting share and Class B share in this period compared with a dividend of $0.03 for the same quarter in fiscal 2007.

Third party asset-backed commercial paper
On March 1, 2008, the Company held investments in the amount of $35.6 million which were invested in Canadian third party asset-backed commercial paper issued by five different trusts ("ABCP"). These ABCP, previously rated by the Dominion Bond Rating Service ("DBRS") as R1-High, are securities that met the criteria of the Company's investment policy. An R1-High rating, per the DBRS, is of the highest credit quality and indicates an entity possessing unquestionable ability to repay current liabilities as they come due.

The Canadian market for ABCP suffered a liquidity disruption in mid-August 2007 following which a group of financial institutions and other parties agreed, pursuant to the Montreal Proposal, to a standstill period with respect to ABCP sold by 22 conduit issuers. Participants of the Montreal Proposal also agreed, in principle, to the conversion of the ABCP investments into longer-term financial instruments with maturities corresponding to the underlying assets (floating rate notes). A Pan-Canadian Investors Committee ("the Committee") was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. On March 17, 2008, the Committee announced that it had filed an application in the Ontario Superior Court of Justice under the Companies' Creditors Arrangement Act asking the Court to call a meeting of ABCP noteholders. On March 20, 2008, the Committee made available additional documents describing, among other things, the proposed restructuring plan and the process leading to its completion. This plan was approved by noteholders in a vote held at a noteholders meeting on April 25, 2008, however the plan is subject to ratification by the Ontario Superior Court of Justice.

For the fiscal quarter and year ended March 1, 2008, the Company used the information contained in the JP Morgan report and other documents to estimate the fair value of its ABCP. The Company adjusted the valuation approach that had been used to assess the fair value of ABCP it was holding as at and for the fiscal quarter ended December 1, 2007 based on new information described above. For the ABCP held, the Company considered the quality of the underlying assets and determined the fair value using a discounted cash flow analysis. The principal assumptions in the calculation pertain to the expected coupons and maturity of the floating rate notes to be received in exchange of the ABCP as well as an appropriate discount rate based on the expected ratings of the notes, where applicable, taking into account risks of future losses. The estimated discount rate was determined based on observable market inputs for comparable securities or securities bearing similar risk profiles. For ABCP supported by ineligible assets, observable market inputs for comparable securities from independent pricing sources were used to assess the fair value of each class of assets in the trust. The Company tested the sensitivity of its ABCP valuation model and a 100 basis point variation in the discount rate would result in a 5% or $1.8 million pre-tax change in the fair value of these investments.

As a result of the valuation, the Company has recognized a $7.1 million ($5.9 million after-tax) provision for losses with respect to ABCP holdings reflecting the Company's estimated reduction in the fair value of these investments as at March 1, 2008, including a provision for its estimated share of restructuring costs. This estimate of the fair value of the ABCP investments as at March 1, 2008 is subject to uncertainty. While Management believes that its valuation technique is appropriate in the circumstances, changes in assumptions, particularly as market conditions evolve, 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 and any such difference could affect the Company's financial results.

The Company has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect there will be a materially adverse impact on its business as a result of the ABCP liquidity issue. The Company is assessing its alternatives and recourses to recover the full value of these ABCP.

CAPITAL STOCK

On June 29, 2007, the Company announced its intention to purchase for cancellation up to 13,672,800 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 July 3, 2008. Purchases are made from time to time through the facilities of the Toronto Stock Exchange and in accordance with its requirements.

During the fiscal year ended March 1, 2008, the Company purchased 13,672,800 Class A subordinate voting shares at an average price of $12.93 per share for a total amount of $177.0 million. All shares purchased were cancelled prior to March 1, 2008. During fiscal 2007, 2.0 million Class B shares were exchanged for an equivalent number of Class A subordinate voting shares. During fiscal 2008, there were 0.1 million Class A subordinate voting shares issued due to the exercise of stock options compared with 0.2 million in fiscal 2007.

As at March 1, 2008 and April 28, 2008, the total number of Class A subordinate voting shares (TSX: PJC.A) issued and outstanding was 130.9 million (2007 – 144.5 million) and the number of Class B shares amounted to 117.4 million (2007 – 117.4 million), for a total of 248.3 million shares outstanding (2007 – 261.9 million).

CONTRACTUAL OBLIGATIONS

The table below presents a summary of the Company's material contractual cash obligations as of March 1, 2008, for the periods indicated under our long-term debt, long-term leases, inventories, services and capital assets commitments:

	Payments due in years				
(in millions of dollars)	**2009**	**2010-2011**	**2012-2013**	**2014 and thereafter**	**Total**
	$	$	$	$	$
Long-term debt, including capital lease obligations	2.0	5.2	164.3	-	171.5
Operating lease obligations	31.6	56.2	44.4	143.7	275.9
Purchase commitments	26.1	10.8	1.0	-	37.9
Total	59.7	72.2	209.7	143.7	485.3

Long-term debt
Long-term debt, including current portion, amounted to $171.5 million as at March 1, 2008, includes $164.3 million borrowed under its revolving credit facility, compared with long term debt of $7.4 million at June 4, 2007. For further details, readers are referred to Note 13 of the Consolidated Financial Statements.

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

Operating lease obligations until 2047 amounted to $275.9 million and are mostly in connection with leased properties. The Company has also signed lease and sublease agreements under which it will receive minimum payments totaling $300.6 million until 2047; these payments are not included in the table of contractual commitments above.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

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

The Company has not taken any specific actions to cover its exposure to interest rate risk. Depending on the interest rate environment and subject to approval by the Board of Directors, the Company may make use of other derivative financial instruments or other interest rate management vehicles in the future.

Guarantees and buyback agreements
The Company has guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of $1.4 million (2007 - $2.5 million). The Company is also committed to financial institutions to purchase the equipment and inventories of certain of its franchisees. As at March 1, 2008, the maximum value of the equipment and inventories buyback agreements was $21.7 million and $87.0 million respectively ($19.4 million and $63.3 million in fiscal 2007).

On June 4, 2007, the Company sold its US operations to Rite Aid. In addition to possible indemnifications relating to the breach of representations or warranties, the Company agreed to enter into certain customary indemnification obligations in favor of the purchaser that are described in Note 18 of the Consolidated Financial Statements.

FOREIGN EXCHANGE RISK MANAGEMENT

Even though the Company's reporting currency is the Canadian dollar, for fiscal 2007, non-consolidated financial statements of the parent company and its subsidiaries were prepared based on their respective functional currencies, which is the Canadian dollar for Canadian operations and corporate activities and the US dollar for the former US operations.

The financial statements of entities whose functional currency is not the Canadian dollar are 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 current in nature and are included in the consolidated statement of earnings, unless subject to hedge accounting.

RELATED PARTY TRANSACTIONS

Our operations include transactions with enterprises controlled by an executive with significant influence on the Company. As at March 1, 2008, Mr. François J. Coutu, President and Chief Executive Officer of the Company, held a participation in 4 PJC franchises (June 4, 2007 – one franchise). The transactions between the Company and these enterprises are not material to the Company, are executed in the normal course of business and are measured at the exchange amount.

As at June 4, 2007, accounts payable and accrued liabilities included an amount of $46.5 million due to Rite Aid, a company subject to significant influence, representing the selling price adjustment with regards to the disposal of the retail sales segment. During fiscal 2008, the Company paid the amount due to Rite Aid.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This MD&A is based on the Company's Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these Consolidated Financial Statements and related notes requires the Company's management to make certain estimates and assumptions that affect the reported amounts. These estimates are based on historical experience and various other assumptions that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The sensitivity analysis included in this section should be used with caution as the changes are hypothetical and the impact of changes in each assumption may not be linear.

Inventories
Inventories consist primarily of products acquired for resale, including prescription drugs and over-the-counter medications, as well as household, cosmetics and photography products. Inventories are valued at the lower of cost and net realizable value, the cost being determined using the first in, first out method. In fiscal 2007, the cost was determined using either the first in, first out method, the average unit cost or retail selling price less a normal gross profit method.

Investments
Investments in companies subject to significant influence are accounted for using the equity method. Other investments are accounted for using the cost method.

Periodically, Management analyses each investment and whenever an adverse event or changes in circumstances indicate that the carrying value of the investments may not be recoverable, the Company considers whether the fair value of the investments have declined below their carrying value and if the decline is considered to be other than temporary, the investments are written down to fair value and a loss is recognized in the consolidated statement of earnings.

As required under accounting standards and taking into account estimates that could indicate an other-than-temporary decline in the value of the Rite Aid investment, Management has concluded, after analysis, that there has been no loss in value of this investment that was other than a temporary decline. As a result, no charge was recorded in the consolidated statements of earnings for the current fiscal year in this regard. Management will re-evaluate its Rite Aid investment over the coming fiscal quarters and will record an impairment loss, if necessary.

Goodwill
Goodwill represents the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired and is not amortized. Goodwill is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. An impairment test may be necessary if a return is clearly insufficient in relation to historical or projected operating results, material changes in the use of acquired assets or in the Company's broad strategy, and significant negative economic or segmented trends. For the purposes of its analysis on impairment, the Company uses estimates and assumptions to establish fair value. If these assumptions are incorrect, the carrying value of goodwill may have been overstated.

Other long-term assets
Other long-term assets are mainly the incentives paid to franchisees and deferred costs. Incentives paid to franchisees are amortized over a ten-year period and amortization is applied against royalties, included in other revenues. The Company has subleases with predetermined fixed escalation of the minimum rent. The Company recognizes the related rent revenue on a straight-line basis over the term of the lease and consequently records the difference between the recognized rental income and the amount receivable under the lease as rent escalation assets in other long-term assets.

Impairment of long-lived assets
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows expected from its use or disposition to their carrying amounts. If the cash flows are not sufficient to recover the carrying amount of the assets, the impairment has occurred, and the long-lived assets are written down to their respective fair values.

Defined benefit pension plans
The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement age of employees. The use of different assumptions could result in different book values.

CHANGES IN ACCOUNTING POLICIES AND RECENT PRONOUNCEMENTS

There were several changes in accounting policies that had an impact on the Company's Consolidated Financial Statements as noted herein.

Foreign currency translation
For fiscal years 2005, 2006 and 2007, the Company reported its consolidated financial statements in US dollars. Following the disposal of its US operations on June 4, 2007, the Company changed its reporting currency to Canadian dollars considering the Company's current predominant operations in Canada. Comparative financial information previously expressed in US dollars is now presented in Canadian dollars for all periods shown.

Comprehensive income, equity, financial instruments and hedges

During fiscal 2008, the Company implemented the following new Canadian Institute of Chartered Accountants (CICA) Handbook Sections: 1530 "Comprehensive Income", 3251 "Equity", 3855 "Financial Instruments – Recognition and Measurement", 3861 "Financial Instruments – Disclosure and Presentation" and 3865 "Hedges". These standards have been adopted retrospectively without restatement of prior periods except for the foreign currency translation adjustments account in shareholders' equity that was restated as required by Section 1530. The transitional adjustments resulting from these standards are recognized in the opening balances of retained earnings and accumulated other comprehensive income.

