The
Jean Coutu
Group (PJC) Inc.

2009
Annual Report

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Report to shareholders
4th quarter and year-end results

To our shareholders:

The Jean Coutu Group is pleased to report its financial results for the fourth quarter and fiscal year ended February 28, 2009.

Revenues of the Canadian operations increased by 9.8% to $607.2 million over the comparable 13-week period, which was the third quarter of fiscal year 2008 due to the change in the fiscal year-end date.

Operating income before amortization ("OIBA") for Canadian operations amounted to $61.5 million for the fourth quarter of fiscal year 2009 compared with $56.5 million for the third quarter of fiscal year 2008, an increase of almost 9%. OIBA as a percentage of revenues for Canadian operations ended the fiscal quarter at 10.1% compared with 10.2% during the third quarter of fiscal year 2008, and to 9.8% for fiscal year 2009 compared with 10.1% during the 2008 comparable period[1].

The Company recorded its share of Rite Aid's results in the Jean Coutu Group's fourth quarter of fiscal year 2009 earnings, which amounted to $768.8 million ($3.26 per share) compared with $332.1 million ($1.19 after-tax per share) during the third quarter of fiscal year 2008. For fiscal year 2009, the share of Rite Aid's loss in the Company's results amounted to $1.327 billion ($5.48 per share) compared with $393.3 million ($1.35 after-tax per share) during the comparable period 2008. These are non-cash charges.

For the fourth quarter of fiscal year 2009, the net loss amounted to $733.6 million ($3.11 per share) compared with $269.2 million ($1.08 per share) for the third quarter of fiscal year 2008. For the fiscal year ended February 28, 2009, the net loss amounted to $1.192 billion ($4.92 per share) compared with $257.8 million ($1.00 per share) during the 2008 comparable period. Fourth quarter and fiscal year 2009 net loss is due to the share of Rite Aid's loss.

Earnings before specific items and the share of Rite Aid's loss amounted to $38.5 million ($0.16 per share) during the fourth quarter of fiscal year 2009 compared with $32.3 million ($0.12 per share) for the quarter ended March 1, 2008. Earnings before specific items and the share of Rite Aid's loss amounted to $142.6 million ($0.59 per share) during fiscal year 2009 compared with $132.1 million ($0.51 per share) for the 2008 comparable period.

During the fourth quarter of fiscal year 2009, Canadian network retail sales increased by 6.4% while same store sales increased by 4.2% compared with the third quarter of fiscal year 2008. During fiscal year 2009, network retail sales advanced 5.4%, while same store sales increased by 3.8% compared with the 2008 comparable period.

Canadian operations performed well during the fourth quarter. We have maintained our growth objectives and our network's retail sales increased significantly in spite of the Canadian economic conditions. Our dividend increase reflects the Company's performance and demonstrates The Jean Coutu Group's commitment to optimize the share value and the return on investment. In fiscal year 2010, we intend to maintain the rhythm of our network's expansion and pursue the development of our product offering to boost sales. We will also continue to analyze the progress made by Rite Aid's management towards the implementation of their strategic plan.

On February 28, 2009, there were 353 stores in the PJC network of franchised stores.

[1] The 2008 comparable period is composed of the fourth quarter of fiscal year 2007 and the three quarters of fiscal year 2008

During fiscal year 2009, the Company purchased 12,311,000 Class A subordinate voting shares at an average price of $7.42 per share, for a total amount of $91.4 million, under a Normal Course Issuer Bid and completed its planned program for the 12-month period ending July 10, 2009. All shares purchased were cancelled prior to February 28, 2009.

The Board of Directors of the Company declared a quarterly dividend of $0.045 per share, which represents an increase of 12.5% over the dividend paid the previous quarter. This dividend is payable on May 29, 2009 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 15, 2009. On an annual basis, this represents a dividend of $0.18 per share.

Demographic trends are expected to contribute to growth in the consumption of prescription drugs, and to the increased use of pharmaceuticals as the primary intervention in individual healthcare. Management believes that these trends will continue and that the Company will grow its revenues through differentiation and quality of offering and service levels in its Canadian network of franchised stores, which it operates with a focus on sales growth, its real estate program and operating efficiency.

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, essentially in Eastern Canada, through franchised drugstores under the banners PJC Jean Coutu, PJC Santé Beauté and PJC Clinique. In addition, since December 2007, the Jean Coutu Group owns Pro Doc Ltd ("Pro Doc"), a Quebec based subsidiary specialized in manufacturing of generic drugs. The Company also holds a significant interest in Rite Aid Corporation ('*'Rite Aid'*'), an American national drugstore chain with more than 4,900 drugstores in 31 states and the District of Columbia.

MISSION STATEMENT

The Jean Coutu Group is a leader in the North American drugstore industry in its chosen markets. 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 the support services provided to our franchisees. We are committed to providing superior returns to our shareholders and offering interesting careers to all the professionals and employees of the Jean Coutu Group and the PJC network.

OBJECTIVE

The Jean Coutu Group strives to be recognized as a Canadian leader in the retail sector with an excellent financial performance and by acting as a dominant player in its sector in North America.

Profile of the Canadian network of franchised stores

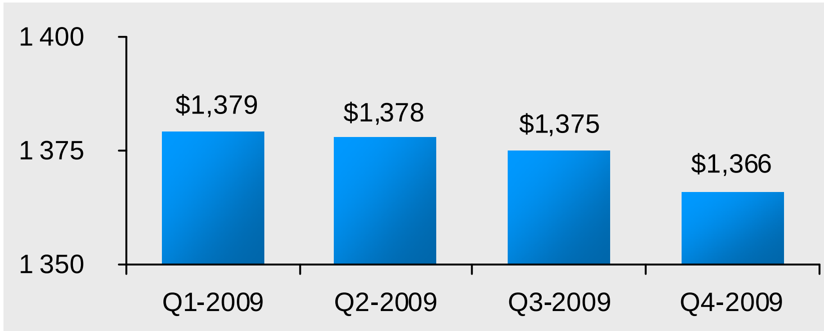
The Jean Coutu Group (PJC) Inc. is a leading pharmacy franchisor in Canada with 353 stores in Quebec, Ontario, and New Brunswick. Our franchising activities include operating two distribution centers and providing services to our PJC stores. These services comprise centralized purchasing, distribution, marketing, training, human resources, management, operational consulting and information systems, as well as 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, for the products which are available and priced competitively to other suppliers. Based on total network retail sales, we supply our PJC franchisees with approximately 85% 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 drugstores filled 63.3 million prescriptions during fiscal 2009, for a weekly average of 3,530 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 square feet. However, we also build different formats adapted to the communities we serve. In the front-end of our drugstores, we offer some food and convenience products but we focus mainly on customer wellness, offering a full choice of health and beauty products as well as general merchandise and seasonal products. Furthermore, 10.4 % of our front-end retail sales come from the sale of 3,050 private label and exclusive products. These popular products are known to represent excellent value and help enhance margins, customer traffic and loyalty.

We also offer digital processing services and our clients have access to Canada Post services in 60 PJC stores.

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



Fiscal 2009

The PJC drugstore network retail sales per square foot have slightly decreased during the third and fourth quarters of fiscal 2009. This decrease is explained by the reduction in the prices of generic drugs implemented earlier this fiscal year and by an increase of 7.5 % of the PJC's network total square footage over the past year. However, the average PJC establishment is still a leader in the North American drugstore retailing industry with annual sales of $11 million.

STRATEGIC INITIATIVES

Expansion and modernization of the Canadian network

During fiscal 2009, we completed several real estate projects that improved our drugstore base and opened 27 "*Boutiques Passion Beauté*". We continued to expand our Canadian network with the opening of 33 stores, of which 11 were relocations. In addition, 28 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 network.

Advertising, sponsorship and Internet site

Several promotional campaigns were introduced in fiscal 2009 and we also maintained a strong presence on local radio stations. The PJC Jean Coutu network has also obtained the exclusive distribution of commemorative products associated to the Montreal Canadiens Hockey Club centennial celebration. These products have proven to be very popular with our customers.

To maximize our presence with customers, we have sponsored several events held throughout the province during the year. We have also set up once more our Summer and Winter Tours: The *Fabuleux Cirque Jean Coutu* and the *Jean Coutu Health Patrol*. These two teams visited several family attraction sites and ski resorts where they offered to participants health and safety tips in a festive atmosphere.

We have continued the development of our Internet site to offer more comprehensive information adapted to the needs of our customers, as well as exclusive promotions and services, such as the new on-line purchasing service of Jean Coutu gift cards which became available in December 2008.

Human resources

The pharmacist-owners and their employees work towards the shared goals of first class customer service and professionalism across the entire PJC 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. Furthermore, the Company provides its pharmacist-owners with the tools required to run a successful retail business, with over half of the specialized training 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 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 necessary investments in the human resources aspect of their activities in order to remain the leading pharmacy retailer.

Most admired retailer in Quebec

We are very pleased to report that the Jean Coutu Group was again ranked as the most admired company 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 sector and the consulted population is almost unanimous in its 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 will continue to work hard to remain Number 1 in the hearts of our clients and their families.

Pharmacy services

One of the Jean Coutu Group's key objectives is to be recognized as the Number 1 Health destination in its market. Several programs were developed over the years to enable us to meet that objective such as the Diabetes Information Kits and the "*Quit to Win*" Smoking Cessation Kits, both exclusively distributed at PJC drugstores. These kits are always extremely popular amongst our patients.

One 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. This tool allows us to obtain personalized patient information and to assist with customers' prescription drug compliance. Our personalized service is another reason why customers are loyal to their Jean Coutu pharmacist.

AIR MILES^tm^ Reward Program

The AIR MILES^tm^ program is the largest coalition loyalty program in Canada and the most appreciated by consumers. The program is offered in PJC Jean Coutu establishments of Quebec, New Brunswick and Ontario. For more than two years now, the Jean Coutu Group has been and still is the only AIR MILES^tm^ sponsor to offer its customers the possibility of exchanging in-stores their reward miles to pay for their purchases. This service, which is much appreciated by consumers, has a direct and positive impact on the average value of transactions using this payment mode.

Not only does the AIR MILES^tm^ loyalty program allow us to attract customers and ensure their loyalty, but it is also a source of information on our customers and their purchasing profiles. This strategic marketing tool allows us to differentiate ourselves through targeted marketing initiatives but also to adapt our strategies in accordance to the real and unique purchasing profiles of our customers.

Cosmetics

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 in 2002 boutiques exclusively dedicated to the body care, which carry the name "*Boutiques Passion Beauté*". We were also the first drugstore retailer to introduce a line of professional hair colour products. In addition, our continuous training program for cosmeticians, one of the most demanding of the industry, allows us to offer our customers the best beauty expertise in our sector, as well as beauty tips of an outstanding quality.

The expansion and renovation program of the "*Boutiques Passion Beauté*" of the Jean Coutu network allows us to enhance and improve the cosmetics offer on an on-going basis. 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.

During fiscal 2009, 27 new "*Boutiques Passion Beauté*" were added, for a total of 81 boutiques.

As for our product offer, we are constantly innovating. New exclusive lines of make-up and beauty products have been introduced during the year. Fragrances, skin care products and make-up are both popular and profitable for the Jean Coutu Group and its network. A wide product selection that includes mid-priced, exclusive and prestige brands is critical to our success.

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. In fiscal 2009, 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 areas with promising potential. During fiscal 2009, we introduced over 40 new products of the Personnelle private label and several exclusive brand products such as Swiss Prestige, an upscale Swiss chocolate line. We have also completed our line of Sélection PJC products associated to the Back to School season and we have introduced with success a new line in the candy segment, PJC Délices, as well as a selection of organic household products, PJC Eco Nature.

Pro Doc Acquisition – Generic Drug Manufacturer

In December 2007, we undertook to diversify by acquiring Pro Doc, a company operating in Laval, specialized in the manufacturing of generic drugs.

The sales potential of Pro Doc is quite promising since we have the opportunity of having Pro Doc sales grow within our own network. In fact we have observed a significant growth of product lines and sales at Pro Doc since the acquisition. Even though its sales growth has no bearing on the Jean Coutu Group revenues, it had a positive effect on the Company's gross margin.

NEW INITIATIVES IN FISCAL 2010

During fiscal 2010, the Jean Coutu Group will be celebrating its 40th anniversary. Several events, promotions and contests will be put forward to underscore this event.

Moreover, we will be introducing several new private label and exclusive products, more specifically in the candy category as we will complete our PJC Délices line of products which is very much appreciated by our customers. We will continue to introduce environment-friendly products and we will follow through on the initiative started in 2009 involving Montreal Canadiens commemorative items.

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. Investments will also target staff training so as to improve store service levels while improving operating efficiency throughout the network.