Readers are also referred to Note 2 of the Consolidated Financial Statements for a full description of the changes in accounting policies in fiscal 2008 as well as recent pronouncements.

RISKS AND UNCERTAINTIES

In order to protect and increase shareholder value, the Company uses an Enterprise Risk Management Program. Our program sets out principles, processes and tools allowing us to evaluate, prioritize and manage risks as well as improvement opportunities for the Company in an efficient and uniform manner. This leads to an integrated approach for risk management helping us achieve our strategic objectives.

Our framework has the following characteristics:

- It provides an understanding of risks across the Company.
- For each of the risks, we have evaluated the potential impacts on the following three elements: Company performance, franchisee network performance as well as customer service quality, and the impact on our reputation and on our corporate image.
- We have evaluated our tolerance to risk before establishing the controls necessary to reach our goals.

Summary of the most significant risks:

Categories	**Area of risk**	Potential impacts on		
		Company performance	Franchisee network performance and customer service quality	Reputation and corporate image
Investments	Rite Aid investment	✓		
	Third party ABCP	✓		
External factors	Competition	✓	✓	✓
	Economic conditions	✓	✓	
	Laws and regulations	✓	✓	✓
Operations	Development of the franchisee network	✓	✓	✓
	Procurement & product quality	✓	✓	✓
	Logistics / distribution	✓	✓	
	Pharmacy services		✓	✓
Finances	Financial reporting	✓		✓
	Management information	✓	✓	
Human resources	Hiring, employee retention and organizational structure	✓	✓	✓
Information technology tools	Systems efficiency and disaster recovery plan	✓	✓	✓

Rite Aid investment
As the leading Rite Aid shareholder with a 30.4% equity interest, we are exposed to risks related to Rite Aid's financial performance as well as changes in US Canadian dollar exchange rates. Rite Aid has significant indebtedness which could limit cash flow for their operations and adversely affect their ability to service debt or obtain additional financing if necessary. Rite Aid's ability to improve its operations could be negatively affected by general economic conditions. Although Rite Aid expects that the transaction will result in benefits, the company may not realize the expected synergies because of integration difficulties. The failure to meet integration milestones could seriously harm Rite Aid's results from operations and affect the price of their common stock. The US drugstore market in which Rite Aid operates is very competitive and further increases in competition could adversely affect their financial performance. Drug benefit plan sponsors and third party payers could change their plan eligibility criteria and further encourage or require the use of mail-order prescriptions which could decrease Rite Aid's sales and margins and have an adverse affect on their business. As well, changes in third party reimbursement levels for prescription drugs could reduce their margins. Rite Aid is subject to governmental regulations, procedures and requirements; their non compliance or a significant regulatory change could adversely affect their business, results of operations and financial performance.

We have taken measures to monitor the progress of Rite Aid's integration plan as well as strategic decisions to be made. Our four seats on their Board of Directors allow us to participate in this decisional process and monitor the evolution of Rite Aid's integration, market share and sales growth in order to evaluate their competitive position.

The Jean Coutu Group's 252 million Rite Aid shares are not registered and therefore cannot be readily monetized. The Jean Coutu Group may sell the shares pursuant to a registered underwritten public offering under the United States Securities Act or in accordance with Rule 144 under such Act. The sales of a significant number of Rite Aid shares by the Company or other stockholders could cause Rite Aid's stock price to decrease. These shares are subject to a Stockholder Agreement, available to readers using the following link to the www.sedar.com website.

Third party asset-backed commercial paper
The risks associated with the company's investment in ABCP are discussed in the Third party asset-backed commercial paper section of the Liquidity and Capital Resources section of this MD&A.

Competition
The Canadian retail industry is constantly changing and we operate in a highly competitive market. Customer needs dictate the industry's evolution. Over the last few years, customers have been requiring a larger variety of products, increased value and personalized service. The Company's inability to proactively fulfill these conditions could prove to have a negative effect on its competitive edge, therefore on its financial performance. The Company believes that its franchisee network is well positioned to compete against other drug store chains, as well as mass merchants and large supermarket chains and independent drugstores by concentrating on providing a high level of professional service and focusing on patient health and wellness. While other players may compete on price, our customer is attracted to the Company's pharmacy and other services offered through the network and the fact that our stores are situated in convenient locations, with extended opening hours, and a broad selection of health, beauty and other convenience items.

We closely monitor the competition, their strategies, market developments as well as our market share. We have the following advantages over our competition: our network of 331 franchised drugstores, our lines of private label and exclusive products and our distribution centre network. Processes are in place in order to ensure that our marketing concepts meet customer expectations. Pilot projects are tested in order to evaluate the impact of said changes on profitability and customer satisfaction. Exclusive to our drugstore chain in the province of Québec, our AIR MILES® customer reward program provides us with a competitive edge and has a positive impact on customer loyalty.

Economic conditions
Shifts in economic growth and the overall economic environment in which we operate could also affect consumer confidence and spending as well as impact our ability to source products at a competitive cost. We monitor economic developments in our markets and where we source our products. We adjust our marketing strategies as economic conditions dictate and we continuously update our network's commercial practices.

Laws and regulations

We are constantly facing risks related to the regulated nature of our industry in addition to all the other regulations, which we are also subject to. Compliance relates to many different aspects, amongst others are; laws related to prescription drugs and professional code of ethics, protection of personal information, health insurance law, prescription drug plan, health care, salary equity, minimum wage commission, income tax laws and others. Any changes in laws and regulations or policies regarding the Company's activities could have a material adverse effect on our financial performance.

We have introduced processes to ensure prompt follow up on changes in new laws or modifications of existing laws, as well as our compliance with such laws. Our management system regarding health and safety allows us to ensure that appropriate procedures are followed in order to diminish the risk of injury in the work place.

During calendar 2007, changes in the Québec prescription drug plan, (Bill 130, *La Politique du Médicament*), were introduced and detailed regulations were released mid-year and came into force during the second half of calendar 2007. Its legislative changes reform and aggressively manage the prescription drug system framework in the province of Québec. Here is a short excerpt of the most important elements:

- **Lowering the guaranteed prescription drug selling price**
  Under the Plan, the price of the first generic prescription drug is limited to 60% of the price of the original listed comparator product, and the second and subsequent products is limited to 54% of the original listed price of the comparator product. Notwithstanding these limits, generic prescription drug prices cannot be higher than in any other province in Canada.
- **Reduction in the maximum wholesaler margin**
  The maximum wholesaler margin for prescription drugs under the Plan was reduced from 9% to 6%.
- **Increase in brand drug prices**
  The Plan allowed for the increase in certain brand drug prices.
- **Professional allowances**
  The provision and acceptance of rebates from manufacturers on listed drug prices in prohibited. However, retail pharmacists are permitted to receive manufacturers' professional allowances. The amount of such professional allowances is capped under the Plan at 20% of total generic drug purchases under the Plan formulary.

The Jean Coutu Group has made the required efforts in order to comply with the Plan.

Development of the franchisee network

Successful implementation of the Company’s strategic plan is dependent on its ability to grow and improve its drugstore network through new store construction, store relocations, as well as renovation and expansion projects. As well, the Company expects to complete acquisitions of independent pharmacies and other assets. The availability of suitable development locations and related purchase or lease terms for planned real estate projects may affect the Company’s ability to execute its growth plan to the extent that suitable locations, real estate and other opportunities are not available on reasonable commercial terms.

As franchisor of a 331 franchised drugstore network, we run the risk that some franchisees may not follow purchasing policies, marketing plans or established operating standards. This could substantially impact our financial performance as well as our reputation and our corporate image. In order to reduce such risks to a reasonable level, we employ a team of operations consultants to monitor store level activity and ensure that the Company's marketing strategy and development standards are followed.

Procurement & product quality
We have established solid and lasting business relationships with many suppliers across the world, most of which are global industry leaders. In order to maximize profit margins and to improve our competitive position, we negotiate favorable purchasing conditions with suppliers, which allow us to offer better pricing to our drugstore network. Our sales volume, the variety of products and inventory levels are impacted by seasonality, weather conditions and holidays such as Christmas, Valentine's Day, Mother's Day and others. The purchase of imported goods, exclusive and brand products can result in overstocks and financial risk. We have effective inventory management systems in place and employ efficient procedures for the monitoring of inventory turnover and obsolescence. This decreases inventory related risks to a reasonable level.

We are also subject to potential responsibility related to commercial activities, notably the risks related to defective products and to product handling. Procedures have been put in place in order to address such risks. Our suppliers are responsible for the quality of their products, and, in situations of non compliance, they would have to assume said risks. The nature of a portion of our business exposes us to liability risks inherent in the testing and manufacturing of selected pharmaceutical products. Product-related risks or product-related information or other safety issues with respect to products we manufacture or sell could result in unsafe conditions or injury to, or death of, a patient. We also have controls in place to ensure that our high quality standards are respected for our private label lines of products, which is manufactured by independent suppliers under contract, in order to protect the value of our label. We use the same standards to evaluate our lines of exclusive products. Furthermore, we have initiated procedures to remove potentially dangerous products from the market and to quickly communicate any situation to employees and clients. We use the best practices for storage, physical safety and distribution of the products we sell. The Company carries insurance covering product liability.

Logistics / distribution
In order to ensure an efficient and high quality service to our franchisees, storage and distribution processes are strategically located in order to optimize service levels. We operate two (2) distribution centres, situated close to main highway routes in the provinces of Québec and Ontario. Many actions were employed to ensure a continuous follow up on distribution operations so that standards and rules are abided by. Annual surveys are conducted with our franchisees to evaluate performance and time/movement studies are also completed when necessary to evaluate and improve performance.

Pharmacy services
Through our participation in the drugstore industry, we are exposed to professional risks related to managing confidential information as well as the possibility of prescription errors. This could have a significant impact on our reputation and corporate image. Many procedures have been put in place to reduce these risks to a reasonable level. Amongst others, we have developed a continuous training program for employees (technical and pharmacists), procedures for confidential information management as well as pharmacy department operation manuals. We monitor franchisee compliance with established professional standards.

Financial reporting
The Company has an obligation to comply with securities laws covering financial reporting as well as for general accepted accounting standards to ensure complete, accurate and timely issuance of financial disclosures and other material information disclosed to the public. To ensure that the Company fulfils its obligations and that it reduces the risk related to erroneous or incomplete financial reporting, it has established a disclosure policy as well as internal financial disclosure procedures.

Management information
In order to follow up on the performance of our operations, the Company relies on financial management information. It is essential that this information be relevant, reliable and available on a timely basis in order to avoid any unfavorable impact on managing our operations. Through its Finance group, the Company relies on qualified personnel to uphold the policies, processes and efficient information systems in order to provide reasonable assurance that relevant information is recorded, processed and reported on a timely basis.