Our expansion and renovation program of the PJC network will continue, also contributing to an increase in sales. In fiscal 2010, we plan to open 14 new stores, relocate 11 stores, complete 58 store renovation and expansion projects and open more than 35 "*Boutiques Passion Beauté*".

Finally, we will continue to promote the PJC Jean Coutu brand through advertising, promotions and sponsorships 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.

INVESTMENT IN RITE AID CORPORATION

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.

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 28.4 % equity interest in Rite Aid as at February 28, 2009. Readers are referred to the Rite Aid investment section of this Annual Report for more details on their fiscal 2009 results.

Readers are also 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 referred to their website at www.riteaid.com.

Management’s Discussion and Analysis

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Throughout this document, the Jean Coutu Group (PJC) Inc. and subsidiaries, unless otherwise indicated, are referred to as "Company", "Jean Coutu Group", "we" or "our". This Management's Discussion and Analysis of the financial position and results of operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and the notes thereto for the fiscal years ended February 28, 2009, March 1, 2008 and June 4, 2007.

The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. The Company operates a network of 353 franchised stores located in the provinces of Québec, New Brunswick and Ontario (under the banners of PJC Jean Coutu, PJC Clinique and PJC Santé Beauté). Furthermore, as of December 2007, we own Pro Doc Ltd ("Pro Doc"), a Québec-based subsidiary and manufacturer of generic drugs. The Company also holds a significant interest in Rite Aid Corporation ("Rite Aid"), a national chain of drugstores in the United States with more than 4,900 stores in 31 states and the District of Columbia.

FINANCIAL STATEMENTS AND FISCAL YEARS

The Company's Consolidated Financial Statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars. For fiscal years 2005 through 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 following table shows exchange rates based on the Bank of Canada closing rates expressed in Canadian dollars per US dollar.

	February 28, 2009	March 1, 2008	June 4, 2007
Average rate (1)	**1.1040**	1.0170	1.1360
Closing rate	**1.2723**	0.9844	1.0584

(1) Calculated using the average of the closing exchange rates for each day of the relevant period.

For fiscal years 2005 through 2007, the Company's reporting calendar was based on a floating May 31 year-end date using the US National Retail Federation 4-5-4 merchandising calendar. For the fiscal year beginning June 5, 2007, the Company changed its fiscal year-end date to the Saturday closest to February 29 or March 1 in order to coincide with Rite Aid's fiscal year-end date. 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 February 28, 2009 contains 52 weeks. The fiscal year ended March 1, 2008 exceptionally contained 38 weeks and 5 days due to the change in the fiscal year-end date while the fiscal year ended June 4, 2007 exceptionally contained 53 weeks and 2 days and reflected the sale of US operations.

The discussion that follows provides an analysis of the consolidated operating results based on corresponding periods in order to provide meaningful analysis for readers. The figures used to compare the results of the fourth quarter of the fiscal year ended February 28, 2009 ("Q4-2009") are from the period ended March 1, 2008, corresponding with the third quarter of fiscal year 2008 ("Q3-2008"). The 52-week comparable period ("2008 comparable period") used to compare the results of the fiscal year ended February 28, 2009 is from the fourth quarter of fiscal year 2007 and the first, second and third quarters of fiscal year 2008. The 40-week comparable period ("2007 comparable period") used to compare the results of the fiscal year ended March 1, 2008 is from the first, second and third quarters of fiscal year 2007.

Fiscal year	**Year-end date**	**Number of weeks**
2009	February 28, 2009	52
2008	March 1, 2008	38 and 5 days
2007	June 4, 2007	53 and 2 days

DEFINITIONS

Revenues

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

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

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

Gross profit
For our Canadian operations, gross profit is calculated as follows: sales minus the cost of goods sold through our distribution centres. For fiscal year 2007 and the first quarter of the 2008 comparable period, the cost of goods sold of the US network stores included distribution costs and estimated inventory losses.

Share of loss from investments subject to significant influence
The share of loss from investments subject to significant influence consists principally of our equity interest in Rite Aid. The Company holds a 28.4% equity interest in Rite Aid and this investment is accounted for under the equity method in which the Company records its share of net earnings (or loss) in Rite Aid. Management periodically analyses each investment, and whenever an investment has declined below its carrying value and the decline is considered to be other than temporary, the carrying value of the investment is written down to its fair value and a loss in value is recognized in the consolidated statement of earnings.

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

Canadian operations
Canadian operations consist of the Company's franchising activities and exclude the results of the franchised stores.

US operations
US operations consist of retail sales generated by a network of corporate stores operating under the Brooks and Eckerd banners sold to Rite Aid on June 4, 2007.

NON-GAAP FINANCIAL MEASURES

Management used certain non-GAAP financial measures such as:

1. operating income before amortization ("OIBA");
2. operating income before amortization and restructuring charges ("OIBA before restructuring charges");
3. earnings (loss) (or earnings (loss) per share) before specific items; and
4. earnings (loss) (or earnings (loss) per share) before specific items and share of loss from investments subject to significant influence.

Management, investors and analysts use OIBA and OIBA before restructuring charges in assessing the operating and financial performance of the Company's reportable segments. We believe that OIBA and OIBA before restructuring charges are additional measures used by investors to evaluate operating performance and the capacity of a company to meet its financial obligations. However, these measures are not and must not be used as an alternative to net earnings or cash flow generated by operating activities as defined by GAAP. Furthermore, OIBA and OIBA before restructuring charges are not necessarily an indication that cash flow will be sufficient to meet our financial obligations.

Earnings (loss) (or earnings (loss) per share) before specific items and earnings (loss) (or earnings (loss) per share) before specific items and share of loss from investments subject to significant influence are measures useful for informing investors of significant items of an unusual or non-recurring nature that have adversely or positively affected its earnings. The Company believes that these measures provide investors with a measure of performance with which to compare its results between periods without regard to these specific items.

Our definition of financial measures presented above may not necessarily be comparable to similar measures reported by other companies and, therefore, should not be considered in isolation. In this MD&A, these measures are reconciled with net earnings (loss), a performance measure defined by GAAP.

Operating income before amortization ("OIBA")

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

(in millions of dollars)	**Q4-2009**	Q3-2008	**Fiscal year 2009 (52 weeks)**	Fiscal year 2008 (39 weeks)	Comparable 2008 (52 weeks)	Fiscal year 2007 (53 weeks)
	$	$	**$**	$	$	$
Net earnings (loss)	**(733.6)**	(269.2)	**(1,192.1)**	(251.4)	(257.8)	162.5
Financing expenses	**4.7**	4.5	**12.6**	5.1	80.4	243.3
Adjustment to gain (gain) on sale of the retail sales segment	**-**	0.5	**-**	4.2	(139.9)	(144.1)
Loss on early debt retirement	**-**	-	**-**	-	178.9	178.9
Share of loss from investments subject to significant influence	**768.8**	332.1	**1,327.0**	393.3	393.3	-
Income taxes (recovery)	**15.0**	(16.4)	**61.8**	3.8	14.3	25.0
Operating income	**54.9**	51.5	**209.3**	155.0	269.2	465.6
Amortization per financial statements	**4.2**	4.0	**16.1**	11.7	15.5	75.4
Amortization of incentives paid to franchisees [1]	**2.4**	1.0	**7.4**	2.9	4.0	4.4
Operating income before amortization ("OIBA")	**61.5**	56.5	**232.8**	169.6	288.7	545.4
Restructuring charges	**-**	-	**-**	-	29.3	36.5
OIBA before restructuring charges	**61.5**	56.5	**232.8**	169.6	318.0	581.9

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

Earnings (loss) before specific items

Net earnings (loss) are reconciled hereunder to earnings (loss) before specific items. All amounts are presented, when applicable, net of income taxes:

(in millions of dollars, except per share amounts)	**Q4-2009**	Q3-2008	**Fiscal year 2009 (52 weeks)**	Fiscal year 2008 (39 weeks)	Comparable 2008 (52 weeks)	Fiscal year 2007 (53 weeks)
	$	$	**$**	$	$	$
Net earnings (loss)	**(733.6)**	(269.2)	**(1,192.1)**	(251.4)	(257.8)	162.5
Restructuring charges	**-**	-	**-**	-	17.1	36.5
Reversal of amortization of the retail sales segment upon consolidation	**-**	-	**-**	-	(47.9)	(122.0)
Unrealized foreign exchange gains (losses) on monetary items	**(0.1)**	-	**0.7**	(0.1)	10.3	(0.2)
Unrealized gains (loss) on derivative financial instruments	**-**	-	**-**	-	3.1	(4.5)
Adjustment to gain (gain) on sale of the retail sales segment	**-**	0.4	**-**	3.5	(72.7)	(76.2)
Loss on early debt retirement	**-**	-	**-**	-	125.0	125.0
Change in fair value of third party asset-backed commercial paper	**3.4**	2.9	**7.0**	5.9	5.9	-
Earnings (loss) before specific items	**(730.3)**	(265.9)	**(1,184.4)**	(242.1)	(217.0)	121.1
Share of loss from investments subject to significant influence, net of income taxes	**768.8**	298.2	**1,327.0**	349.1	349.1	-
Earnings before specific items and share of loss from investments subject to significant influence	**38.5**	32.3	**142.6**	107.0	132.1	121.1
Earnings (loss) per share	**(3.11)**	(1.08)	**(4.92)**	(0.98)	(1.00)	0.62
Earnings (loss) per share before specific items	**(3.10)**	(1.07)	**(4.89)**	(0.95)	(0.84)	0.46
Earnings per share before specific items and share of loss from investments subject to significant influence	**0.16**	0.12	**0.59**	0.40	0.51	0.46

FINANCIAL RESULTS FOR FISCAL YEARS 2009, 2008, 2007 AND THE 2008 AND 2007 COMPARABLE PERIODS

SELECTED CONSOLIDATED FINANCIAL DATA FOR FISCAL YEARS 2009, 2008, 2007 AND THE 2008 AND 2007 COMPARABLE PERIODS

(in millions of dollars except per share amounts)	**Fiscal year 2009 (52 weeks)**	Fiscal year 2008 (39 weeks)	Comparable 2008 (52 weeks)	Fiscal year 2007 (53 weeks)	Comparable 2007 (40 weeks)
	$	$	$	$	$
Sales					
Canada	**2,131.9**	1,507.6	2,000.3	1,927.0	1,434.3
United States	**-**	-	2,705.3	11,104.7	8,399.4
	2,131.9	1,507.6	4,705.6	13,031.7	9,833.7
Other revenues (1)					
Canada	**237.4**	168.7	224.4	218.7	163.0
United States	**-**	-	3.6	15.0	11.4
	237.4	168.7	228.0	233.7	174.4
Revenues (2)					
Canada	**2,369.3**	1,676.3	2,224.7	2,145.7	1,597.3
United States	**-**	-	2,708.9	11,119.7	8,410.7
	2,369.3	1,676.3	4,933.6	13,265.4	10,008.1
Gross profit					
Canada	**187.5**	137.6	181.8	169.7	125.5
United States	**-**	-	697.5	2,821.5	2,124.4
	187.5	137.6	879.3	2,991.2	2,249.5
OIBA (3)					
Canada	**232.8**	169.6	225.3	216.9	161.2
United States	**-**	-	63.4	328.5	265.1
	232.8	169.6	288.7	545.4	426.3
Share of loss from investments subject to significant influence	**1,327.0**	393.3	393.3	-	-
Net earnings (loss)	**(1,192.1)**	(251.4)	(257.8)	162.5	168.9
Per share	**(4.92)**	(0.98)	(1.00)	0.62	0.65
Earnings before specific items and share of loss from investments subject to significant influence (3)	**142.6**	107.0	132.1	121.1	96.0
Per share	**0.59**	0.40	0.51	0.46	0.37
Cash dividend per share	**0.16**	0.12	0.15	0.12	0.09
Total assets	**1,014.4**	1,949.3	1,949.3	2,336.7	6,617.9
Long-term debt (4)	**275.7**	171.5	171.5	8.0	2,644.5

(1) Including amortization of incentives paid to franchisees.

(2) Revenues include sales and other revenues.

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

(4) Long-term debt includes the short-term portion of debt.

COMPARISON OF THE CONSOLIDATED FISCAL YEARS 2009, 2008, 2007 AND THE 2008 AND 2007 COMPARABLE PERIODS

Results from fiscal year 2009 compared with the results from fiscal year 2008 show significant increases. These increases are mainly due to the fact that fiscal year 2008 only had three quarters because of the Company's change in fiscal year-end date.

Results from fiscal year 2009 compared with the results from the 2008 comparable period show significant decreases. This is mainly due to the fact that the 2008 comparable period includes, amongst other things, revenues from US operations for a 13-week period, from March 4, 2007 to June 4, 2007.

Therefore, unless otherwise indicated, results from fiscal year 2009, which only represent Canadian operations, will be compared with the Canadian operations results for the 2008 comparable period.

Results from fiscal year 2008 compared with the results from fiscal year 2007 show significant decreases. This is mainly due to the disposal of the US operations to Rite Aid at the end of fiscal year 2007 as well as to the fact that the fiscal year 2008 only had three quarters due to the Company's change of fiscal year-end date.

Therefore, results from fiscal year 2008, which only contain Canadian operations, will be compared with the Canadian operations results of the first three quarters of fiscal year 2007.

Revenues

Revenues, which include sales and other revenues, amounted to $2.369 billion for the fiscal year ended February 28, 2009, compared with $2.225 billion for the Canadian operations for the 2008 comparable period, an increase of $144.6 million. This increase is mainly due to the expansion of the Jean Coutu Group network of franchised stores and to our commercialization and marketing programs.

During fiscal year 2008, total revenues, including sales and other revenues, amounted to $1.676 billion compared with $1.597 billion for the first three quarters of fiscal year 2007.

Other revenues amounted to $237.4 million during the fiscal year ended February 28, 2009 compared with $224.4 million during the 2008 comparable period. This increase is attributable to the increase in gross royalties resulting from additional network retail sales during fiscal year 2009 as well as an increase in rental revenues resulting from the expansion of the Jean Coutu Group network of franchised stores.

Gross profit

Gross profit amounted to $187.5 million for the fiscal year 2009, compared with $181.8 million for the Canadian operations during the 2008 comparable period, an increase of $5.7 million or 3.1%. For fiscal year 2009, gross margin, calculated as percentage of sales, was 8.8%, compared with 9.1% for the Canadian operations during the comparable period. The gross margin from our distribution centres was impacted by the change in the sales mix compared with the 2008 comparable period. In fact, the ratio of pharmacy sales increased compared with front-end sales, whereas gross margins on pharmacy sales are lower than the ones on the front-end sales.

During fiscal year 2009, the Company changed its method of invoicing certain vendor revenues, going from a method based mainly on expense reimbursement to one based on volume purchased. Consequently, these revenues are now recorded as a reduction of the cost of goods sold account. During fiscal year 2008, vendor revenues and expenses related thereto were recorded on a net basis in general and operating expenses, with the excess allocated to the cost of goods sold account.

During fiscal year 2008, gross profit for Canadian operations amounted to $137.6 million compared with $125.5 million for the first three quarters of fiscal year 2007, an increase of $12.1 million or 9.6%. For fiscal year 2008, gross margin was 9.1% compared with 8.7% for Canadian operations during the first three quarters of the fiscal year ended June 4, 2007. A favourable mix in front-end sales combined with an increase in the wholesaler margin on the sales of pharmaceutical products from the distribution centres resulted in an improvement in the overall gross margin.

OIBA

For fiscal year 2009, the OIBA for Canadian operations increased by $7.5 million compared with the 2008 comparable period. The OIBA amounted to $232.8 million compared with $225.3 million for the 2008 comparable period. The OIBA for Canadian operations as a percentage of revenues amounted to 9.8% for fiscal year 2009, compared with 10.1% during the 2008 comparable period.

For fiscal year 2008, the OIBA for Canadian operations amounted to $169.6 million compared with $161.2 million for the first three quarters of fiscal year 2007, an increase of $8.4 million. As a percentage of revenues, the OIBA for Canadian operations amounted to 10.1% at the end of fiscal year 2008, the same percentage as the first three quarters of fiscal year 2007.

Financing expenses

Financing expenses amounted to $12.6 million during fiscal year 2009 and were related to the debt incurred during fiscal years 2008 and 2009 to allow the Company to fund its normal course issuer bid program, as well as the recording of a loss in value with respect to the third party asset-backed commercial paper. Readers are referred to the "Third party asset-backed commercial paper" section of this MD&A for more information. Financing expenses for the 2008 comparable period amounted to $80.4 million and were mainly due to the losses incurred from the debt retirement on June 4, 2007 when we sold our US operations.

Share of loss from investments subject to significant influence

The share of loss from Rite Aid included in the Company's earnings amounted to $1.327 billion during fiscal year 2009 ($5.48 per share). During the 2008 comparable period, the share of loss from Rite Aid included in the Company's earnings amounted to $393.3 million ($1.35 after-tax per share). This is a non-cash charge.

As a result of the deterioration of the economic environment in the United States, combined with the severity of the decline in the trading value of Rite Aid common shares for an extended period, the Company performed a comprehensive analysis related to its investment in Rite Aid and impaired it at its fair value. Consequently, the carrying value of the investment in Rite Aid was assessed at $58.3 million as at February 28, 2009. The Company used the closing market value of Rite Aid's common shares as of February 27, 2009, adjusted by a liquidity discount, to assess the fair value of its investment and record the other-than-temporary loss in value. This loss in value is included in the share of loss from investments subject to significant influence account in the consolidated statement of earnings of the Company.

You will find more information on the Rite Aid investment in the "Information on Rite Aid" section of this MD&A.

Income tax expense

The income tax expense amounted to $61.8 million during fiscal year 2009 compared with $3.8 million during fiscal year 2008 and $14.3 million during the 2008 comparable period. During fiscal year 2008, the Company recorded an income tax recovery of $44.2 million related to the impact of the share of loss from Rite Aid on the carrying value of this investment, while no recovery was accounted for during fiscal year 2009.

Net earnings (loss)

For the fiscal year ended February 28, 2009, the net loss amounted to $1.192 billion ($4.92 per share). For the 2008 comparable period, the net loss amounted to $257.8 million ($1.00 per share). The net loss for the fiscal year 2009 is due to the recording of the share of loss from Rite Aid.

Earnings before specific items and share of loss from investments subject to significant influence amounted to $142.6 million ($0.59 per share) during fiscal year 2009 compared with $132.1 million ($0.51 per share) for the 2008 comparable period, an increase of 7.9%.

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) during the first three quarters of the fiscal year ended June 4, 2007. The net loss for the fiscal year ended March 1, 2008 was attributable to the share of loss from Rite Aid, which amounted to $349.1 million net of income taxes ($1.36 per share).

Earnings before specific items and share of loss from investments subject to significant influence amounted to $107.0 million ($0.40 per share) during fiscal year 2008, compared with $96.0 million ($0.37 per share) during the first three quarters of fiscal year 2007.

INFORMATION ON THE JEAN COUTU GROUP NETWORK OF FRANCHISED STORES

Our franchising activities include operating two distribution centres and providing services to 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. The PJC franchisees own and manage their stores and are responsible for merchandising and financing their inventory. They must provision their store from our distribution centres, provided that the products requested are available and priced competitively to those of other suppliers. The financial results of the franchised stores are not included in the Company's Consolidated Financial Statements.

Network performance	**Q4-2009**	Q3-2008	**Fiscal year 2009 (52 weeks)**	Comparable 2008 (52 weeks)
Retail sales *(in millions of dollars)*	**$898.8**	$844.5	**$3,400.5**	$3,227.4
Retail sales per square foot *(in dollars)* [(1)]	**$1,366**	$1,377		
Retail sales *(in percentage)*				
Pharmacy, prescription drugs	**61%**	61%	**62%**	61%
Front-end, non-prescription drugs	**9%**	9%	**9%**	9%
Front-end, general merchandise	**30%**	30%	**29%**	30%
Retail sales growth *(in percentage)* [(2)]				
Total stores				
Total	**6.4%**	5.0%	**5.4%**	6.5%
Pharmacy	**7.5%**	7.9%	**7.1%**	8.9%
Front-end	**5.2%**	0.0%	**2.7%**	2.5%
Same store [(3)]				
Total	**4.2%**	4.1%	**3.8%**	5.9%
Pharmacy	**4.9%**	7.3%	**5.4%**	8.5%
Front-end	**3.0%**	-1.2%	**1.2%**	1.5%

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

(2) Growth is calculated based on comparable periods.

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

During fiscal year 2009, there were 33 store openings, including 11 relocations, in the PJC network of franchised stores, compared with 9 openings, including 6 relocations, during fiscal year 2008. In addition, 28 stores were significantly renovated or expanded during fiscal year 2009 compared with 20 stores during fiscal year 2008.

Retail sales increases reflect overall market growth and were generated by openings, renovations and relocations of network stores. Data on the growth included in this MD&A was calculated based on comparable periods. During fiscal year 2009, on a same-store basis, PJC network retail sales grew 3.8%, pharmacy sales gained 5.4% and front-end sales increased by 1.2% compared with the 2008 comparable period. The network still shows a retail sales growth for prescription drugs on a same-store basis, despite a generic drugs price reduction. During fiscal year 2009, the sales of non-prescription drugs, which usually represent 9% of total retail sales, increased by 4.1%, whereas these sales had increased by 1.2% during the 2008 comparable period. Furthermore, we continued with our Air Miles™ reward program, for which we have exclusivity in the retail pharmacy industry in Quebec. We also continued with our instant redemption program, which allows customers to use their reward miles to pay for their purchases at PJC franchised stores. This program contributed to increasing the average amount of purchases during these transactions, therefore generating an increase in sales that directly benefits our franchisees.

Economic conditions
Economic conditions in Canada deteriorated substantially during the third and fourth quarters of fiscal year 2009. Nevertheless, the Company believes it will be able to execute its strategy and remain competitive on the market. The retail pharmaceutical products industry is a fairly stable one, even in difficult economic times. Consumer habits have already begun changing, impacting mostly the front-end sales, however the Company reacted effectively. Usually, promotional sales increase in times of economic crisis, so the Company will counterbalance these reduced margin sales by promoting its private label products. During fiscal year 2009, the Company executed its strategy and introduced new private label product lines, such as electronics, school supplies, candy and environmentally friendly household cleaning products. By offering a wider range of private label products, the Company better respond to customer needs.

The Company realizes that consumer confidence has been severely affected by the current economic situation in Canada. As a result, the Company intends to continue efforts that are a part of its strategic plan to stimulate sales next year and to offer quality products at competitive prices.

QUARTERLY RESULTS

SELECTED CONSOLIDATED FINANCIAL INFORMATION FOR FISCAL QUARTERS - UNAUDITED

The following table presents selected data and operating results for the quarters ended February 28, 2009 and March 1, 2008:

(in millions of dollars, except per share amounts)	**Q4-2009**	Q3-2008
	$	$
Sales	**543.2**	494.9
Other revenues [(1)]	**64.0**	58.1
Revenues [(2)]	**607.2**	553.0
Gross profit	**48.2**	45.6
OIBA [(3)]	**61.5**	56.5
Share of loss from investments subject to significant influence	**768.8**	332.1
Net loss	**733.6**	269.2
Per share	**3.11**	1.08
Earnings before specific items and share of loss from investments subject to significant influence [(3)]	**38.5**	32.3
Per share	**0.16**	0.12

(1) Including amortization of incentives paid to franchisees.

(2) Revenues include sales and other revenues.

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

COMPARISON OF THE CONSOLIDATED QUARTERS ENDED FEBRUARY 28, 2009 AND MARCH 1, 2008

Revenues

Revenues, which include sales and other revenues, amounted to $607.2 million during the fourth quarter of fiscal year 2009 compared with $553.0 million during the third quarter of fiscal year 2008. This increase is mainly attributable to the expansion of the Jean Coutu Group network of franchised stores.

Other revenues amounted to $64.0 million during the fourth quarter of fiscal year 2009 compared with $58.1 million during the third quarter of fiscal year 2008. This increase is attributable to the increase in gross royalties resulting from additional network retail sales during fiscal year 2009 as well as an increase in rental revenues resulting from the expansion of the Jean Coutu Group network of franchised stores.

Gross profit

Gross profit from the fourth quarter of fiscal year 2009 amounted to $48.2 million compared with $45.6 million during the third quarter of fiscal year 2008. For the fourth quarter of fiscal year 2009, gross margin, calculated as percentage of sales, was 8.9% compared with 9.2% during the third quarter of fiscal year 2008. Gross margin from our distribution centres was impacted by the price reductions on generic drugs and by the decrease from 7% in the third quarter of fiscal year 2008 to 6% during the fourth quarter of fiscal year 2009 on the average wholesaler margin for the distribution of prescription drugs.

OIBA

OIBA for the Company's Canadian operations increased by $5.0 million and amounted to $61.5 million for the fourth quarter of fiscal year 2009, while amounting to $56.5 million during the third quarter of fiscal year 2008. This increase is mainly attributable to strong operational performance.