Hiring, employee retention and organizational structure
Our recruiting program, salary structure, performance evaluation programs, succession and training plans all entail risks that could negatively impact our capacity to execute our strategic plan as well as our ability to attract and retain necessary qualified resources to sustain the Company's growth and success. We have proven practices to attract the professionals necessary for our franchised drugstore network and employ effective programs in universities explaining the various advantages to joining our network. We use performance evaluation practices supervised by our human resources department. Our salary structure is regularly monitored in order to ensure that we remain competitive on the market. Our Longueuil, Québec distribution centre employees are subject to a collective agreement that expires on December 31, 2011.

Systems efficiency and disaster recovery plan
We use advanced information technology systems that cover all of our major activities. The continuity of our operations would be directly affected in case of non availability of these information technology systems, having a direct impact on our sales, therefore, on our profitability. In order to reduce technology related risks, controls such as a disaster recovery plan and controls over unauthorized access have been put in place. For many years, the Company has access to a high availability disaster recovery site, where it has the necessary infrastructure to replicate all transactions, databases and applications essential to daily operations.

MANAGEMENT'S ANNUAL REPORT ON DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures
Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the President and Chief Executive Officer (CEO) and the Senior Vice-President, Finance and Corporate Affairs (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the design and the effectiveness of the Company's disclosure controls and procedures was conducted as of March 1, 2008, by and under the supervision of management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures, as defined in Canada by Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are adequately designed and effective.

Internal Control over Financial Reporting
Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management is responsible for establishing and maintaining adequate internal control over financial reporting at the Company.

The Company's management, including the CEO and CFO, has evaluated the design of the Company's internal control over financial reporting using the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that internal control over financial reporting was properly designed as of March 1, 2008.

Changes in Internal Control over Financial Reporting
As disclosed thereunder, 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, for the fiscal year ended March 1, 2008.

STRATEGIES AND OUTLOOK

With the operations in Canada, financial flexibility and a significant interest in a United States' drugstore leader, the Company is well positioned to capitalize on the growth in the North American drugstore retailing industry. Demographic trends in Canada and the United States 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 grow its revenues through differentiation and quality of offering and service levels in its Canadian drugstore network, which it operates with a focus on sales growth, its real estate program and operating efficiency. In fiscal 2009, the Company plans to allocate approximately $60 million to capital expenditures and incentives to franchisees and another $55 million is expected to be invested by franchisees in Canada. The Company plans to open or relocate 24 stores, complete 46 store renovation and expansion projects and open more than 15 Boutiques Passion Beauté.
The Company's 30.4% equity interest in Rite Aid allows shareholders to participate in the economic benefits of their expected synergies and is expected to create shareholder value over the long-term.

FORWARD-LOOKING STATEMENTS

The Company Profile and 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 and were 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" or the negatives of these terms or variations of them or similar terminology. Although The Jean Coutu Group 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 below list 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 are the investment in Rite Aid, general economic, financial or market conditions, the investment in ABCP, the cyclical and seasonal variations in the industry in which we operate, the changes in the regulatory environment as it relates to the sale of prescription drug, the ability to attract and retain pharmacists, the intensity of competitive activity in the industry in which we operate, certain property and casualty risks, risks in connection with third party service providers, technological changes that affect demand for our products and services, labour disruptions, including possibly strikes and labour protests, changes in laws and regulations, or in their interpretations, changes in tax regulations and accounting pronouncements, the success of the Company's business model, the supplier and brand reputations and 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 this MD&A. 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 otherwise, unless required by the applicable securities laws.

April 28, 2008

Management's report with respect to financial statements

The consolidated financial statements of The Jean Coutu Group (PJC) Inc. contained herewith are the responsibility of management, and have been prepared in accordance with Canadian generally accepted accounting principles. Where necessary, management has made judgements and estimates of the outcome of events and transactions, with due consideration given to materiality. Management is also responsible for all other information in this report and for ensuring that this information is consistent, where appropriate, with the information and data included in the consolidated financial statements.

To discharge its responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors carries out its responsibility relative to the consolidated financial statements principally through its Audit Committee, consisting solely of independent directors, which reviews the consolidated financial statements and reports thereon to the Board. The Committee meets periodically with the external auditors, internal auditor and management to review their respective activities and the discharge by each of their responsibilities. Both the external auditors and the internal auditor have free access to the Committee, with or without the presence of management, to discuss the scope of their audits, the adequacy of the system of internal controls and the adequacy of financial reporting.

The consolidated financial statements have been reviewed by the Audit Committee and approved by the Board of Directors. In addition, the Company's external auditors, Deloitte & Touche, LLP, are responsible for auditing the consolidated financial statements and providing an opinion thereon. Their report is provided hereafter.

/s/ François J. Coutu

President and Chief Executive Officer

/s/ André Belzile

Senior Vice-President, Finances and Corporate Affairs

Auditors' Report

To the Shareholders of
The Jean Coutu Group (PJC) Inc.

We have audited the consolidated balance sheets of The Jean Coutu Group (PJC) Inc. (the "Company") as at March 1st, 2008 and June 4, 2007 and the consolidated statements of earnings, retained earnings, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 1st, 2008 and June 4, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ Deloitte & Touche, L.L.P.

Chartered Accountants

April 28, 2008

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of earnings

For the fiscal years ended March 1, 2008 and June 4, 2007	2008	2007
(in millions of Canadian dollars, unless otherwise noted)	**$**	$
	(Note 1b)	(Note 1b)
Sales	**1,507.6**	13,031.7
Other revenues (Note 3)	**168.7**	233.7
	1,676.3	13,265.4
Operating expenses		
Cost of goods sold	**1,370.0**	10,040.5
General and operating expenses	**139.6**	2,622.3
Restructuring charges (Note 4)	**-**	61.6
Amortization (Note 5)	**11.7**	75.4
	1,521.3	12,799.8
Operating income	**155.0**	465.6
Financing expenses (Note 6)	**5.1**	243.3
Adjustment to gain (gain) on sale of the retail sales segment (Note 4)	**4.2**	(144.1)
Loss on early debt retirement (Note 13)	**-**	178.9
Earnings before the following items	**145.7**	187.5
Share of loss from investments subject to significant influence	**393.3**	-
Income taxes (Note 7)	**3.8**	25.0
Net earnings (loss)	**(251.4)**	162.5
Earnings (loss) per share, in dollars (Note 8)		
Basic	**(0.98)**	0.62
Diluted	**(0.98)**	0.62

Consolidated statements of comprehensive income

For the fiscal years ended March 1, 2008 and June 4, 2007	2008	2007
(in millions of Canadian dollars)	**$**	$
	(Note 1b)	(Note 1b)
Net earnings (loss)	**(251.4)**	162.5
Other comprehensive income (loss)		
Foreign currency translation adjustments	**(97.9)**	148.3
Income taxes on the above item	**15.7**	0.6
	(82.2)	148.9
Comprehensive income (loss)	**(333.6)**	311.4

The segmented information and 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

For the fiscal years ended March 1, 2008 and June 4, 2007	2008	2007
(in millions of Canadian dollars)	$	$
	(Note 1b)	(Note 1b)
Capital stock, beginning of year	**789.6**	787.5
Redemption of stock	**(74.7)**	-
Options exercised	**0.5**	2.1
Capital stock, end of year	**715.4**	789.6
Contributed surplus, beginning of year	**4.8**	2.9
Stock-based compensation cost	**2.2**	1.9
Stock-based compensation from investment subject to significant influence - Rite Aid	**9.7**	-
Contributed surplus, end of year	**16.7**	4.8
Retained earnings, beginning of year	**1,319.7**	1,188.6
Impact of the adoption of new accounting standards (Note 2b)	**(4.5)**	-
Net earnings (loss)	**(251.4)**	162.5
	1,063.8	1,351.1
Dividends	**(30.7)**	(31.4)
Excess of purchase price over carrying value of Class A subordinate voting shares acquired	**(102.3)**	-
Retained earnings, end of year	**930.8**	1,319.7
Accumulated other comprehensive income (loss), beginning of year (Note 2b)	**(96.6)**	(245.5)
Foreign currency translation adjustments, net of income taxes	**(82.2)**	148.9
Accumulated other comprehensive income (loss), end of year	**(178.8)**	(96.6)
Total shareholders' equity	**1,484.1**	2,017.5

The segmented information and the accompanying notes are an integral part of these consolidated financial statements.

THE JEAN COUTU GROUP (PJC) INC.

Consolidated balance sheets

(in millions of Canadian dollars)	**As at March 1, 2008**	As at June 4, 2007
	$	$
	(Note 1b)	(Note 1b)
Assets		
Current assets		
Cash and cash equivalents	**-**	40.7
Accounts receivable	**167.5**	162.6
Income taxes receivable	**0.4**	0.4
Inventories	**154.7**	138.0
Prepaid expenses	**5.2**	7.6
	327.8	349.3
Investments (Note 9)	**1,143.2**	1,597.8
Capital assets (Note 10)	**329.3**	319.4
Goodwill (Note 11)	**35.3**	20.0
Other long-term assets (Note 12)	**113.7**	50.2
	1,949.3	2,336.7
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**201.7**	259.1
Income taxes payable	**62.9**	22.8
Current portion of long-term debt (Note 13)	**2.0**	0.6
	266.6	282.5
Long-term debt (Note 13)	**169.5**	7.4
Other long-term liabilities (Note 14)	**29.1**	29.3
	465.2	319.2
Shareholders' equity		
Capital stock (Note 15)	**715.4**	789.6
Contributed surplus	**16.7**	4.8
Retained earnings	**930.8**	1,319.7
Accumulated other comprehensive income (loss) (Note 16)	**(178.8)**	(96.6)
	752.0	1,223.1
	1,484.1	2,017.5
	1,949.3	2,336.7

Guarantees, contingencies and commitments (Notes 18 and 19).

The segmented information and the accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board

/s/ François J. Coutu **/s/ L. Denis Desautels**

François J. Coutu
Director

L. Denis Desautels
Director

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of cash flows

For the fiscal years ended March 1, 2008 and June 4, 2007	2008	2007
(in millions of Canadian dollars)	$	$
	(Note 1b)	(Note 1b)
Operating activities		
Net earnings (loss)	**(251.4)**	162.5
Items not affecting cash		
Amortization	**14.6**	94.7
Adjustment to gain (gain) on sale of the retail sales segment (Note 4)	**4.2**	(144.1)
Write-off of deferred financing fees (Note 13)	**-**	67.9
Change in fair value of third party asset-backed commercial paper	**7.1**	-
Share of loss from investments subject to significant influence	**393.3**	-
Future income taxes	**(29.2)**	(37.8)
Other	**(3.1)**	1.7
	135.5	144.9
Net changes in non-cash asset and liability items (Note 23)	**10.9**	47.4
Cash flow provided by operating activities	**146.4**	192.3
Investing activities		
Proceeds (adjustment to proceeds) from disposal of the retail sales segment (Note 4)	**(46.1)**	2,450.1
Investments and business acquisition	**(65.8)**	(2.2)
Purchase of capital assets	**(23.0)**	(154.1)
Proceeds from disposal of capital assets	**1.3**	9.3
Purchase of intangible assets	**-**	(2.3)
Proceeds from disposal of intangible assets	**-**	1.2
Other long-term assets	**(9.5)**	(2.4)
Cash flow provided (used) by investing activities	**(143.1)**	2,299.6
Financing activities		
Issuance of long-term debt, net of expenses	**163.9**	5.3
Repayment of long-term debt (Note 13)	**(0.6)**	(2,541.3)
Issuance of capital stock	**0.5**	2.1
Redemption of capital stock	**(177.0)**	-
Dividends	**(30.7)**	(31.4)
Cash flow used in financing activities	**(43.9)**	(2,565.3)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.1)**	(36.3)
Decrease in cash and cash equivalents	**(40.7)**	(109.7)
Cash and cash equivalents, beginning of year	**40.7**	150.4
Cash and cash equivalents, end of year	**-**	40.7

The segmented information and the accompanying notes are an integral part of these consolidated financial statements. See supplemental cash flow information in Note 23.

THE JEAN COUTU GROUP (PJC) INC.

Consolidated segmented information

For the fiscal years ended March 1, 2008 and June 4, 2007 (Note 1b)

(in millions of Canadian dollars)

The Company has two reportable segments: franchising and retail sales. Within the franchising segment, the Company carries on the franchising activity under the "PJC Jean Coutu" banner, operates two distribution centres and coordinates several other services for the benefit of its franchisees. During fiscal 2007, the Company also operated in the retail sales segment through outlets selling pharmaceutical and other products under the "Brooks" and "Eckerd" banners. On June 4, 2007, the Company sold its interest in the "Brooks" and "Eckerd" outlets for cash and an equity interest in Rite Aid Corporation ("Rite Aid"). As a result, the Company's retail sales segment is represented by the investment in Rite Aid.

The Company analyzes the performance of its operating segments based on their operating income before amortization, which is not a measure of performance under Canadian generally accepted accounting principles ("GAAP"). However, management uses this performance measure for assessing the operating performance of its reportable segments.

Segmented information is summarized as follows:	**2008**	2007
	$	$
Revenues (1)		
Franchising	**1,676.3**	2,145.7
Retail sales	**-**	11,119.7
	1,676.3	13,265.4
Operating income before amortization		
Franchising	**169.6**	216.9
Retail sales	**-**	328.5
	169.6	545.4
Amortization		
Franchising (2)	**14.6**	19.0
Retail sales	**-**	266.0
Reversal of amortization of the retail sales segment in consolidation (3)	**-**	(205.2)
	14.6	79.8
Operating income		
Franchising	**155.0**	197.9
Retail sales	**-**	62.5
Reversal of amortization of the retail sales segment in consolidation (3)	**-**	205.2
	155.0	465.6

(1) Revenues include sales and other revenues.

(2) Including amortization of incentives paid to franchisees.

(3) From August 23, 2006 to June 4, 2007, the Company ceased amortizing the assets related to its US Operations since they were classified as assets held for sale.

THE JEAN COUTU GROUP (PJC) INC.

Consolidated segmented information

For the fiscal years ended March 1, 2008 and June 4, 2007 (Note 1b)
(in millions of Canadian dollars)

	2008	2007
	$	$
Share of loss from investments subject to significant influence		
Retail sales [1]	**393.3**	-
	393.3	-
Acquisition of capital assets and intangible assets [2]		
Franchising	**23.0**	38.5
Retail sales	**-**	117.9
	23.0	156.4

	As at March 1, 2008	As at June 4, 2007
	$	$
Capital assets and goodwill		
Franchising	**364.6**	339.4
	364.6	339.4
Total assets		
Franchising	**860.0**	775.9
Retail sales [1]	**1,089.3**	1,560.8
	1,949.3	2,336.7

The Company's revenues, capital assets and goodwill, as well as total assets for the geographic areas of Canada and the United States, correspond to the franchising and retail sales segments, respectively.

[1] Represents the Company's equity investment in Rite Aid (Note 9).
[2] Excluding business acquisition.

1. Description of business and significant accounting policies

a) Description of business

The Company is incorporated under the *Companies Act of Québec*. It has two reportable segments.

In Canada, the Company operates a franchisee network. Franchising activities include operating two distribution centres and providing various services to 331 franchised stores as at March 1, 2008 (June 4, 2007 - 328). In fiscal 2008, there were 3 new store openings (2007 - 4) and no closure of franchised stores (2007 - 3). The franchised store network retails pharmaceutical and parapharmaceutical products. The Company also manages all properties that house franchisee outlets.

In the United States, the Company operated a network of corporate drugstores in retail pharmaceutical and parapharmaceutical products, located in 18 states of the Northeast, mid-Atlantic and Southeast. On June 4, 2007, the Company sold all of its 1,854 corporate drugstores to Rite Aid. Pursuant to the sale of the retail sales segment, the Company no longer directly operates corporate drugstores in the United States, but rather holds an equity interest of approximately 30.4% in Rite Aid (Note 4).

b) Financial statement presentation and foreign currency translation

The consolidated financial statements are prepared in accordance with Canadian GAAP.

The Company's reporting calendar was based on a floating May 31 year end using the US National Retail Federation 4-5-4 merchandising calendar. For the fiscal year beginning on June 5, 2007, the Company changed its fiscal year end date to become the Saturday closest to February 29 or March 1 in order to coincide with Rite Aid's fiscal year end.

The Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The fiscal year ended March 1, 2008, contains 38 weeks and 5 days due to the change in fiscal year end while the fiscal year ended June 4, 2007, exceptionally contained 53 weeks and 2 days, and reflects the sale of US Operations described in Note 4.

For fiscal years 2005, 2006 and 2007, the Company reported its consolidated financial statements in US dollars. Following the disposal of its US Operations on June 4, 2007, the Company changed its reporting currency to Canadian dollars considering the Company's predominant operations in Canada (Note 2a).

c) Basis of consolidation

The consolidated financial statements include the accounts of the parent company and all its subsidiaries. All intercompany transactions and balances have been eliminated on consolidation.

1. Description of business and significant accounting policies *(continued)*

d) Use of estimates

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, long-lived assets, gain on sale of the retail sales segment and reserves and allowances, specifically those related to income taxes.

e) Revenue recognition

Sales to franchisees are recognized when merchandise is shipped. Retail sales were recognized at the time of sale to the consumer. The Company recognizes its sales net of returns. Volume rebates and cash discounts granted to customers are accrued at the time of sale and recorded as a reduction of sales. The Company reports all direct merchandise shipment transactions on a net basis when acting as an agent between suppliers and franchisees.

Royalties are calculated based on a percentage of franchisees' retail sales and are recorded as income as they are earned. The percentage is established in the franchisees' agreements.

Services to franchisees and rental income are recognized when services are rendered. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent income on a straight-line basis over the term of the lease.

Revenues are recognized when reasonable assurance exists regarding collectibility.

f) Rate-regulated activities

Certain of the Company’s franchising activities are rate-regulated. In the provinces of Quebec and Ontario (Canada), the provincial governments, through their various bodies, draw a list of medications and determine their selling prices. The Company cannot sell the medications at a higher price than what is determined.

1. Description of business and significant accounting policies *(continued)*

g) Vendor allowance

Cash considerations received from vendors represent a reduction of the price of the vendors' products or services and are accounted for as a reduction of cost of goods sold and related inventory when recognized in the Company's consolidated statement of earnings and balance sheet. Certain exceptions apply when the cash considerations received are either a reimbursement of incremental costs incurred by the Company to sell the vendors' products or a payment for assets or services delivered to the vendors.

h) Foreign currency translation

The non-consolidated financial statements of the parent company, its subsidiaries and its investments subject to significant influence are prepared based on their respective functional currencies, which is the Canadian dollar for Canadian operations and corporate activities and the US dollar for the retail sales segment activities.

The financial statements of entities with the functional currency not the Canadian dollar are 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 the 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 current in nature and are included in the consolidated statements of earnings, unless subject to hedge accounting.

i) Earnings per share

Basic and diluted earnings per share have been determined by dividing the consolidated net earnings available to shareholders for the year by the basic and diluted weighted average number of shares outstanding, respectively.

The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of grant, using the treasury stock method.

1. Description of business and significant accounting policies *(continued)*

j) 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.

k) Inventories

Inventories are measured at the lower of cost and net realizable value, the cost being determined using the first in, first out method.

l) Investments

Investments in companies subject to significant influence

Investments in companies subject to significant influence are accounted for using the equity method. Under this method, the investment is initially recorded at cost and adjustments are made to include the Company's share of the investment's net earnings (or loss), which is recognized in the consolidated statement of earnings.

Long-term loans, advances and operating receivables from franchisees

Long-term loans, advances and operating receivables from franchisees are considered as loans and receivables and are measured at amortized cost since the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments - Recognition and Measurement", on June 5, 2007. Adjustments resulting from recording new long-term loans, advances and operating receivables from franchisees at their fair value on initial recognition is recorded against royalties. Subsequent adjustments resulting from the use of the effective interest method are recorded as interest income. Long-term loans, advances and operating receivables from franchisees were accounted for using the cost method before the adoption of Section 3855.

Impairment

Management analyzes periodically each investment and whenever an adverse event or changes in circumstances indicate that the carrying value of the investments may not be recoverable, the Company considers whether the fair value of the investments have declined below their carrying value and, if the decline is considered to be other than temporary, the investments are written down to fair value and a loss is recognized in the consolidated statement of earnings.

Third party asset-backed commercial paper

Investments in third party asset-backed commercial paper are classified as held for trading and are carried at fair value with changes in fair value recognized in the consolidated statement of earnings.

1. Description of business and significant accounting policies *(continued)*

m) Capital assets

Capital assets are accounted for at cost.

Amortization of buildings held for leasing was based on their estimated useful lives using the compound interest method until June 1, 2004. Since that date, the Company has used the straight-line method. Construction in progress is not amortized until the asset is ready for its intended use. Amortization of other capital assets is based on their estimated useful lives using the straight-line and the diminishing balance methods at the following rates and terms:

	Methods	Rates and terms
Buildings	Diminishing balance	5%
Buildings held for leasing	Straight-line	40 years
Leasehold improvements	Straight-line	Term of the lease or useful life, whichever is shorter
Equipment	Straight-line	3 to 5 years

n) Goodwill

Goodwill represents the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired and is not amortized. Goodwill is tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. As at March 1, 2008 and June 4, 2007, the Company has performed impairment tests and no write-downs were necessary.

o) Other long-term assets

Except for the future income taxes, other long-term assets are mainly the incentives paid to franchisees and rent escalation assets. Incentives paid to franchisees are amortized using the straight-line method over a ten-year period and amortization is applied against royalties included in other revenues. The Company has leases and subleases with predetermined fixed escalation of the minimum rent. The Company recognizes the related rent revenue on a straight-line basis over the term of the lease and consequently records the difference between the recognized rental revenue and the amount receivable under the lease as rent escalation assets in other long-term assets.