OIBA as a percentage of revenues for Canadian operations was 10.1% during the fourth quarter of fiscal year 2009 compared with 10.2% during the third quarter of the previous fiscal year.

Financing expenses

Financing expenses amounted to $4.7 million during the fourth quarter of fiscal year 2009, compared with expenses of $4.5 million recorded during the third quarter of fiscal year 2008. Financing expenses for the fourth quarter of fiscal year 2009 and the third quarter of fiscal year 2008 were related to the debt incurred during fiscal years 2008 and 2009 to allow the Company to fund its normal course issuer bid program, as well as the recording of a loss in value with respect to third party asset-backed commercial paper. Readers are referred to the "Third party asset-backed commercial paper" section of this MD&A for more information.

Share of loss from investments subject to significant influence

The share of loss from Rite Aid included in the Company’s earnings during the fourth quarter of fiscal year 2009 amounted to $768.8 million ($3.26 per share) compared with $332.1 million during the third quarter of fiscal year 2008 ($1.19 after-tax per share). This is a non-cash charge.

As a result of the deterioration of the economic environment in the United States, combined with the severity of the decline in the trading value of Rite Aid common shares for an extended period, the Company performed a comprehensive analysis related to its investment in Rite Aid and impaired it at its fair value. Consequently, the carrying value of the investment in Rite Aid was assessed at $58.3 million as at February 28, 2009. The Company used the closing market value of Rite Aid's common shares as of February 27, 2009, adjusted by a liquidity discount, to assess the fair value of its investment and record the other-than-temporary loss in value. This loss in value is included in the share of loss from investments subject to significant influence account in the consolidated statement of earnings of the Company.

Net loss

The net loss amounted to $733.6 million ($3.11 per share) during the quarter ended February 28, 2009, compared with $269.2 million ($1.08 per share) for the quarter ended March 1, 2008. The net loss for the fourth quarter ended February 28, 2009 is attributable to the share of loss from Rite Aid.

Earnings before specific items and share of loss from investments subject to significant influence amounted to $38.5 million ($0.16 per share) during the fourth quarter of fiscal year 2009, compared with $32.3 million ($0.12 per share) during the third quarter of fiscal year 2008.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION - UNAUDITED

(unaudited, in millions of dollars, except per share amounts)	**Q4-2009**	Q3-2009	Q2-2009	Q1-2009	Q3-2008[3]	Q2-2008[3]	Q1-2008[3]	Q4-2007[4]
	$	$	$	$	$	$	$	$
Revenues								
Canada	**607.2**	620.3	567.5	574.3	553.0	583.0	540.3	548.4
United States	**-**	-	-	-	-	-	-	2,708.9
	607.2	620.3	567.5	574.3	553.0	583.0	540.3	3,257.3
OIBA [1]								
Canada	**61.5**	60.1	56.8	54.4	56.5	59.0	54.1	55.7
United States	**-**	-	-	-	-	-	-	63.4
	61.5	60.1	56.8	54.4	56.5	59.0	54.1	119.1
Share of loss from investments subject to significant influence [2]	**768.8**	431.7	73.1	53.4	332.1	31.6	29.6	-
Net earnings (loss)	**(733.6)**	(399.2)	(39.1)	(20.2)	(269.2)	9.5	8.3	(6.4)
Per share	**(3.11)**	(1.66)	(0.16)	(0.08)	(1.08)	0.04	0.03	(0.02)
Earnings (loss) before specific items [1]	**(730.3)**	(37.2)	(38.9)	(20.2)	(265.9)	15.4	8.4	25.1
Per share	**(3.10)**	(0.15)	(0.16)	(0.08)	(1.07)	0.06	0.03	0.10
Earnings before specific items and share of loss from investments subject to significant influence [1]	**38.5**	36.7	34.2	33.2	32.3	41.5	33.2	25.1
Per share	**0.16**	0.15	0.14	0.13	0.12	0.16	0.12	0.10
Weighted average number of shares, diluted	**242.4**	240.0	245.1	248.3	250.1	259.0	262.0	261.9

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

(2) 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.

(3) The fiscal year ended March 1, 2008 contained three fiscal quarters due to the change in the fiscal year-end date as described previously in this MD&A.

(4) On June 4, 2007, the Company sold its US operations.

INFORMATION ON RITE AID

Rite Aid Investment

The Company holds a 28.4% (30.4% as at March 1, 2008) equity interest in Rite Aid, and this investment is accounted for under the equity method. During the fiscal year ended February 28, 2009, Rite Aid reported a net loss of US$2.915 billion (US$3.49 per Rite Aid's share) compared with a net loss of US$1.079 billion (US$1.54 loss per Rite Aid share) during the previous fiscal year.

The net loss of Rite Aid in fiscal year 2009 includes non-cash charges in the amount of US$2.275 billion resulting from goodwill impairment, store impairment and an additional tax valuation allowance against deferred tax assets, which consist primarily of net operating losses carried forward.

The net loss of Rite Aid in fiscal year 2008 included a non-cash income tax charge in the amount of US$920.4 million from the recording of a tax valuation allowance against deferred tax assets, which consist primarily of net operating losses carried forward.

To the best of the Company's knowledge, there is no contingent issuance of securities by Rite Aid that might significantly affect the Jean Coutu Group's share of Rite Aid's earnings.

Selected Financial Information - Summary Consolidated Balance Sheets – Rite Aid Corporation

(in millions of US dollars and under US GAAP)	**February 28, 2009**	March 1, 2008
	$	$
Current assets	**4,364.9**	4,921.9
Property, plant and equipment, net	**2,587.4**	2,873.0
Goodwill	**-**	1,783.4
Other intangibles, net	**1,017.1**	1,187.3
Deferred tax assets	**-**	384.2
Other assets	**357.2**	338.2
Total assets	**8,326.5**	11,488.0
Current liabilities	**2,302.4**	2,798.0
Long-term debt	**5,971.0**	5,799.9
Other long-term liabilities	**1,252.8**	1,178.9
Stockholders' (deficit) equity	**(1,199.7)**	1,711.2
Total liabilities and stockholders' equity	**8,326.5**	11,488.0

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

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

(in millions of US dollars)	**February 28, 2009**	March 1, 2008
	$	$
Current assets	**5,111.4**	5,484.6
Current liabilities	**2,232.3**	2,982.2
Stockholders' (deficit) equity	**(389.3)**	2,069.1

Consolidated statements of operations of Rite Aid for the fiscal years and quarters ended February 28, 2009 and March 1, 2008

(in millions of US dollars and under US GAAP, except per share amounts)	**Q4-2009**	Q4-2008	**Fiscal 2009**	Fiscal 2008
	$	$	**$**	$
Revenues	**6,707.6**	6,824.8	**26,289.3**	24,326.9
Costs and expenses				
Cost of goods sold	**4,983.9**	4,936.5	**19,253.6**	17,689.3
Selling, general and administrative expenses	**1,699.9**	1,774.3	**6,985.4**	6,366.1
Lease termination and impairment charges	**104.0**	43.7	**293.7**	86.2
Goodwill impairment charge	**1,810.2**	-	**1,810.2**	-
Interest expense	**114.2**	127.3	**477.6**	449.6
Loss on debt modifications and retirements, net	**-**	-	**39.9**	12.9
Loss (gain) on sale of assets, net	**(0.4)**	1.0	**11.6**	(3.7)
	8,711.8	6,882.8	**28,872.0**	24,600.4
Loss from continuing operations before income taxes	**(2,004.2)**	(58.0)	**(2,582.7)**	(273.5)
Income tax expense	**289.4**	894.9	**329.3**	802.7
Net loss from continuing operations	**(2,293.6)**	(952.9)	**(2,912.0)**	(1,076.2)
Income (loss) from discontinued operations, net of gain on disposal and income taxes	**-**	0.7	**(3.4)**	(2.8)
Net loss	**(2,293.6)**	(952.2)	**(2,915.4)**	(1,079.0)
Basic and diluted loss per share	**(2.67)**	(1.20)	**(3.49)**	(1.54)

This information would have been different if Rite Aid had prepared its consolidated financial statements using the Jean Coutu Group's Canadian GAAP. The differences are primarily due to the fact that Rite Aid uses the last in, first out method to evaluate its inventory, whereas the Jean Coutu Group uses the first in, first out method.

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

(in millions of US dollars)	**Q4-2009**	Q4-2008	**Fiscal 2009**	Fiscal 2008
	$	$	**$**	$
Cost of goods sold	**4,890.0**	4,961.7	**19,069.8**	17,673.2
Loss from continuing operations before income taxes	**(1,911.0)**	(83.2)	**(2,400.4)**	(257.4)
Net loss	**(1,969.7)**	(962.1)	**(2,502.3)**	(1,064.4)

The Rite Aid selected financial information above is derived from their quarterly results press release of April 2, 2009. In addition to information in Rite Aid's public disclosure documents, readers are referred to their website at www.riteaid.com. Readers are also referred to Note 9 of the Company's fiscal year 2009 Consolidated Financial Statements for further information on the Rite Aid investment.

FINANCIAL SITUATION

Total Company assets amounted to $1.014 billion as at February 28, 2009, a decrease of $934.9 million compared with March 1, 2008. This decrease is due to the fact that the Company had to record the share of loss from Rite Aid in the amount of $1.327 billion during fiscal year 2009. The share of loss is a non-cash charge, and it does not impact liquidity, cash flow from operating activities or the Company's financial agreements.

LIQUIDITY

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

SELECTED CONSOLIDATED INFORMATION ON LIQUIDITY

The following table presents selected data from the consolidated statements of cash flows for the fiscal years ended February 28, 2009 and March 1, 2008:

(in millions of dollars)	**2009 (52 weeks)**	2008 (39 weeks)
	$	$
Cash flow provided by operating activities	**143.8**	146.4
Cash flow used in investing activities	**(117.1)**	(143.1)
Cash flow used in financing activities	**(26.7)**	(43.9)

COMPARISON OF THE CONSOLIDATED INFORMATION ON LIQUIDITY FOR THE FISCAL YEARS ENDED FEBRUARY 28, 2009 AND MARCH 1, 2008

Cash flow from operating activities
Cash flow provided by operating activities amounted to $143.8 million during fiscal year 2009 compared with $146.4 million during fiscal year 2008. Non-cash items include an amount of $1.327 billion for the share of loss from investments subject to significant influence recorded during fiscal year 2009 compared with the share of loss from investments subject to significant influence of $393.3 million recorded during fiscal year 2008. Net changes in non-cash operating asset and liability items represented a $31.1 million decrease in cash during fiscal year 2009 compared with a $10.9 million increase during the previous fiscal year. Readers are referred to Note 24 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 flow used in investing activities amounted to $117.1 million during fiscal year 2009 compared with $143.1 million during fiscal year 2008. During fiscal year 2008, an amount of $46.1 million was paid to Rite Aid for the finalization of the adjustments resulting from the disposal of the retail sales segment. During fiscal year 2009, $3.4 million was invested compared with $65.8 million for investments and business acquisition during the previous fiscal year. During fiscal year 2009, $49.2 million was used to acquire capital assets compared with $23.0 million during the previous fiscal year. During fiscal year 2009, $65.3 million was used to acquire other long-term assets compared with $9.5 million during the previous fiscal year. The Company also financed the purchase of several independent pharmacies for its franchisees during the year. During fiscal year 2009, 33 new stores were opened in the PJC network of franchised stores, of which 11 were relocations, and several other stores were expanded or renovated.

Cash flow from financing activities

During fiscal year 2009, the Company used $26.7 million for its financing activities compared with $43.9 million during fiscal year 2008. During fiscal year 2009, $105.5 million came from the Company's revolving credit facilities compared with $163.9 million during the previous fiscal year. Furthermore, the Company repaid the amount of $2.1 million from its long-term debt compared with $0.6 million during fiscal year 2008. During fiscal year 2009, $91.4 million was used to redeem 12.3 million outstanding Class A subordinate voting shares compared with $177.0 million to redeem 13.7 million outstanding Class A subordinate voting shares during the previous fiscal year. The Company paid a quarterly dividend of $0.04 per Class A subordinate voting share and Class B share during the four quarters of fiscal year 2009 for a total of $38.7 million (annualized dividend of $0.16 per share). The Company had paid a quarterly dividend of $0.04 per Class A subordinate voting share and Class B share during the three quarters of fiscal year 2008, resulting in an annualized dividend payment of $0.16 per share for a total of $30.7 million.

THIRD PARTY ASSET-BACKED COMMERCIAL PAPER

On February 28, 2009, the Company held investments of a nominal amount of $35.9 million (of which $1.3 million is denominated in US dollars), which were invested, in August 2007, in Canadian third party asset-backed commercial paper ("ABCP"). These ABCP are accounted for at their fair value, which was $21.8 million as at February 28, 2009. An amount of $7.1 million of the total loss in value was recorded during fiscal year 2008, and an amount of $7.0 million was recorded during the current fiscal year.

On acquisition date, these ABCP were rated by the Dominion Bond Rating Service ("DBRS") as R1-High, but they did not settled as they matured as a result of liquidity issues in the ABCP market. There has been no active trading of ABCP since mid-August 2007.

A Pan-Canadian Investors Committee (the "Committee") was subsequently established to oversee the orderly restructuring of these instruments and lead to an agreement with all key stakeholders, including the governments of Canada, Québec, Ontario and Alberta, regarding the restructuring of ABCP. The restructuring plan implementation was certified by the Ontario Superior Court of Justice on January 21, 2009, effectively closing the process.

The restructuring plan extends the maturity of the ABCP to provide for a maturity similar to that of the underlying assets. The transactions of the ABCP conduits supported solely by synthetic assets or hybrid assets, namely a combination of synthetic and traditional assets, have been pooled into the Master Asset Vehicles "MAV" I and II, which are class A-1 and class A-2 senior long-term notes that will bear interest at floating rates and class B and C subordinated long-term notes that will bear interest at floating rates. Ineligible assets in MAV I and MAV II have been segregated, and noteholders have received ineligible assets tracking notes that will track the performance of the underlying individual asset. The transactions of the ABCP conduits supported exclusively by high-risk assets and traditional assets have been pooled into MAV III, which are long-term notes that will bear interest at floating rates.

Upon closing of the plan, the Company received the following notes:

- $25.4 million of MAV II notes as follows:

  Senior notes:
  - $10.4 million of class A-1 notes;
  - $10.3 million of class A-2 notes.

  Subordinated notes:
  - $1.9 million of class B notes;
  - $0.7 million of class C notes.

  Ineligible assets tracking notes:
  - $2.1 million.

- $10.5 million of MAV III notes as follows:
  - $3.1 million of traditional assets tracking notes;
  - $7.4 million of ineligible assets tracking notes.

Accrued interest owed from August 2007 to the plan implementation date must be received in two payments. The first payment of $1.2 million, representing the accrued interests until August 31, 2008, was received on January 21, 2009, and the interest until January 21, 2009 will be paid at a date that is still unknown.

As at January 21, 2009 the carrying value of the previous notes was removed from the balance sheet and replaced with the new notes at fair value. These new ABCP were then designated as held for trading.

The Company also assessed its ABCP as at February 28, 2009. Since there is no active market for ABCP, the Company has estimated the fair value of the senior and subordinated notes by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information. The fair value of the ineligible assets tracking notes was estimated using observable market inputs from independent pricing sources.

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

The Company tested the sensitivity of its ABCP valuation model, and a 100 basis point increase in the discount rate would result in a 3.7% or $0.8 million pre-tax decrease in the fair value of these investments.

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

CAPITAL STOCK

In June 2007, the Company announced its intention to purchase, for cancellation, up to 13,672,800 of its outstanding Class A subordinate voting shares. All of these shares were purchased and cancelled during the fiscal year ended March 1, 2008. Subsequently, in July 2008, the Company announced its intention to purchase, for cancellation, up to 12,311,000 of its outstanding Class A subordinate voting shares. All of these shares were purchased and cancelled during the fiscal year ended February 28, 2009. Purchases were made through the facilities of the Toronto Stock Exchange and in accordance with its requirements.

For the fiscal year ended February 28, 2009, the Company purchased 12,311,000 Class A subordinate voting shares (13,672,800 shares in 2008) at an average price of $7.42 per share ($12.93 in 2008) for a total consideration of $91.4 million ($177.0 million in 2008) including fees. An amount of $24.1 million ($102.3 million in 2008) representing the excess of the purchase price over the carrying value of the acquired shares was deducted from retained earnings.

As at February 28, 2009 and April 24, 2009, the total number of Class A subordinate voting shares (TSX: PJC.A) issued and outstanding was 118.6 million (2008 - 130.9 million), and the number of Class B shares amounted to 117.4 million (2008 - 117.4 million), for a total of 236.0 million outstanding shares (2008 - 248.3 million).

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The table below presents a summary of the Company's main contractual cash obligations as of February 28, 2009, for the periods indicated under our long-term debt, long-term leases, inventories, services and capital assets commitments:

Payments due during fiscal years (in millions of dollars)	**2010**	**2011-2012**	**2013-2014**	**2015 and thereafter**	**Total**
	$	$	$	$	$
Long-term debt, including capital lease obligations	5.9	-	269.8	-	275.7
Operating lease obligations	36.0	65.8	54.4	203.6	359.8
Other commercial commitments	31.1	8.9	0.4	-	40.4
Total	73.0	74.7	324.6	203.6	675.9

The Company also has accrued benefit obligations of $12.4 million regarding its defined benefit pension plans, without a fixed maturity date.

Long-term debt

As at February 28, 2009, long-term debt, including the short-term portion, amounted to $275.7 million and included an amount of $269.8 million borrowed under its revolving credit facility, compared with long-term debt of $171.5 million, including $164.3 million borrowed under its revolving credit facility as at March 1, 2008. For further details, readers are referred to Note 13 of the Consolidated Financial Statements.

As at February 28, 2009, $229.7 million of the $500 million available credit facilities was still unused. Despite the current economic conditions, the Company does not expect any liquidity issues. The Company has operating liquidities and has access to credit facilities in order to finance its operating activities. The Company is in compliance with all of its bank covenants as at February 28, 2009.

Operating lease obligations

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

Operating lease obligations, maturing up to the year 2047, amount to $359.8 million and are mostly in connection with leased buildings. The Company has also signed lease and sublease agreements under which it will receive minimum payments totalling $389.4 million until 2058. These payments are not included in the table of contractual obligations above.

FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

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

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

Guarantees and buyback agreements

The Company has guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of $2.7 million (2008 - $1.4 million). The Company has also entered into commitments with financial institutions to purchase the equipment and inventories of certain of its franchisees. As at February 28, 2009, the maximum value of the equipment and inventories buyback agreements was $28.0 million and $103.0 million respectively ($21.7 million and $87.0 million in 2008).

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 favour of the purchaser that are further described in Note 19 of the Consolidated Financial Statements.

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. The Company limits its exposure to risk of claims related to its activities by subscribing insurance policies.

Also, during the fiscal year, the Company was named as a defendant in an action instituted against it by one of its franchisees. The plaintiff claims that the clause of its franchise agreement regarding the payment of royalties on the sale of medications of its pharmacies would be illegal because it would lead him to contravene an article of the Pharmacists' Code of ethics. The Company contests the grounds upon which this action is based and intends to defend its position. However, due to inherent uncertainties of litigation, it is not possible to predict the final outcome of this lawsuit or to determine the amount of potential losses, if any. No provision for contingent losses has been recorded in the Company's Consolidated Financial Statements.

FOREIGN EXCHANGE RISK MANAGEMENT

Even though the Company's reporting currency is the Canadian dollar, for fiscal year 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

Franchising activities include transactions with enterprises controlled by an executive with significant influence on the Company. As at February 28, 2009, Mr. François J. Coutu, President and Chief Executive Officer of the Company, held a participation in 3 PJC franchises (March 1, 2008 – 4 franchises). The transactions between the Company and these enterprises are carried out in the normal course of business and are measured at the exchange amount. Readers are referred to Note 22 of the Consolidated Financial Statements for further details on those transactions.

ACCOUNTING POLICIES

ACCOUNTING POLICIES AND CRITICAL ESTIMATES

The preparation of the Consolidated Financial Statements and related notes in conformity with Canadian GAAP 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. These estimates constitute the basis for the judgments related to the carrying value of assets and liabilities that are not easily available from other sources. The sensitivity analysis included in this MD&A 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 mainly of products acquired for resale, including prescription drugs and over-the-counter medications, as well as household, cosmetics and photography products. Inventories are measured at the lower of cost and net realizable value, the cost being determined using the first in, first out method. In fiscal year 2007, the cost was determined using the first in, first out method, the average unit cost or the retail selling price less a normal gross profit method.

Investments
Investments in companies subject to significant influence are accounted for using the equity method. Management periodically analyses each investment, and whenever an investment has declined below its carrying value and the decline is considered to be other than temporary, the carrying value of the investment is written down to its fair value and a loss in value is recognized in the consolidated statement of earnings.

Other investments are financial assets accounted either under the effective interest rate method or at fair value, according to the category of financial assets in which they are classified. The carrying value of long-term receivables from franchisees is written down to its estimated realizable value when, after analysis, management estimates that the recovery of receivables is uncertain.

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 strategy, and significant negative economic trends. For the purpose of its analysis on impairment, the Company uses estimates and assumptions to establish the fair value. The use of different assumptions could result in different book values.

Other long-term assets
Except for future income taxes, other long-term assets are mainly 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 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 adverse 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 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

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

Fiscal year 2009

Capital disclosures
During fiscal year 2009, the Company implemented the following new Canadian Institute of Chartered Accountants (CICA) Handbook Section: 1535 "Capital Disclosures". Readers are referred to Note 17 of the Consolidated Financial Statements for a complete description of capital disclosures.

Financial instruments
During fiscal year 2009, the Company implemented the following new CICA Handbook Sections: 3862 "Financial Instruments – Disclosures" and 3863 "Financial Instruments – Presentation". These new sections replace Section 3861 "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements. Readers are referred to Note 23 of the Consolidated Financial Statements for a complete description of financial instruments disclosures.

Inventory
During fiscal year 2009, the Company implemented the following new CICA Handbook Section: 3031 "Inventories", which aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards ("IFRS"). This adoption has no material impact on the Company's Consolidated Financial Statements.

Fiscal year 2008

Foreign currency translation
For the fiscal years 2005 through 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 year 2008, 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.

RECENT PRONOUNCEMENTS

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". The Company will adopt the new standard for its fiscal year beginning March 1, 2009. The adoption of this new Section should not have a significant impact on its Consolidated Financial Statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada announced that accounting standards in Canada, as used by public companies, will converge with IFRS. The Company's changeover date from current Canadian GAAP to IFRS is for interim and annual financial statements of the fiscal year beginning February 27, 2011. From this fiscal year, the Company will prepare both the current and comparative financial information using IFRS. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

The Company's IFRS convergence project includes three steps: planning and diagnosis, analysis and design of accounting policies as well as implementation and execution. The Company has completed the planning and diagnosis activities, which consist of the development of an IFRS convergence plan, the establishment of a steering committee comprised of senior management and a high level assessment of the differences between current Canadian GAAP and IFRS that could have a material impact for the Company. Also, the Company engaged the services of an independent advisor to facilitate the management of the project and to assist employees with technical matters and training.

The Company is currently in the analysis and accounting policy design stage of the convergence plan. The Company is assessing the impact of these policies on its Consolidated Financial Statements, information systems, processes and controls. As the implementation process for IFRS evolves, the Company expects to adapt its convergence plan and continue to review all proposed projects of the International Accounting Standards Board and the International Financial Reporting Interpretations Committee to determine their impact on the Company. Therefore, the plan could be modified as soon as additional information on the adoption of IFRS is available. At this time, the impacts on the Company's future financial position and results of operations cannot be reasonably determined.

Business combinations, consolidated financial statements and non-controlling interests

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

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

Sections 1601 and 1602 together replace Section 1600 "Consolidated financial statements". Section 1601 establishes standards for the consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will assess the impact of these new Sections on its Consolidated Financial Statements.

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

RISKS AND UNCERTAINTIES

The Company is confident in its long-term outlook. However, in order to protect and increase shareholders' 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, franchise 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:

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

Rite Aid investment

As the leading shareholders in Rite Aid, our equity interest of 28.4% represents a risk as far as the value of our investment fluctuates according to Rite Aid's financial performance as well as to changes in the US dollar exchange rate. 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. Rite Aid has contracted a significant debt in order to acquire the Brooks and Eckerd stores. The resulting obligations could substantially limit their capacity to execute their business strategy and adversely affect their ability to service debt.

We have four seats on the Board of Directors of Rite Aid to represent us and have a certain influence on the making of important decisions. We monitor the evolution of the market share as well as the sales growth of Rite Aid 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 (ABCP)
The risks associated with the company's investment in ABCP are discussed in the "Third party asset-backed commercial paper" section of this MD&A.

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

We have introduced processes to ensure follow-up on changes in new laws or amendments to 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 workplace.