1. Description of business and significant accounting policies *(continued)*

p) Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows expected from its use and disposition to their carrying amounts. If the cash flows are not sufficient to recover the carrying amount of the assets, the impairment has occured and the long-lived assets are written down to their respective fair values.

q) Future income taxes

The Company uses the tax asset and liability method to account for income taxes. Under this method, future tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted income tax rates and income tax laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. Future tax assets are only recognized to the extent that, in the opinion of management, assets will more likely than not be realized.

r) Other long-term liabilities

Deferred revenues : Deferred revenues consist mainly of a deferred gain related to sale-leaseback. The Company also receives allowances from its vendors as consideration for exclusivity agreements. The revenues related to these agreements are deferred when received and recognized as purchases are made, as stipulated by the agreement.

Deferred lease obligations : The Company leases premises and recognizes minimum rent starting when possession of the property is taken from the landlord, which normally includes a pre-opening period. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis over the term of the lease and, consequently, records the difference between the recognized rental expense and the amounts payable under the lease as deferred lease obligations. The Company also receives tenant allowances, which are amortized on a straight-line basis over the term of the lease or useful life of the asset, whichever is shorter.

s) Stock-based compensation plan

The Company has a fixed stock option plan, which is described in Note 17. Since June 1, 2003, stock-based compensation cost is recorded under the fair value method. According to that method, awards of stock options are measured on their date of grant using the fair value based method and are expensed and credited to contributed surplus over their vesting period. These credits are reclassified to capital stock when the related stock options are exercised.

1. Description of business and significant accounting policies *(continued)*

t) Defined benefit pension plans

The Company maintains defined benefit pension plans for some of its senior officers, which include a registered pension plan as well as non-registered supplemental pension plans.

The registered pension plan is funded as required by the applicable laws and the supplemental plan is partly funded through retirement compensation arrangements ("RCA"). The amount of contributions required for funding purposes is determined by actuarial valuations performed triennially. The most recent actuarial valuation was performed as at December 31, 2005 and the next actuarial valuation date is December 31, 2008.

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plans' investment performance, salary escalation and retirement age of employees. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The fair value is market value.

Past service costs are amortized on a straight-line basis over the average remaining service period of active employees, at the date of amendment.

The excess of the net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the pension plans was 8.0 years as at March 1, 2008 (9.3 years as at June 4, 2007).

u) Defined contribution pension plans

For defined contribution plans, the pension expense is equal to the contributions of the Company.

1. Description of business and significant accounting policies *(continued)*

v) Financial instruments

The Company does not use derivative financial instruments for speculative or trading purposes. The Company formally documents all relationships between derivatives and the items it hedges, and its risk management objective and strategy for using various hedges. Derivatives that are economic hedges, but do not qualify for hedge accounting, are recognized at fair value with the changes in fair value recorded in earnings.

The Company uses, when required, financial instruments to manage interest rate risk and foreign exchange rate risk.

During the fiscal year ended June 4, 2007, the Company used interest rate swap agreements to manage the fixed and floating interest rate mix of its total debt portfolio. These agreements involved exchanging interest payments without exchanging the notional principal amount that the payments were based on. The Company recorded the exchange of payments as an adjustment of interest expense on the hedged debt.

The Company did not use financial instruments to manage interest rate and foreign exchange rate risk during the fiscal year ended March 1, 2008.

Transaction costs, if any, related to acquisition or issuance of financial instruments classified as held for trading, are recognized in net income. For financial instruments classified other than as held for trading, transaction costs are added to the carrying value at acquisition or issuance of the financial instrument.

2. Accounting policies

Changes in accounting policies

a) Foreign currency translation

For fiscal years 2005, 2006 and 2007, the Company reported its consolidated financial statements in US dollars. Following the disposal of its US Operations on June 4, 2007, the Company changed its reporting currency to Canadian dollars considering the Company's predominant operations in Canada.

Comparative financial information previously expressed in US dollars is presented in Canadian dollars for all periods shown. In this respect, shareholders' equity as at June 4, 2007 was 1.906 billion in US dollars compared with 2.018 billion in Canadian dollars.

The Company used the current rate method to translate its comparative consolidated financial statements. Under this method, statement of earnings and statement of cash flow items of each period 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 the accumulated other comprehensive income.

2. Accounting policies *(continued)*

b) Comprehensive income, equity, financial instruments and hedges

On June 5, 2007, the Company implemented the following new CICA Handbook Sections: 1530, "Comprehensive Income", 3251, "Equity", 3855, "Financial Instruments - Recognition and Measurement", 3861, "Financial Instruments - Disclosure and Presentation", and 3865, "Hedges". These standards have been adopted retrospectively without restatement of prior periods except for the foreign currency translation adjustments account in shareholders' equity that was restated as required by Section 1530. The transitional adjustments resulting from these standards are recognized in the opening balances of retained earnings and accumulated other comprehensive income.

Section 1530, "Comprehensive Income", introduces a new financial statement that shows the change in equity of an enterprise from transactions, other events and circumstances from non-owner sources.

Section 3251, "Equity", replaced Section 3250, "Surplus". It describes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, "Comprehensive Income".

Section 3855, "Financial Instruments - Recognition and Measurement", establishes guidance for recognizing and measuring financial instruments in the balance sheet and for reporting gains and losses in the financial statements. Financial assets and liabilities are initially recognized at their fair value and are subsequently measured at fair value in the consolidated balance sheet, except loans and receivables, investments held-to-maturity and non-trading financial liabilities, which are carried at amortized cost under the effective interest rate method.

Realized and unrealized gains and losses on trading financial assets and liabilities are recognized in the consolidated statement of earnings in the period in which they arise. Unrealized gains and losses, including changes in foreign exchange rates on available-for-sale financial assets, are recognized in other comprehensive income until their realization, after which these amounts are recognized in the consolidated statement of earnings. All derivative financial instruments are carried at fair value in the consolidated balance sheet, including those derivatives that are embedded in other contracts, but are not closely related to the host contract. In addition, in order to comply with Section 3855, the Company reviewed all contracts in place to identify non-financial derivatives and embedded derivatives. This had no material impact on the Company's consolidated financial statements.

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

2. Accounting policies *(continued)*

b) Comprehensive income, equity, financial instruments and hedges *(continued)*

The Company's financial assets and liabilities are classified and measured as follows:

Assets/Liabilities	Category	Subsequent measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term loans, advances and operating receivables from franchisees	Loans and receivables	Amortized cost
Third party asset-backed commercial paper	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

Section 3861, "Financial Instruments - Disclosure and Presentation", which replaces Section 3860, of the same title, establishes standards for the presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed.

Section 3865, "Hedges", addresses the accounting treatment of qualifying hedging relationships and the necessary disclosures and also requires all derivatives in hedging relationships to be recorded at fair value.

The following table summarizes the transitional adjustments recorded upon implementation:

Consolidated Balance Sheet	As at June 5, 2007
	$
Increase (decrease) in:	
Accounts receivable	**(0.1)**
Investments	**(6.4)**
Other long-term assets	**2.1**
Other long-term liabilities	**0.1**
Retained earnings	**(4.5)**
Foreign currency translation adjustments	**96.6**
Accumulated other comprehensive income (loss)	**(96.6)**

2. Accounting policies *(continued)*

Recent pronouncements

c) Capital disclosures

In December 2006, the CICA published Section 1535, "Capital Disclosures". This new standard establishes disclosure requirements concerning capital such as: qualitative information about an entity's objectives, policies and processes for managing capital; quantitative data about what it regards as capital; whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. This Section will be effective for the Company as of March 2, 2008. The impact of the adoption of this new Section on the Company's consolidated financial statements is not expected to be material.

d) Financial instruments

In December 2006, the CICA published Section 3862, "Financial Instruments - Disclosures", and Section 3863, "Financial Instruments - Presentation". These new standards replace Section 3861, "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. This Section will be effective for the Company as of March 2, 2008. The impact of the adoption of this new Section on the Company's consolidated financial statements is not expected to be material.

e) Inventories

In June 2007, the CICA published Section 3031, "Inventories", which aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This new standard provides more guidance on the measurement and disclosure requirements for inventories. It requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs incurred in bringing the inventories to their present location and condition. The standard also requires the use of either first in, first out ("FIFO") or weighted average cost formula to measure the cost of inventories. This Section will be effective for the Company as of March 2, 2008. The impact of the adoption of this new Section on the Company's consolidated financial statements is not expected to be material.

2. Accounting policies *(continued)*

f) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, "Goodwill And Intangible Assets", replacing Section 3062, "Goodwill And Other Intangible Assets", and Section 3450, "Research and Development Costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning March 1, 2009. It 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 is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

g) International Financial Reporting Standards

The Accounting Standards Board of Canada has announced that accounting standards in Canada, as used by public companies will be converged to IFRS. The changeover date from current Canadian GAAP to IFRS, for the Company, is for the fiscal year beginning on February 27, 2011. The Company will convert to these new standards according to the timetable set with these new rules. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

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

3. Other revenues

	2008	2007
	$	$
Royalties [1]	**85.2**	112.0
Rent	**48.8**	67.4
Sundry	**34.7**	54.3
	168.7	233.7

[1] The amortization of incentives paid to franchisees of $2,927,000 (2007 - $4,431,000) is applied against royalties, as well as the discount effect on initial recognition, in the amount of $1,170,000, related to the utilization of the effective interest rate method for measuring the long-term loans, advances and operating receivables from franchisees.

4. Disposal of the retail sales segment

On August 23, 2006, the Company entered into a definitive agreement with Rite Aid whereby the Company would dispose of its network in the United States ("US Operations") which represented the totality of the retail sales segment of the Company. As provided under GAAP, the Company presented the assets and liabilities related to the US Operations as assets held for sale as at August 26, 2006. However, the US Operations were not presented as discontinued operations considering the continuing involvement of the Company in the expanded Rite Aid, which includes the Company's former US Operations after the closing of the transaction.

Gain on sale of the retail sales segment

On June 4, 2007, the Company completed this transaction in exchange for a cash consideration of $2.438 billion (or US$2.300 billion), subject to a working capital adjustment and 250 million shares of Rite Aid common stock. As a result of the simultaneous sale and retention of interest in its net asset through its acquired interest in Rite Aid, the Company recognized, in the fiscal year ended June 4, 2007, a gain of $76.2 million net of income taxes.

In the fiscal year ended March 1, 2008, the Company finalized its negotiations of the working capital adjustment, which resulted in a reduction of the above-mentioned gain by $4.2 million ($3.5 million after tax), and the settlement of all amounts due to Rite Aid and other related payments for an aggregate amount of $46.1 million.

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

4. Disposal of the retail sales segment *(continued)*

The gain (adjustment to gain) on sale of the retail sales segment is calculated as follows:

	2008	2007
	$	$
Selling price (adjustment to selling price) of the retail sales segment	**(2.6)**	4,189.7
Less:		
Book value of net asset sold	**-**	3,649.2
Unrecognized portion of the gain on sale representing the economic interest retained	**0.5**	172.6
Recognition of the foreign currency translation adjustments related to the interest sold in the US Operations	**0.2**	200.9
Transaction costs	**0.9**	22.9
Gain (adjustment to gain) on sale of the retail sales segment before incomes taxes	**(4.2)**	144.1
Income taxes (recovery)	**(0.7)**	67.9
Net gain (adjustment to gain) on sale of the retail sales segment	**(3.5)**	76.2

The gain was based on the closing price for Rite Aid shares of $6.55 as at June 4, 2007 and an exchange rate of 1.0602 Canadian dollars per US dollar.