During the year 2007, changes in the Québec prescription drug plan, (Bill 130, *La Politique du Médicament*), were introduced, and detailed regulations of the plan were released. 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 selling price of generic prescription drugs**
  Under the plan, the price of the first generic prescription drug is limited to 60% of the retail price of the original product, and subsequent products are limited to 54% of the retail price of the original product. Notwithstanding these limits, generic prescription drug prices cannot be higher than in any other province in Canada.
- **Reduction in the maximum wholesalers' margin**
  The maximum wholesalers' margin for prescription drugs under the plan was reduced from 9% to 6%.
- **Increase in brand drug prices**
  The plan allowed the increase of certain brand drug prices.
- **Professional allowances**
  The provision and acceptance of rebates from manufacturers on listed drug prices is prohibited. However, retail pharmacists are permitted to receive manufacturers' professional allowances. The amount of such professional allowances is capped at 20% of total generic drug purchases under the plan formulary.

The Jean Coutu Group has complied with the plan.

During the year, the Company was named as defendant in a lawsuit instituted by a franchisee. This risk is described in the "Contingencies" 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, all at competitive prices. The Company's inability to proactively fulfill these expectations could prove to have a negative effect on its competitive edge, therefore on its financial performance. The Company believes that its franchise network is well positioned to compete against other drugstore chains, as well as mass merchants, large supermarket chains and independent drugstores by concentrating on providing a high level of professional service and focusing on patient health and wellness. Our customers are 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 353 franchised stores, our private label lines that are constantly evolving as well as our exclusive product lines and our distribution network. Processes are in place in order to ensure that our marketing concepts meet customer expectations. Pilot projects exist in order to evaluate the impact of changes on profitability and customer satisfaction. We have a very well known loyalty program, AIR MILES®, for which we have exclusivity in the pharmacy industry for the province of Québec. This customer reward program provides us with a competitive edge and has a positive impact on customer loyalty.

Economic conditions
Unfavourable economic conditions affect consumer confidence and spending. Therefore, we closely monitor the economic developments in our markets. We adjust our marketing strategies as economic conditions dictate, and we continuously update our network’s commercial practices.

However, the retail pharmaceutical products industry is a fairly stable one, even in difficult economic times, as prescription drugs are covered by private or public insurance programs in Canada.

Development of the franchisees network
The successful implementation of the Company’s strategic plan depends on its ability to grow and improve its franchisees network through new store construction, store relocations, as well as renovation and expansion projects. Therefore, the Company expects to acquire 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 network of 353 franchised stores, 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. Furthermore, efficient communication links are maintained between the franchisor and the franchisees through the "liaison committee" to ensure franchisee satisfaction as well as compliance with franchisor standards.

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

Our commercial activities subject us to risks related to defective products and to product handling. Procedures are 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. By nature, the activities of testing and manufacturing selected pharmaceutical products expose us to risks. 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 the death of, a patient. We also have controls in place to ensure that our strict standards are respected for our private label lines of products, which are 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 customers. We use best practices for the storage, physical safety and distribution of the products we sell. The Company carries insurance covering product liability.

Logistics/distribution
In order to deliver efficient and high quality service to our franchisees, the management of storage and distribution are critical processes. We operate two distribution centres, strategically located close to main highways in the provinces of Québec and Ontario. Many actions were initiated 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. Time and motion studies are also completed when necessary to evaluate and improve our performance.

Pharmacy services
Through our franchise network, 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 skills development program for employees (technicians 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 concerning financial reporting and Generally Accepted Accounting Principles to ensure complete, accurate and timely issuance of financial disclosures and other material information disclosed to the public. To ensure that the Company fulfills its obligations and that it reduces risks 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 evolution of its operations, the Company relies on financial management information. It is essential that this information be relevant, reliable and available in a timely manner in order to avoid any unfavourable 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 in a timely manner.

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 network of franchised stores. We use effective programs in universities explaining the various advantages of joining our network. We use performance evaluation practices supervised by our human resources department. Our salary structure is regularly reviewed in order to ensure that we remain competitive on the market. We have a succession plan in place to ensure that we have well-identified resources for the key positions in the Company. Our Longueuil, Québec distribution centre employees are subject to a collective agreement that expires on December 31, 2011.

Efficiency of systems 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. It would have a direct impact on our sales, and 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 had access to a high-availability disaster recovery site. In fact, the Company 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), in a timely manner 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 February 28, 2009, 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 properly designed and are 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 effectiveness of the Company's internal controls 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 as of February 28, 2009, internal controls over financial reporting were properly designed and were effective at a reasonable level of assurance to ensure the reliability of financial reporting and the disclosure of financial statements of the Company in accordance with GAAP. This evaluation takes into consideration the Company's financial disclosure policy.

Changes in internal control over financial reporting

As disclosed hereunder, 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 February 28, 2009.

STRATEGIES AND OUTLOOK

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

Rite Aid disclosed on April 2, 2009 that a net loss between US$210 and US$435 million is projected for the fiscal year 2010. If, in the future, the Company's share of loss in Rite Aid exceeds the carrying value of the investment, the Company would reduce the carrying value of its investment down to zero and would cease recording its share of loss in Rite Aid as required by Canadian GAAP, since the Company has not guaranteed obligations of Rite Aid and is not committed to provide further financial support to Rite Aid.

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 and in the Company Profile, 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 list below of cautionary statements is not exhaustive, some important factors that could affect our future operating results, financial position and cash flows and could cause our actual results to differ materially from those expressed in these forward-looking statements are our equity interest in Rite Aid Corporation ("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 drugs, the ability to attract and retain pharmacists, the intensity of competitive activity in the industry in which we operate, 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 24, 2008

Management's report with respect to financial statements

The financial statements of The Jean Coutu Group (PJC) Inc. and the financial information contained in the annual report are the responsibility of management. The consolidated financial statements 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

April 24, 2009

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 February 28, 2009 and March 1, 2008 and the consolidated statements of earnings, comprehensive income, changes in shareholders' equity and cash flows for the fifty-two week and the thirty-eight week and five-day periods 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 February 28, 2009 and March 1, 2008 and the results of its operations and its cash flows for the fifty-two week and the thirty-eight week and five-day periods then ended in accordance with Canadian generally accepted accounting principles.

/s / Deloitte & Touche LLP [1]

April 24, 2009

[1] Chartered accountant auditor permit n° 8130

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of earnings

For the fiscal years ended February 28, 2009, and March 1, 2008	2009	2008
(in millions of Canadian dollars, unless otherwise noted)	**$**	$
	(Note 1b)	(Note 1b)
Sales	**2,131.9**	1,507.6
Other revenues (Note 3)	**237.4**	168.7
	2,369.3	1,676.3
Operating expenses		
Cost of goods sold	**1,944.4**	1,370.0
General and operating expenses	**199.5**	139.6
Amortization (Note 5)	**16.1**	11.7
	2,160.0	1,521.3
Operating income	**209.3**	155.0
Financing expenses (Note 6)	**12.6**	5.1
Adjustment to gain on sale of the retail sales segment (Note 4)	**-**	4.2
Earnings before the following items	**196.7**	145.7
Share of loss from investments subject to significant influence (Note 9a)	**1,327.0**	393.3
Income taxes (Note 7)	**61.8**	3.8
Net loss	**(1,192.1)**	(251.4)
Basic and diluted loss per share, in dollars (Note 8)	**(4.92)**	(0.98)

Consolidated statements of comprehensive income

For the fiscal years ended February 28, 2009, and March 1, 2008	2009	2008
(in millions of Canadian dollars)	**$**	$
	(Note 1b)	(Note 1b)
Net loss	**(1,192.1)**	(251.4)
Other comprehensive income		
Foreign currency translation adjustments	**282.0**	(97.9)
Income taxes on the above item	**-**	15.7
	282.0	(82.2)
Comprehensive income	**(910.1)**	(333.6)

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 February 28, 2009, and March 1, 2008	2009	2008
(in millions of Canadian dollars)	$	$
	(Note 1b)	(Note 1b)
Capital stock, beginning of year	**715.4**	789.6
Redemption of capital stock	**(67.3)**	(74.7)
Options exercised	**-**	0.5
Capital stock, end of year	**648.1**	715.4
Contributed surplus, beginning of year	**16.7**	4.8
Stock-based compensation cost	**1.0**	2.2
Stock-based compensation from investment subject to significant influence - Rite Aid	**10.7**	9.7
Contributed surplus, end of year	**28.4**	16.7
Retained earnings, beginning of year	**930.8**	1,319.7
Impact of the adoption of new accounting standards (Note 2d)	**-**	(4.5)
Net loss	**(1,192.1)**	(251.4)
Dividends	**(38.7)**	(30.7)
Excess of purchase price over carrying value of Class A subordinate voting shares acquired	**(24.1)**	(102.3)
Retained earnings (deficit), end of year	**(324.1)**	930.8
Accumulated other comprehensive income, beginning of year (Note 2d)	**(178.8)**	(96.6)
Foreign currency translation adjustments, net of income taxes	**282.0**	(82.2)
Accumulated other comprehensive income, end of year	**103.2**	(178.8)
Total shareholders' equity	**455.6**	1,484.1

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 February 28, 2009**	As at March 1, 2008
	$	$
	(Note 1b)	(Note 1b)
Assets		
Current assets		
Accounts receivable	**183.6**	167.9
Inventories	**159.4**	154.7
Prepaid expenses	**6.2**	5.2
	349.2	327.8
Investments (Note 9)	**110.1**	1,143.2
Property and equipment (Note 10)	**366.2**	329.3
Goodwill (Note 11)	**36.0**	35.3
Other long-term assets (Note 12)	**152.9**	113.7
	1,014.4	1,949.3
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**217.0**	201.7
Income taxes payable	**36.4**	62.9
Short term portion of long-term debt (Note 13)	**5.9**	2.0
	259.3	266.6
Long-term debt (Note 13)	**269.8**	169.5
Other long-term liabilities (Note 14)	**29.7**	29.1
	558.8	465.2
Shareholders' equity		
Capital stock (Note 15)	**648.1**	715.4
Contributed surplus	**28.4**	16.7
Retained earnings (deficit)	**(324.1)**	930.8
Accumulated other comprehensive income (Note 16)	**103.2**	(178.8)
	(220.9)	752.0
	455.6	1,484.1
	1,014.4	1,949.3

Guarantees, contingencies and commitments (Notes 19 and 20).

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

Approved by the Board

/s/ *François J. Coutu*

François J. Coutu
Director
President and Chief Executive Officer

/s/ *L. Denis Desautels*

L. Denis Desautels
Director

THE JEAN COUTU GROUP (PJC) INC.

Consolidated statements of cash flows

For the fiscal years ended February 28, 2009, and March 1, 2008	2009	2008
(in millions of Canadian dollars)	$	$
	(Note 1b)	(Note 1b)
Operating activities		
Net loss	**(1,192.1)**	(251.4)
Items not affecting cash		
Amortization	**23.5**	14.6
Adjustment to gain on sale of the retail sales segment	**-**	4.2
Change in fair value of third party asset-backed commercial paper	**7.0**	7.1
Share of loss from investments subject to significant influence	**1,327.0**	393.3
Future income taxes	**10.0**	(29.2)
Other	**(0.5)**	(3.1)
	174.9	135.5
Net changes in non-cash asset and liability items (Note 24)	**(31.1)**	10.9
Cash flow provided by operating activities	**143.8**	146.4
Investing activities		
Adjustment to proceeds from disposal of the retail sales segment	-	(46.1)
Investments and business acquisition	**(3.4)**	(65.8)
Purchase of property and equipment	**(49.2)**	(23.0)
Proceeds from disposal of property and equipment	**0.8**	1.3
Other long-term assets	**(65.3)**	(9.5)
Cash flow used by investing activities	**(117.1)**	(143.1)
Financing activities		
Net change in revolving credit facility, net of fees	**105.5**	163.9
Repayment of long-term debt	**(2.1)**	(0.6)
Issuance of capital stock	-	0.5
Redemption of capital stock	**(91.4)**	(177.0)
Dividends	**(38.7)**	(30.7)
Cash flow used in financing activities	**(26.7)**	(43.9)
Effect of foreign exchange rate changes on cash and cash equivalents	-	(0.1)
Decrease in cash and cash equivalents	-	(40.7)
Cash and cash equivalents, beginning of year	-	40.7
Cash and cash equivalents, end of year	-	-

The accompanying notes are an integral part of these consolidated financial statements. See supplemental cash flow information in Note 24.

1. Description of business and significant accounting policies

a) Description of business

The Company is incorporated under the Companies Act of Québec. The Company operates a franchisee network in Canada. Franchising activities include operating two distribution centres and providing various services to 353 franchised stores as at February 28, 2009 (March 31, 2008 - 331). In fiscal 2009, there were 22 new store openings (2008 - 3) and no closures of franchised stores (2008 - none). The franchised store network retails pharmaceutical, parapharmaceutical and other products. The Company also manages all properties that house franchisee outlets.