The net asset sold on June 4, 2007 amounted to $3.649 billion, consisting of $2.220 billion of current assets, $2.888 billion of long-term assets, $1.044 billion of current liabilities and $0.415 billion of long-term liabilities.

Restructuring charges

During fiscal 2007, the Company adopted a transition pay program associated with the disposal of the retail sales segment. The charges totalled $61.6 million for the said fiscal year.

4. Disposal of the retail sales segment *(continued)*

Operating summary of the US Operations for the fiscal year ended June 4, 2007:

	2007
	$
Sales	11,104.6
Other revenues	15.1
Operating expenses	
Cost of goods sold	8,283.2
General and operating expenses	2,446.4
Restructuring charges	61.6
Amortization	60.8
Operating income	267.7

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

5. Amortization

	2008	2007
	$	$
Capital assets	**11.6**	60.3
Intangible assets	**-**	14.9
Deferred costs	**0.1**	0.2
	11.7	75.4

From August 23, 2006 to June 4, 2007, the Company ceased amortizing the assets related to its US Operations since they were classified as assets held for sale.

6. Financing expenses

	2008	2007
	$	$
Interest on long-term debt	**3.1**	224.0
Amortization of deferred financing fees	**-**	14.9
Unrealized foreign exchange losses (gains) on monetary items	**(0.1)**	12.0
Realized foreign exchange losses (gains) on monetary items	**(3.9)**	(0.2)
Realized gains on derivative financial instruments	**-**	(6.7)
Change in fair value of third party asset-backed commercial paper (Note 9)	**7.1**	-
Other financing expenses (income), net	**(1.1)**	(0.7)
	5.1	243.3

In fiscal 2007, the Company had interest rate swaps in order to fix the interest rate on a portion of its variable interest debt. On May 29, 2007, the Company terminated these contracts and the gains related to these derivatives were recognized in earnings.

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

7. Income taxes

The income taxes are as follows:

	2008	2007
	$	$
Current income taxes	**33.0**	62.8
Future income taxes (recovery)	**(29.2)**	(37.8)
	3.8	25.0

The Company's income tax expense differs from the amounts that would be computed using the combined statutory rates. The difference is attributable to the following items:

	2008	2007
	$	$
Canadian operations at statutory tax rates	**(78.6)**	(18.5)
American operations at statutory tax rates	**-**	100.2
Tax expense (recovery) at statutory rates	**(78.6)**	81.7
Tax increase (decrease) resulting from:		
Share of loss in investments subject to significant influence, tax effected at a capital gain rate	**63.5**	-
Valuation allowance on future income tax assets	**18.4**	-
Adjustments to future income tax assets and liabilities for changes in substantively enacted rates	**1.6**	2.3
Benefit arising from financing structures in relation to investments in subsidiaries	**-**	(87.2)
Cost of dismantling the financing structures as part of the sale of the retail sales segment	**-**	64.1
Benefit of capital loss carryforwards not previously recorded	**-**	(20.6)
Gain on sale of the retail sales segment subject to capital gains rate	**-**	(20.2)
Other	**(1.1)**	4.9
	3.8	25.0

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

7. Income taxes *(continued)*

Future income tax assets and liabilities are as follows:

	As at March 1, 2008	As at June 4, 2007
	$	$
Future income tax assets:		
Investment in a company subject to significant influence - Rite Aid	**51.0**	-
Other investments	**3.1**	-
Capital assets	**0.2**	-
Goodwill and incentives paid to franchisees	**4.9**	5.7
Current liabilities	**0.6**	0.8
Other long-term liabilities	**5.7**	6.9
Capital stock issuance expenses	**2.0**	3.2
Net operating losses carried forward	**-**	0.2
Penalty on senior notes reimbursements	**21.7**	28.8
Financing fees	**4.2**	9.8
Total future income tax assets	**93.4**	55.4
Less valuation allowance	**(18.4)**	-
	75.0	55.4
Future income tax liabilities:		
Capital assets	**4.6**	7.0
Other long-term assets	**0.6**	-
Investment in a company subject to significant influence - Rite Aid	**-**	24.9
Other	**1.0**	1.1
	6.2	33.0
Future income tax assets, net	**68.8**	22.4
Allocated as follows:		
Long-term future income tax asset	**69.4**	22.4
Long-term future income tax liability	**(0.6)**	-
	68.8	22.4

8. Earnings (loss) per share

The reconciliation of the number of shares used to calculate the diluted earnings (loss) per share is established as follows:

	2008	2007
	(in millions)	*(in millions)*
Weighted average number of shares used to compute basic earnings (loss) per share	**256.9**	261.7
Effect of dilutive stock options	**-**	0.2
Weighted average number of shares used to compute diluted earnings (loss) per share	**256.9**	261.9

As at March 1, 2008, 2,361,000 antidilutive stock options have been excluded from the computation of diluted earnings (loss) per share (June 4, 2007 - 1,472,000).

9. Investments

	As at March 1, 2008	As at June 4, 2007
	$	$
Investment in a company subject to significant influence - Rite Aid	**1,089.3**	1,560.8
Investments in companies subject to significant influence - Other	**7.7**	8.0
Long-term loans, advances and operating receivables from franchisees, at cost	**-**	33.6
Long-term loans, advances and operating receivables from franchisees, accounted for under the effective interest rate method	**22.3**	-
Third party asset-backed commercial paper	**28.5**	-
	1,147.8	1,602.4
Current portion (included in accounts receivable)	**4.6**	4.6
	1,143.2	1,597.8

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

9. Investments *(continued)*

Investment in a company subject to significant influence - Rite Aid

The Company holds a significant interest in Rite Aid, one of the United States' leading drugstore chains, with over 5,000 drugstores.

The equity interest acquired in Rite Aid represents an investment subject to significant influence, which is accounted for using the equity method from the date of the transaction, June 4, 2007. The investment was initially recorded at cost and adjustments are made to include the Company's share of Rite Aid's net earnings or loss. The Company's share of Rite Aid's net earnings or loss is adjusted to reflect the amortization of the fair value adjustments related to the Company's share of the net identifiable asset acquired of Rite Aid and to eliminate the effect of the purchase price allocation recorded by Rite Aid for the Company's retained interest in the US Operations.

The total cost is allocated to the Company's share of net identifiable asset acquired on the basis of their fair values, based on preliminary independent valuations, using the purchase method of accounting. The Company will complete this allocation during fiscal 2009.

The preliminary allocation of the excess of the cost of the investment in Rite Aid over the underlying net book value of assets acquired amounted to $775.4 million as at June 4, 2007, and represents the adjustment to the first in, first out method on inventories of $188.3 million, the intangible assets (consisting mainly of customer prescription files, trade name and favourable leases) of $851.2 million, future income taxes liabilities of $426.2 million and incremental goodwill of $162.1 million. Prescription files are amortized over their estimated useful lives of 10 years on an accelerated basis, which approximates the anticipated prescription file retention and anticipated cash flows. Trade name has an indefinite service life and is not amortized. Favourable leases are amortized over the remaining term of the leases on a straight-line basis.

The details of the investment in Rite Aid are as follows:

	As at March 1, 2008	As at June 4, 2007
	$	$
Shares of Rite Aid common stock (2008 - 252.0 million, 2007 - 250.0 million)	**1,745.0**	1,736.1
Unrecognized portion of the gain on sale of the US Operations representing the economic interest retained	**(173.1)**	(172.6)
Share of loss	**(393.3)**	-
Share of contributed surplus due to stock-based compensation	**9.7**	-
Other adjustments	**5.4**	-
Revaluation at foreign currency closing rate	**(104.4)**	(2.7)
Book value of the investment in Rite Aid	**1,089.3**	1,560.8

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

9. Investments *(continued)*

Investment in a company subject to significant influence - Rite Aid *(continued)*

As required under accounting standards and taking into account evidence that could indicate an other-than-temporary decline in the value of its Rite Aid investment, management has concluded, after analysis, that there had been no loss in value of this investment that was other than a temporary decline. As a result, no charge was recorded in the consolidated statements of earnings for the current fiscal year in this regard. Management will re-evaluate its Rite Aid investment over the coming fiscal quarters and will record an impairment loss, if necessary.

The following table presents Rite Aid Corporation's selected financial information derived from their consolidated and audited financial statements as at March 1, 2008, and for the 52-week period then ended, presented using US GAAP, in US dollars. The Company has also presented this information using Canadian GAAP for information purposes.

	US GAAP	CDN GAAP
	52 weeks 2008	52 weeks 2008
	US$	US$
Rite Aid's consolidated statement of operations data:		
Revenues	**24,326.9**	**24,326.9**
Cost of goods sold	**17,689.3**	**17,673.2**
Net loss	**(1,079.0)**	**(1,064.4)**

	US GAAP	CDN GAAP
	As at March 1, 2008	As at March 1, 2008
	US$	US$
Rite Aid's consolidated balance sheet data:		
Current assets	**4,921.9**	**5,484.6**
Property, plant and equipment, net	**2,873.0**	**2,833.0**
Goodwill and other intangibles, net	**2,970.7**	**2,875.1**
Other assets	**722.4**	**710.8**
Total assets	**11,488.0**	**11,903.5**
Current liabilities	**2,798.0**	**2,982.2**
Long-term debt and lease financing obligations, less current maturities	**5,799.9**	**5,799.9**
Other non current liabilities	**1,178.9**	**1,052.3**
Stockholders' equity	**1,711.2**	**2,069.1**
Total liabilities and stockholders' equity	**11,488.0**	**11,903.5**

9. Investments *(continued)*

Long-term loans, advances and operating receivables from franchisees

Long-term loans, advances and operating receivables from franchisees are accounted for using the effective interest rate method. As at March 1, 2008, the principal amount of these investments was $31,302,000 (June 4, 2007 - $36,974,000) before the discount effect of $5,900,000 (June 4, 2007 - nil) and the provision for losses of $3,025,000 (June 4, 2007 - $3,395,000). These investments bear interest at rates up to 9.5% (June 4, 2007 - 9.5%), carry repayment terms up to 2026 and certain of these loans and advances are renewable.

Third party asset-backed commercial paper

On March 1, 2008, the Company held investments in the amount of $35.6 million which were invested in Canadian third party asset-backed commercial paper issued by five different trusts (“ABCP”). These ABCP, previously rated by the Dominion Bond Rating Service (“DBRS”) as R1-High, are securities that met the criteria of the Company’s investment policy. An R1-High rating, per the DBRS, is of the highest credit quality and indicates an entity possessing unquestionable ability to repay current liabilities as they come due.

The Canadian market for ABCP suffered a liquidity disruption in mid-August 2007 following which a group of financial institutions and other parties agreed, pursuant to the Montreal Proposal, to a standstill period with respect to ABCP sold by 22 conduit issuers. Participants of the Montreal Proposal also agreed, in principle, to the conversion of the ABCP investments into longer-term financial instruments with maturities corresponding to the underlying assets (floating rate notes). A Pan-Canadian Investors Committee (“the Committee”) was subsequently established to oversee the orderly restructuring of these instruments during this standstill period. On March 17, 2008, the Committee announced that it had filed an application in the Ontario Superior Court of Justice under the Companies’ Creditors Arrangement Act asking the Court to call a meeting of ABCP noteholders.

On March 20, 2008, the Committee made available additional documents describing, among other things, the proposed restructuring plan and the process leading to its completion. This plan was approved by noteholders in a vote held at a noteholders meeting on April 25, 2008, however the plan is subject to ratification by the Ontario Superior Court of Justice.

For the year ended March 1, 2008, the Company used the information contained in the JP Morgan report and other documents to estimate the fair value of its ABCP. The Company adjusted the valuation approach that had been used to assess the fair value of ABCP it was holding as at and for the fiscal quarter ended December 1, 2007 based on new information described below. For the ABCP held, the Company considered the quality of the underlying assets and determined the fair value using a discounted cash flow analysis.

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

9. Investments *(continued)*

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

The principal assumptions in the calculation pertain to the expected coupons and maturity of the floating rate notes to be received in exchange of the ABCP as well as an appropriate discount rate based on the expected ratings of the notes, where applicable, taking into account risks of future losses. The estimated discount rate was determined based on observable market inputs for comparable securities or securities bearing similar risk profiles. For ABCP supported by ineligible assets, observable market inputs for comparable securities from independent pricing sources were used to assess the fair value of each class of assets in the trust. The Company tested the sensitivity of its ABCP valuation model and a 100 basis point variation in the discount rate would result in a 5% or $1.8 million pre-tax change in the fair value of these investments.

As a result of the valuation, the Company has recognized a $7.1 million ($5.9 million after-tax) provision for losses with respect to ABCP holdings reflecting the Company's estimated reduction in the fair value of these investments as at March 1, 2008, including a provision for its estimated share of restructuring costs. This estimate of the fair value of the ABCP investments as at March 1, 2008 is subject to uncertainty. While Management believes that its valuation technique is appropriate in the circumstances, changes in assumptions, particularly as market conditions evolve, 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 and any such difference could affect the Company's financial results.

The Company has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect there will be a materially adverse impact on its business as a result of the ABCP liquidity issue. The Company is assessing its alternatives and recourses to recover the full value of these ABCP.

10. Capital assets

	As at March 1, 2008		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	**3.7**	**-**	**3.7**
Land held for leasing	**76.4**	**-**	**76.4**
Buildings	**53.3**	**18.0**	**35.3**
Buildings held for leasing	**213.0**	**34.4**	**178.6**
Leasehold improvements	**11.1**	**5.9**	**5.2**
Equipment	**55.9**	**41.0**	**14.9**
Equipment under capital leases	**1.6**	**1.6**	**-**
Construction in progress	**15.2**	**-**	**15.2**
	430.2	**100.9**	**329.3**

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

10. Capital assets *(continued)*

	As at June 4, 2007		
	Cost	Accumulated amortization	Net book value
	$	$	$
Land	3.7	-	3.7
Land held for leasing	72.9	-	72.9
Buildings	51.8	16.6	35.2
Buildings held for leasing	203.5	30.3	173.2
Leasehold improvements	11.3	5.8	5.5
Equipment	53.3	36.0	17.3
Equipment under capital leases	1.6	1.5	0.1
Construction in progress	11.5	-	11.5
	409.6	90.2	319.4

11. Goodwill

During the year, the Company acquired Pro Doc Ltée, a generic drug manufacturer. The preliminary allocation of the excess of the cost of this acquisition over the underlying net value of identifiable assets acquired resulted in a $15,300,000 goodwill.

The changes in the book value of goodwill are as follows:

	As at March 1, 2008	As at June 4, 2007		
	Franchising	Franchising	Retail sales	Total
	$	$	$	$
Balance, beginning of year	**20.0**	20.0	950.8	970.8
Business acquisition	**15.3**	-	-	-
Disposal of the retail sales segment	**-**	-	(910.4)	(910.4)
Foreign currency translation adjustments	**-**	-	(40.4)	(40.4)
Balance, end of year	**35.3**	20.0	-	20.0

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

12. Other long-term assets

	As at March 1, 2008	As at June 4, 2007
	$	$
Incentives paid to franchisees, net	**25.3**	18.7
Future income taxes (Note 7)	**69.4**	22.4
Other	**19.0**	9.1
	113.7	50.2

13. Long-term debt

	As at March 1, 2008	As at June 4, 2007
	$	$
Unsecured revolving credit facility, maturing on June 4, 2012, bearing interest at a weighted average rate of 4.40% as at March 1, 2008. Interest rate is repriced periodically for terms not exceeding one month.	**164.3**	-
Unsecured senior subordinated notes, bearing interest at 8.50% and maturing on August 1, 2014, redeemable after August 1, 2009.	**2.7**	3.0
Loans, secured by real estate having a net book value of $5,137,000 (2007 - $5,241,000), bearing interest at rates varying from 5.5% to 7.7% to be repriced every 3 to 5 years maturing at different dates up to 2010.	**4.5**	4.8
Other	**-**	0.2
	171.5	8.0
Current portion	**2.0**	0.6
	169.5	7.4

13. Long-term debt *(continued)*

Credit agreement

The Company is bound by an unsecured revolving credit facilitity in the amount of $500,000,000 maturing on June 4, 2012. Borrowings under the credit facility bear interest at the Canadian prime rate plus a variable margin (totalling 5.75% as at March 1, 2008 and 6.0% as at June 4, 2007) or at banker acceptance rate plus a variable margin (totalling 4.3% as at March 1, 2008 and 4.38% as at June 4, 2007). Margins depend on the achievement of certain financial ratios. As at March 1, 2008, $165,024,000 of the available credit facilities were used (June 4, 2007 - $310,000), including outstanding letters of credit of $345,000 (June 4, 2007 - $310,000).

Under the terms of the credit agreement, the Company must satisfy certain restrictive covenants as to minimum financial ratios and certain conditions. As at March 1, 2008 and June 4, 2007, the Company was in compliance with such covenants and conditions.

Loss on early debt retirement

The charges recorded during fiscal 2007 when term loans and notes were repaid, as a result of the transaction described in Note 4, amounted to $178.9 million (or $125.0 million net of income taxes) and consisted of debt retirement costs of $111.0 million and a write-off of deferred financing fees of $67.9 million.

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

13. Long-term debt *(continued)*

Minimum repayments

Minimum repayments to be made during the following five years are as follows:

	Long-term debt
	Principal
	$
2009	**2.0**
2010	**2.5**
2011	**2.7**
2012	**-**
2013	**164.3**

14. Other long-term liabilities

	As at March 1, 2008	As at June 4, 2007
	$	$
Deferred revenues	**20.8**	24.0
Deferred lease obligations	**7.7**	5.3
Future income taxes (Note 7)	**0.6**	-
	29.1	29.3

15. Capital stock

Authorized, unlimited number:

Class A subordinate voting shares, participating, one vote per share, exchangeable, at the option of the holder, for the same number of Class B shares in the event of a take-over bid being made solely with respect to Class B shares, without par value, dividend declared in Canadian dollars.

Class B shares, participating, ten votes per share, exchangeable for Class A subordinate voting shares on the basis of one Class A subordinate voting share for one Class B share, without par value, dividend declared in Canadian dollars.

Class C shares, to be issued in one or more series subject to rights, privileges, conditions and restrictions to be determined, non-participating, non-voting, without par value.

Changes that occurred in capital stock are presented as follows:

	2008		2007	
	Shares		Shares	
	(in millions)	**$**	*(in millions)*	$
Class A subordinate voting shares				
Outstanding shares, beginning of year	**144.5**	**789.6**	142.3	787.5
Repurchased and cancelled	**(13.7)**	**(74.7)**	-	-
Class B shares converted into Class A subordinate voting shares	**-**	**-**	2.0	-
Stock options exercised	**0.1**	**0.5**	0.2	2.1
Outstanding shares, end of year	**130.9**	**715.4**	144.5	789.6
Class B shares				
Outstanding shares, beginning of year	**117.4**	**-**	119.4	-
Class B shares converted into Class A subordinate voting shares	**-**	**-**	(2.0)	-
Outstanding shares, end of year	**117.4**	**-**	117.4	-
Total outstanding shares, end of year	**248.3**	**715.4**	261.9	789.6

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

15. Capital stock *(continued)*

Normal course issuer bid

On June 29, 2007, the Company announced its intention to purchase for cancellation up to 13,672,800 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 July 3, 2008. Purchases have been made from time to time through the facilities of the Toronto Stock Exchange and in accordance with its requirements.

For the fiscal year ended March 1, 2008, the Company purchased 13,672,800 Class A subordinate voting shares at an average price of $12.93 per share for a total consideration of $177,038,000 including related costs. An amount of $102,324,000 representing the excess of the purchase price over the carrying value of the acquired shares was deducted from retained earnings. All the shares purchased were cancelled prior to March 1, 2008.

16. Accumulated other comprehensive income (loss)

The net change in accumulated other comprehensive income (loss), net of income taxes, is as follows:

	As at March 1, 2008	As at June 4, 2007
	$	$
Balance, beginning of year	**(96.6)**	(245.5)
Effect of changes in exchange rates during the year:		
On the investment in a company subject to significant influence - Rite Aid	**(82.4)**	(2.0)
On the net investment in self-sustaining foreign subsidiaries	**-**	(50.0)
Disposal of the retail sales segment (Note 4)	**0.2**	200.9
Balance, end of year	**(178.8)**	(96.6)

17. Stock-based compensation plan

The Company has a fixed stock option plan. Under the stock option plan established in 1995 for its officers, the Company may grant options to those employees, totalling up to 8 million Class A subordinate voting shares. Under the plan, the exercise price of each option may not be lower than the weighted average price based on volume of the Company's shares on the Toronto Stock Exchange during the five days preceding the date of the granting of the options. An option's maximum term is 10 years. Granted options vest annually over a maximum period of 4 years.