The Company operated a network of corporate drugstores in retail pharmaceutical, parapharmaceutical and other products, located in 18 states of the Northeast, mid-Atlantic and Southeast of United States. On June 4, 2007, the Company sold all of its 1,854 corporate drugstores to Rite Aid Corporation ("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 28.4% (March 1, 2008 - 30.4%) in Rite Aid.

b) Financial statement presentation and foreign currency translation

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting policies ("GAAP").

For fiscal years 2005 through 2007, 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 February 28, 2009, contains 52 weeks. The fiscal year ended March 1, 2008, contained 38 weeks and 5 days due to the change in fiscal year end as mentioned above.

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 and loss in value of investments, long-lived assets, gain on sale of the retail sales segment and reserves and allowances, specifically those related to income taxes as well as guarantees and contingencies.

e) Revenue recognition

Sales to franchisees are recognized when merchandise is shipped. 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 its investment subject to significant influence in Rite Aid.

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 included in the consolidated statements of earnings, unless subject to hedge accounting.

i) Loss per share

Basic and diluted loss per share have been determined by dividing the consolidated net loss allocated to shareholders for the fiscal 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

i) 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. Management periodically analyses each investment, and whenever an investment has declined below its carrying value and the decline is considered to be other than temporary, the carrying value of the investment is written down to its fair value and a loss in value is recognized in the consolidated statement of earnings.

ii) Long-term receivables from franchisees

Long-term receivables from franchisees are considered as loans and receivables, and are measured at amortized cost. At initial recognition, fair value adjustments based on the application of the effective interest rate method on new long-term receivables from franchisees are recorded against royalties. Subsequent adjustments resulting from the use of the effective interest rate method are recorded as interest income. Management analyzes periodically each investment and whenever an adverse event or changes in circumstances indicate that the recovery of an investment is uncertain, the carrying value of the investment is written down to its estimated realizable value. The loss in value is recognized in the consolidated statement of earnings.

iii) 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) Property and equipment

Property and equipment are accounted for at cost. Construction in progress is not amortized until the asset is ready for its intended use. Amortization of other property and equipment 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 February 28, 2009, and March 1, 2008, the Company has performed impairment tests and no write-down was necessary.

o) Other long-term assets

Except for future income taxes, other long-term assets are mainly 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 adverse 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 occurred 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

i) 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.

ii) 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.

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

s) Stock-based compensation plan

The Company has a fixed stock option plan, which is described in Note 18. 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.

t) Defined benefit pension plans

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

The registered pension plans are 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 an actuarial valuation 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 7 years as at February 28, 2009 (March 1, 2008 - 8 years).

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

u) Defined contribution pension plans

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

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 the consolidated statement of earnings.

The Company did not use financial instruments to manage interest rate and foreign exchange rate risks during the fiscal years ended February 28, 2009, and 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. Changes in accounting policies

Fiscal year 2009

a) Capital disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("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 the entity has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The Company has adopted this Section as of March 2, 2008. Additional information are presented in Note 17, "Capital disclosures".

b) 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. The Company has adopted those Sections as of March 2, 2008. Additional information are presented in Note 23, "Financial instruments disclosure".

c) 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. The Company has retrospectively adopted this Section as of March 2, 2008. This had no material impact on the Company's consolidated financial statements.

2. Changes in accounting policies *(continued)*

Fiscal year 2008

d) 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 were recognized in the opening balances of retained earnings and accumulated other comprehensive income.

Section 1530 "Comprehensive Income" introduces a new financial statement which shows the change in equity of an enterprise from transactions, 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 method.

Realized and unrealized gains and losses on trading financial assets and liabilities are recognized in the consolidated statement of earnings in the period 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 derivatives 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 review had no material impact on the Company's consolidated financial statements.

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

2. Changes in accounting policies *(continued)*

Fiscal year 2008 *(continued)*

d) 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 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 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	(96.6)

2. Changes in accounting policies *(continued)*

Recent pronouncements

e) 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. This 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 standard for its fiscal year beginning March 1, 2009. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this new Section should not have a significant impact on the Company's consolidated financial statements.

f) International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada announced that accounting standards in Canada, as used by public companies, will converge with IFRS. The Company's changeover date from Canadian GAAP to IFRS is for interim and annual financial statements of the fiscal year beginning February 27, 2011. From this fiscal year, the Company will prepare both the current and comparative financial information using IFRS.

The Company has completed the planning and diagnosis activities of its transition plan. The Company is currently in the analysis and accounting policy design stage and is assessing the impact of these policies on its consolidated financial statements, information systems, processes and controls. As the implementation process evolves, the Company expects to adapt its transition plan based on the new information available. At this time, the impacts on the Company’s future financial position and results of operations cannot be reasonably determined.

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

2. Changes in accounting policies *(continued)*

Recent pronouncements *(continued)*

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

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

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

Sections 1601 and 1602 together replace section 1600 "Consolidated financial Statements". Section 1601 establishes standards for the consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company will assess the impact of these new Sections on its consolidated financial statements.

3. Other revenues

	2009	2008
	$	$
Royalties:		
Gross royalties	**124.0**	89.3
Amortization of incentives paid to franchisees	**(7.4)**	(2.9)
Initial discount on loans and receivables recorded under the effective interest rate method	**(0.9)**	(1.2)
Net royalties	**115.7**	85.2
Rent	**70.2**	48.8
Sundry	**51.5**	34.7
	237.4	168.7

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

4. Disposal of the retail sales segment

On June 4, 2007, the Company disposed of its pharmacy network in the United States (the "US Operations"), which then represented the totality of the retail sales segment of the Company. 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.

5. Amortization

	2009	2008
	$	$
Property and equipment	**15.9**	11.6
Other	**0.2**	0.1
	16.1	11.7

6. Financing expenses

	2009	2008
	$	$
Interest on long-term debt	**8.4**	4.7
Unrealized foreign exchange losses (gains) on monetary items	**0.7**	(0.1)
Realized foreign exchange gains on monetary items	**(0.6)**	(3.9)
Interest revenues on loans and receivable accounted for under the effective interest rate method	**(1.2)**	(1.6)
Change in fair value of third party asset-backed commercial paper (Note 9c)	**7.0**	7.1
Other financing expenses (income), net	**(1.7)**	(1.1)
	12.6	5.1

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

7. Income taxes

The income taxes are as follows:

	2009	2008
	$	$
Current income taxes	**51.8**	33.0
Future income taxes (recovery)	**10.0**	(29.2)
	61.8	3.8

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:

	2009	2008
	$	$
Income taxes at statutory tax rates	**(349.2)**	(78.6)
Tax increase (decrease) resulting from:		
Share of loss and loss in value of investments subject to significant influence, tax effected at a capital gain rate	**202.7**	63.5
Valuation allowance on future income tax assets	**162.9**	18.4
Non taxable variation of currency translation account	**43.1**	-
Adjustments to future income tax assets and liabilities for changes in substantively enacted rates	**-**	1.6
Other	**2.3**	(1.1)
	61.8	3.8

(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 February 28, 2009	As at March 1, 2008
	$	$
Future income tax assets:		
Investment in a company subject to significant influence - Rite Aid	**212.2**	51.0
Other investments	**4.5**	3.1
Property and equipment	**0.4**	0.2
Goodwill and incentives paid to franchisees	**4.7**	4.9
Current liabilities	**0.5**	0.6
Other long-term liabilities	**5.3**	5.7
Capital stock issuance expenses	**0.4**	2.0
Penalty on senior notes reimbursements	**17.4**	21.7
Financing fees	**0.6**	4.2
Total future income tax assets	**246.0**	93.4
Less valuation allowance	**(181.3)**	(18.4)
	64.7	75.0
Future income tax liabilities:		
Property and equipment	**4.5**	4.6
Other long-term assets	**-**	0.6
Other	**0.8**	1.0
	5.3	6.2
Future income tax assets, net	**59.4**	68.8
Allocated as follows:		
Long-term future income tax asset	**59.7**	69.4
Long-term future income tax liability	**(0.3)**	(0.6)
	59.4	68.8

8. Loss per share

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

	2009	2008
	(in millions)	*(in millions)*
Net loss	**(1,192.1)**	(251.4)
Weighted average number of shares used to compute basic and diluted loss per share	**242.4**	256.9
Basic and diluted net loss per share, in dollars	**(4.92)**	(0.98)

For period ended February 28, 2009, 2,612,000 antidilutive stock options have been excluded from the computation of diluted loss per share (2,361,000 in 2008).

9. Investments

	As at February 28, 2009	As at March 1, 2008
	$	$
Investment in a company subject to significant influence - Rite Aid	**58.3**	1,089.3
Investments in companies subject to significant influence - Other	**7.3**	7.7
Long-term receivables from franchisees	**29.6**	22.3
Third party asset-backed commercial paper	**21.8**	28.5
	117.0	1,147.8
Current portion (included in accounts receivable)	**6.9**	4.6
	110.1	1,143.2

9. Investments *(continued)*

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

The Company holds an equity interest of approximately 28.4% (March 1, 2008 - 30.4%) in Rite Aid, one of the United States' leading drugstore chain, operating more than 4,900 drugstores.

The equity interest in Rite Aid represents an investment subject to significant influence, which is accounted for using the equity method since June 4, 2007, its acquisition date. The investment was initially recorded at cost and adjustments are made to include the Company's share of Rite Aid's loss. The Company's share of Rite Aid's 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 its former US Operations.

During fiscal 2009, the Company completed the allocation of the total cost of its participation in the net identifiable asset acquired on the basis of their fair values, based on independent valuations, using the purchase method of accounting.

The excess of the cost of the investment in Rite Aid over the underlying net carrying amount of assets acquired amounted to $775.4 million as at June 4, 2007, and was made up of an adjustment to the first in, first out method on stocks of $188.3 million, the intangible assets (consisting mainly of customer prescription files, trade name and favourable leases) of $875.5 million, future income taxes liabilities of $436.1 million and incremental goodwill of $147.7 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.

As a result of the deterioration of the economic environment in the United States, combined with the severity of the decline in the trading value of Rite Aid common shares for an extended period, the Company performed a comprehensive analysis related to its investment in Rite Aid and impaired it at its fair value. Consequently, the carrying value of the investment in Rite Aid was assessed at $58.3 million as at February 28, 2009. The Company used the closing market value of Rite Aid's common shares as of February 27, 2009, adjusted by a liquidity discount to assess the fair value of its investment and record the other-than-temporary loss in value. This loss in value is included in the share of loss from investments subject to significant influence account in the consolidated statement of earnings of the Company. If, in the future, the Company's share of loss in Rite Aid exceeds the carrying value of the investment, the Company would reduce the carrying value of its investment down to zero and would cease recording its share of loss in Rite Aid as required by Canadian GAAP, since the Company has not guaranteed obligation of Rite Aid and is not committed to provide further financial support to Rite Aid.

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

9. Investments *(continued)*

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

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

	As at February 28, 2009	As at March 1, 2008
	$	$
Shares of Rite Aid common stock (252.0 million in 2009 and 2008)	**1,745.0**	1,745.0
Unrecognized portion of the gain on sale of the US Operations representing the economic interest retained	**(104.8)**	(98.7)
Share of cumulated loss	**(1,720.3)**	(393.3)
Share of cumulated contributed surplus due to stock-based compensation	**20.4**	9.7
Other adjustments	**14.8**	5.4
Revaluation at foreign currency closing rate	**103.2**	(178.8)
Carrying value of the investment in Rite Aid	**58.3**	1,089.3

The following table presents Rite Aid Corporation's selected financial information derived from their consolidated and audited financial statements as at February 28, 2009, and March 1, 2008, and for the 52-week periods 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**	US GAAP	CDN GAAP
	52 weeks 2009	**52 weeks 2009**	52 weeks 2008	52 weeks 2008
	US$	**US$**	US$	US$
Rite Aid's consolidated statement of operations data:				
Revenues	**26,289.2**	**26,289.2**	24,326.8	24,326.8
Cost of goods sold	**19,253.6**	**19,069.8**	17,689.3	17,673.2
Net loss	**(2,915.4)**	**(2,502.3)**	(1,079.0)	(1,064.4)

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

9. Investments *(continued)*

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

	US GAAP	**CDN GAAP**	US GAAP	CDN GAAP
	As at February 28, 2009	**As at February 28, 2009**	As at March 1, 2008	As at March 1, 2008
	US$	**US$**	US$	US$
Rite Aid's consolidated balance sheet data:				
Current assets	**4,364.9**	**5,111.4**	4,921.9	5,484.6
Property, plant and equipment, net	**2,587.4**	**2,587.4**	2,873.0	2,833.0
Goodwill and other intangibles, net	**1,017.0**	**921.4**	2,970.7	2,875.1
Other assets	**357.2**	**321.1**	722.4	710.8
Total assets	**8,326.5**	**8,941.3**	11,488.0	11,903.5
Current liabilities	**2,302.4**	**2,232.3**	2,798.0	2,982.2
Long-term debt and lease financing obligations, less current maturities	**5,971.0**	**5,954.7**	5,799.9	5,799.9
Other non current liabilities	**1,252.8**	**1,143.6**	1,178.9	1,052.3
Stockholders' (deficit) / equity	**(1,199.7)**	**(389.3)**	1,711.2	2,069.1
Total liabilities and stockholders' (deficit) / equity	**8,326.5**	**8,941.3**	11,488.0	11,903.5

b) Long-term receivables from franchisees

Long-term receivables from franchisees are accounted for using the effective interest rate method. As at February 28, 2009, the principal amount of these investments was $38.2 million (March 1, 2008 - $31.3 million) before the discount effect of $5.2 million (March 1, 2008 - $6.0 million) and before deduction of a provision for losses of $3.4 million before considering the discount effect (March 1, 2008 - $3.0 million). These investments bear interest at rates up to 9.5% (March 1, 2008 - 9.5%), carry repayment terms up to 2026 and certain of these receivables are renewable.