17. Stock-based compensation plan *(continued)*

Changes that occurred in the number of stock options are presented as follows:

	2008		2007	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	(in millions)	***(in dollars)***	*(in millions)*	*(in dollars)*
Options outstanding, beginning of year	**2.5**	**14.03**	2.5	13.47
Options granted	**0.2**	**11.36**	0.2	14.92
Options exercised	**(0.1)**	**7.35**	(0.2)	8.78
Options cancelled	**(0.2)**	**15.18**	-	15.89
Options outstanding, end of year	**2.4**	**13.85**	2.5	14.03
Options exercisable, end of year	**1.9**	**13.94**	1.8	13.61

The following table summarizes information about the stock options as at March 1, 2008:

	Options outstanding			**Options exercisable**	
Range of exercise price in dollars	**Number of options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	(in millions)	***(years)***	***(in dollars)***	***(in millions)***	***(in dollars)***
Below $10	**0.4**	**2.5**	**8.84**	**0.4**	**8.84**
$10 - $15	**1.2**	**7.7**	**13.71**	**0.8**	**14.00**
$15 - $20	**0.8**	**6.0**	**16.60**	**0.7**	**16.62**
	2.4	**6.2**	**13.85**	**1.9**	**13.94**

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

17. Stock-based compensation plan *(continued)*

The following data represents the weighted average assumptions used in the stock option valuation in accordance with the Black-Scholes model:

	2008	2007
Dividend yield	**1.27%**	0.95%
Expected volatility	**28.66%**	30.12%
Risk-free interest rate	**3.64%**	4.08%
Expected life (years)	**6**	6

During the fiscal year ended March 1, 2008, the Company granted 222,900 stock options (2007 - 239,850). The weighted average fair value of those options is $3.44 as at March 1, 2008 (2007 - $5.12). An amount of $633,000 for the fiscal year ended March 1, 2008 was expensed for the stock option plan (2007 - $1,985,000). In addition, an amount of $1,571,000 was recorded as stock-based compensation cost for former employees of our US Operations now working with Rite Aid. This additionnal amount was recorded in the share of loss from investment in Rite Aid.

18. Guarantees and contingencies

Guarantees

On June 4, 2007, the Company sold its US Operations to Rite Aid (Note 4). In addition to possible indemnification relating to the breach of representations or warranties, the Company agreed to enter into certain customary indemnification obligations in favour of the purchaser on issues such as taxes, employment matters and other indemnification obligations related to facts, circumstances or conditions in existence prior to June 4, 2007 with respect to a prior stock purchase agreement and other related agreements with J.C. Penney Company, Inc. *et al*. entered into on July 31, 2004. These types of indemnification guarantees generally extend for a period not exceeding 18 months after the closing of the transaction or shortly after the expiration of the applicable statute of limitations, while other indemnification guarantees are not limited in time. Certain portions of the Company's indemnification obligations are capped at US$450,000,000, while other provisions are not subject to such a limit.

The Company is unable to estimate the potential liability for these 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 not accrued any amount with respect to these items in the consolidated financial statements and has not incurred any cost during the fiscal year ended March 1, 2008.

18. Guarantees and contingencies *(continued)*

Guarantees *(continued)*

The Company has guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of $1,374,000 as at March 1, 2008 (June 4, 2007 - $2,489,000). Most of those guarantees apply to loans with a maximum maturity of eight years. Those loans are also personally guaranteed by the franchisees.

Buyback agreements

Under buyback agreements, the Company is committed to financial institutions to purchase the inventories of certain of its franchisees up to the amount of advances made by those financial institutions to the franchisees. As at March 1, 2008, financing related to these inventories amounted to $86,996,000 (June 4, 2007 - $63,325,000). However, under these agreements, the Company is not committed to cover any deficit that may arise should the value of these inventories be less than the amount of the advances.

Under buyback agreements, the Company is committed to financial institutions to purchase equipment held by franchisees and financed by capital leases not exceeding five years and loans not exceeding eight years. For capital leases, the buyback value is linked to the net balance of the lease at the date of the buyback. For equipment financed by bank loans, the minimum buyback value is set by contract with the financial institutions. As at March 1, 2008, financing related to the equipment amounted to $21,716,000 (June 4, 2007 - $19,382,000). However, it is the opinion of management that the realizable value of the assets cannot be lower than the eventual amount of the buyback.

Historically, the Company has not made any indemnification payments under such agreements and no amount has been accrued with respect to these guarantees in its consolidated financial statements as at March 1, 2008 and June 4, 2007.

Contingencies

Various claims and legal proceedings have been initiated against the Company in the normal course of its operating activities. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any payments resulting from their outcome are not likely to have a substantial negative impact on the Company's consolidated financial statements.

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

19. Commitments

The balance of the commitments under the terms of building and vehicle operating leases maturing up to the year 2047 totals $275,852,000. The Company also has commitments for the acquisition and construction of buildings with contractors totalling $16,643,000 and agreements with suppliers to purchase inventory and services totalling $21,228,000. Minimum payments payable over the next five years are as follows:

	Operating leases	Other commercial commitments
	$	$
2009	**31.6**	**26.1**
2010	**29.2**	**6.7**
2011	**27.0**	**4.1**
2012	**24.1**	**1.0**
2013	**20.3**	**-**

Under the terms of building leases and subleases, the Company will receive, up to the year 2047, minimum payments totalling $300,635,000. This amount takes into account the renewal of subleases at the same terms and conditions as the lease agreements.

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

20. Pension plans

The Company offers defined benefit and defined contribution pension plans providing pension benefits to its employees. The measurement date used for financial reporting purposes of the plan assets and benefit obligations is March 1, 2008 (June 4 in 2007).

The defined benefit and defined contribution pension plans' expenses are as follows:

	2008	2007
	$	$
Defined contribution pension plans' expense	**1.2**	30.3
Defined benefit pension plans		
Current service cost	**0.6**	0.8
Interest expense	**0.5**	0.8
Actual return on plan assets	**0.1**	(0.4)
Sale of the retail sales segment	**-**	3.3
Actuarial loss (gain)	**(1.6)**	0.6
Elements of the defined benefit pension plans' expense before adjustments to recognize the long-term nature of employee future benefit costs	**(0.4)**	5.1
Amortization of past service cost	**0.3**	0.4
Difference between actual return and expected return on plan assets	**(0.6)**	(0.1)
Difference between actuarial loss (gain) recognized for the year and actual actuarial loss (gain) on accrued benefit obligation	**1.7**	(1.0)
Defined benefit pension plans' expense	**1.0**	4.4

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

20. Pension plans *(continued)*

Information about the Company's defined benefit pension plans is as follows:

	As at March 1, 2008	As at June 4, 2007
	$	$
Accrued benefit obligations		
Balance, beginning of year	**12.6**	14.2
Current service cost	**0.6**	0.8
Interest expense	**0.5**	0.8
Benefits paid	**(0.2)**	-
Settlements	**-**	(0.2)
Sale of the retail sales segment	**-**	(3.7)
Actuarial loss (gain)	**(1.6)**	0.6
Foreign currency translation adjustments	**-**	0.1
Balance, end of year	**11.9**	12.6
Plan assets		
Fair value, beginning of year	**7.4**	5.7
Actual return on plan assets	**(0.1)**	0.4
Employer contributions	**1.0**	5.2
Benefits paid	**(0.2)**	-
Settlements	**-**	(0.2)
Sale of the retail sales segment	**-**	(3.7)
Fair value, end of year	**8.1**	7.4
Accrued benefit obligations	**11.9**	12.6
Plan assets	**(8.1)**	(7.4)
	3.8	5.2
Unamortized net actuarial loss	**1.1**	2.2
Unamortized past service cost	**1.4**	1.7
Accrued benefit liability (included in accounts payable and accrued liabilities)	**1.3**	1.3

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

20. Pension plans *(continued)*

As at March 1, 2008 and June 4, 2007, all pension plans had individually accrued benefit obligations in excess of plan assets.

As at March 1, 2008, 27% (2007 - 28%) of the plan assets at fair value was deposited as Canadian refundable tax and 73% (2007 - 72%) was invested. The balance invested consists of the following allocations:

	2008	2007
	%	%
Balanced funds	**57**	47
Equity income and insured annuity	**11**	19
Equity funds	**30**	33
Other	**2**	1

No plan assets are directly invested in the parent company and its subsidiaries' securities.

The main actuarial assumptions adopted in measuring the Company's accrued benefit obligations and the benefits costs are as follows (weighted average):

	2008	2007
	%	%
Accrued benefit obligations		
Discount rate	**5.50**	4.75
Expected long-term rate of return on plan assets	**6.25**	5.50
Rate of compensation increase	**4.00**	4.00
Defined benefit expense		
Discount rate	**4.75**	5.42
Rate of compensation increase	**4.00**	4.00

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

21. Related party transactions

The Company entered into the following transactions with enterprises controlled by an executive having a significant influence over the Company:

	2008	2007
	$	$
Revenues		
Sales	**13.8**	8.2
Royalties	**0.9**	0.6
Rent	**0.6**	0.5
	15.3	9.3

As at March 1, 2008, accounts receivable include an amount of $1,997,000 (June 4, 2007 - $726,000) resulting from these transactions and investments include $1,123,000 of long-term advances to an executive in connection with the acquisition of two franchised stores. These transactions are carried out in the normal course of business and are measured at the exchange amount.

As at March 1, 2008, sales and accounts receivable include an amount of $3,177,000 and $789,000 respectively resulting from information technology services rendered to Rite Aid, a company subject to significant influence. Also, as at June 4, 2007, accounts payable and accrued liabilities included an amount of $46,493,000 due to Rite Aid representing the estimated selling price adjustment with regards to the disposal of the retail sales segment. This amount was repaid during fiscal 2008.

22. Financial instruments

Fair value

At March 1, 2008 and June 4, 2007, the fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their book values because of their forthcoming maturities.

The fair value of long-term loans, advances and operating receivables from franchisees and long-term debt is not significantly different from their respective book values as at March 1, 2008 and June 4, 2007.

Interest rate risk

The Company is exposed to interest rate risk on its unsecured revolving credit facility and does not currently hold any financial instruments that mitigate this risk. Management does not believe that the impact of interest rate fluctuations will be significant.

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

22. Financial instruments *(continued)*

Credit risk

The risk of non-collection is reduced by the active monitoring of the franchisees' receivables by the Company's management.

Foreign currency risk

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 current in nature and are included in the consolidated statement of earnings, unless subject to hedge accounting. As at March 1, 2008, the Company's financial instruments denominated in a foreign currency were not significant and no hedging instruments were used to mitigate the risk from changes in foreign currency rates.

23. Supplemental cash flow information

	2008	2007
	$	$
Net changes in non-cash operating asset and liability items		
Accounts receivable, income taxes receivable and prepaid expenses	**2.7**	(6.0)
Inventories	**(8.2)**	106.5
Accounts payable and accrued liabilities and income taxes payable	**25.6**	(26.4)
Other long-term assets	**(7.9)**	(2.6)
Other long-term liabilities	**(1.3)**	(24.1)
Net changes in non-cash operating asset and liability items	**10.9**	47.4
Other information		
Interest paid	**3.7**	272.6
Income taxes paid (received)	**(4.9)**	37.3
Capital assets acquired included in accounts payable and accrued liabilities	**5.6**	4.1

24. Comparative figures

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

General Information

The Jean Coutu Group (PJC) Inc.

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Stock Market Information

Toronto Stock Exchage
Ticker symbol: PJC.A

Internet Site

www.jeancoutu.com

Annual General Meeting

The Annual General Meeting of Shareholders of The Jean Coutu Group (PJC) Inc. will be held on July 8, 2008 at 9:30 a.m. at the corporate headquarters of the Company, 551 Bériault Street, Longueuil, Québec.

Annual Information Form

The annual information form for the year ended March 1st, 2008 is available upon request. To order, please contact the Corporate Secretary of the Company.

Investor Relations

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Pour obtenir la version française de ce rapport, veuillez écrire à :

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à l'att. de : Secrétariat corporatif
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