9. Investments *(continued)*

c) Third party asset-backed commercial paper

On February 28, 2009, the Company held investments of a nominal amount of $35.9 million (of which $1.3 million is denominated in US dollars), which were invested, in August 2007, in Canadian third party asset-backed commercial paper (“ABCP”). These ABCP are accounted for at their fair value, which was $21.8 million as at February 28, 2009. An amount of $7.1 million of the total loss in value was recorded in fiscal 2008, and an amount of $7.0 million was recorded during the current fiscal year.

On acquisition date, these ABCP were rated by the Dominion Bond Rating Service (“DBRS”) as R1-High, but they did not settle as they matured as a result of liquidity issues in the ABCP market. There has been no active trading of ABCP since mid-August 2007.

A Pan-canadian Investors Committee (the “Committee”) was subsequently established to oversee the orderly restructuring of these instruments and lead to an agreement with all key stakeholders, including the governments of Canada, Québec, Ontario and Alberta, regarding the restructuring of ABCP. The restructuring plan implementation was certified by the Ontario Superior Court of Justice on January 21, 2009, effectively closing the process.

The restructuring plan extends the maturity of the ABCP to provide for a maturity similar to that of the underlying assets. The transactions of the ABCP conduits supported solely by synthetic assets or hybrid assets, namely a combination of synthetic and traditional assets, have been pooled into the Master Asset Vehicles “MAV” I and II, which are class A-1 and class A-2 senior long-term notes that will bear interest at floating rates and class B and C subordinated long-term notes that will bear interest at floating rates. Ineligible assets in MAV I and MAV II have been segregated, and noteholders have received ineligible assets tracking notes that will track the performance of the underlying individual asset. The transactions of the ABCP conduits supported exclusively by high-risk assets and traditional assets have been pooled into MAV III, which are long-term notes that will bear interest at floating rates.

Upon closing of the plan, the Company received the following notes:

- $25.4 million of MAV II notes as follows:
  - Senior notes:
    - $10.4 million of class A-1 notes;
    - $10.3 million of class A-2 notes.
  - Subordinated notes:
    - $1.9 million of class B notes;
    - $0.7 million of class C notes.
  - Ineligible assets tracking notes:
    - $2.1 million.
- $10.5 million of MAV III notes as follows:
    - $3.1 million of traditional assets tracking notes;
    - $7.4 million of ineligible assets tracking notes.

9. Investments *(continued)*

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

Accrued interest owed from August 2007 until the plan implementation date must be received in two payments. The first payment of $1.2 million, representing the accrued interests until August 31, 2008, was received on January 21, 2009, and the interest until January 21, 2009 will be paid at a date that is still unknown.

As at January 21, 2009 the carrying value of the previous notes was removed from the balance sheet and replaced with the new notes at fair value. These new ABCP were then designated as held for trading.

The Company also assessed its ABCP as at February 28, 2009. Since there is no active market for ABCP, the Company has estimated the fair value of the senior and subordinated notes by discounting the expected cash flows at yields comparable to prevailing market yields and credit spreads available for securities with similar characteristics to the restructured notes and other market inputs reflecting the Company's best available information. The fair value of the ineligible assets tracking notes was estimated using observable market inputs from independent pricing sources.

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

The Company tested the sensitivity of its ABCP valuation model, and a 100 basis point increase in the discount rate would result in a 3.7% or $0.8 million pre-tax decrease in the fair value of these investments.

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

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

10. Property and equipment

	As at February 28, 2009		
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Land	**3.7**	**-**	**3.7**
Land held for leasing	**85.8**	**-**	**85.8**
Buildings	**53.0**	**19.8**	**33.2**
Buildings held for leasing	**246.9**	**41.2**	**205.7**
Leasehold improvements	**13.4**	**6.5**	**6.9**
Equipment	**61.7**	**47.4**	**14.3**
Equipment under capital leases	**1.6**	**1.6**	**-**
Construction in progress	**16.6**	**-**	**16.6**
	482.7	**116.5**	**366.2**

	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)

11. Goodwill

During fiscal year ended March 1, 2008, the Company acquired Pro Doc Ltée, a generic drug manufacturer. During fiscal year ended February 28, 2009, the Company completed the final allocation of this acquisition. The allocation of the excess of the cost of this acquisition over the underlying net value of identifiable assets acquired resulted in a $16.0 million goodwill (preliminary allocation of $15.3 million as at March 1, 2008). The changes in the book value of goodwill are as follows:

	As at February 28, 2009	As at March 1, 2008
	$	$
Balance, beginning of year	**35.3**	20.0
Adjustment to business acquisition, business acquisition	**0.7**	15.3
Balance, end of year	**36.0**	35.3

12. Other long-term assets

	As at February 28, 2009	As at March 1, 2008
	$	$
Incentives paid to franchisees, net	**83.2**	25.3
Future income taxes (Note 7)	**59.7**	69.4
Other	**10.0**	19.0
	152.9	113.7

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

13. Long-term debt

	As at February 28, 2009	As at March 1, 2008
	$	$
Unsecured revolving credit facility, maturing on June 4, 2012, bearing interest at a weighted average rate of 1.54% (March 1, 2008 - 4.40%). Interest rate is repriced periodically for terms generally not exceeding one month.	**269.8**	164.3
Unsecured senior subordinated notes (denominated in US dollars), bearing interest at 8.50% and maturing on August 1, 2014, redeemable after August 1, 2009.	**3.4**	2.7
Loans, secured by real estate having a net book value of $4.0 million (March 1, 2008 - $5.1 million), bearing interest at rates varying from 5.5% to 7.5%, to be repriced every 3 to 5 years maturing at different dates up to 2010.	**2.5**	4.5
	275.7	171.5
Short term portion of long term debt	**5.9**	2.0
	269.8	169.5

a) Credit agreement

The Company is bound by an unsecured revolving credit facilitity in the amount of $500 million maturing on June 4, 2012. Borrowings under the credit facility bear interest at the Canadian prime rate plus a variable margin (totalling 3.0% as at February 28, 2009 and 5.75% as at March 1, 2008) or at banker acceptance rate plus a variable margin (totalling 1.4% as at February 28, 2009, and 4.3% as at March 1, 2008). Margins depend on the achievement of certain financial ratios. As at February 28, 2009, $270.3 million of the available credit facilities were used (March 1, 2008 - $165.0 million), including outstanding letters of credit of $0.3 million (March 1, 2008 - $0.3 million).

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

13. Long-term debt *(continued)*

a) Credit agreement *(continued)*

Under the terms and conditions of the credit agreement, the Company must satisfy certain covenants as, among others, the maintenance of financial ratios, which are described in Note 17, and the compliance with certain conditions regarding indebtedness, investments and business acquisitions. As at February 28, 2009 and March 1, 2008, the Company satisfied such covenants.

b) Minimum repayments

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

	Long-term debt Principal
	$
2010	**5.9**
2011	**-**
2012	**-**
2013	**269.8**

14. Other long-term liabilities

	As at February 29, 2008	As at March 1, 2008
	$	**$**
Deferred revenues	**18.8**	20.8
Deferred lease obligations	**10.5**	7.7
Future income taxes (Note 7)	**0.3**	0.6
Other	**0.1**	-
	29.7	29.1

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:

	2009		2008	
	Shares		Shares	
	(in millions)	**$**	*(in millions)*	$
Class A subordinate voting shares				
Outstanding shares, beginning of year	**130.9**	**715.4**	144.5	789.6
Repurchased and cancelled	**(12.3)**	**(67.3)**	(13.7)	(74.7)
Stock options exercised	**-**	**-**	0.1	0.5
Outstanding shares, end of year	**118.6**	**648.1**	130.9	715.4
Class B shares				
Total outstanding shares, beginning and end of year	**117.4**	**-**	117.4	-

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

15. Capital stock *(continued)*

Normal course issuer bid

In June 2007, the Company announced its intention to purchase for cancellation up to 13,672,800 of its outstanding Class A subordinate voting shares. All of these shares were purchased and cancelled during the fiscal year ended March 1, 2008. Subsequently, in July 2008, the Company announced its intention to purchase for cancellation up to 12,311,000 of its outstanding Class A subordinate voting shares. All of these shares were purchased and cancelled during the fiscal year ended February 28, 2009. Purchases were made through the facilities of the Toronto Stock Exchange and in accordance with its requirements.

For the fiscal year ended February 28, 2009, the Company purchased 12,311,000 Class A subordinate voting shares (13,672,800 in 2008) at an average price of $7.42 per share ($12.93 in 2008) for a total consideration of $91.4 million ($177.0 million in 2008) including fees. An amount of $24.1 million ($102.3 million in 2008) representing the excess of the purchase price over the carrying value of the acquired shares was deducted from retained earnings.

16. Accumulated other comprehensive loss

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

	As at February 28, 2009	As at March 1, 2008
	$	$
Balance, beginning of year	**(178.8)**	(96.6)
Effect of changes in exchange rates on the investment in a company subject to significant influence	**282.0**	(82.4)
Disposal of the retail sales segment	**-**	0.2
Balance, end of year	**103.2**	(178.8)

17. Capital disclosure

The Company's objectives when managing capital are as follows:

- to safeguard the Company's ability to continue as a going concern and to support its growth strategy to provide returns to shareholders ;
- to maintain an optimal capital structure in order to reduce the cost of capital ;
- to complete significant and appropriate capital investments to ensure that its operations remain competitive and stable.

The Company manages and adjusts its capital structure in conjunction with economic conditions and risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, repurchase shares, adjust the amount of dividends paid to shareholders, proceed to the issuance or repayment of debt and acquire or sell assets to improve its financial performance and flexibility. The Company's capital objectives, policies and procedures are unchanged since March 1, 2008.

The Company defines its capital per the total capitalization, which is net debt plus shareholder's equity. Net debt consists of long-term debt (including the current portion) minus cash and cash equivalents. Total capitalization and net debt are non GAAP measures and could be different than measures used by other companies.

The Company monitors its capital using different financial ratios and non-financial performance indicators. The Company periodically monitors capital using a number of financial metrics comprised mainly of the following ratios:

- net debt to total capitalization ;
- net debt to operating income before amortization ("OIBA").

OIBA is not a measure of performance under Canadian GAAP and is defined in Note 25 related to the segmented information.

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

17. Capital disclosure *(continued)*

The following table reconciles total capitalization and details the computation of the ratios used by the Company:

	As at February 28, 2009	As at March 1, 2008
	$	$
Current portion of long-term debt	**5.9**	2.0
Long-term debt	**269.8**	169.5
Net debt	**275.7**	171.5
Shareholders' equity	**455.6**	1,484.1
Total capitalization	**731.3**	1,655.6
Operating income [(1)]	**209.3**	205.8
Plus: Amortization [(1)] [(2)]	**23.5**	19.5
Operating income before amortization	**232.8**	225.3
Net debt to shareholder's equity	**37.7%**	10.4%
Net debt to operating income before amortization	**1.2**	0.8

[(1)] For the year ended March 1, 2008, operating income and amortization are those of the franchising segment, are on a 52-week basis and are unaudited.

[(2)] Including amortization of incentives paid to franchisees.

The Company considers that these ratios are satisfactory as it complies with its managing capital objectives.

The Company must also comply quarterly to certain financial covenants under its revolving credit facility described in Note 13. These financial covenants consist in the maintenance of (i) a maximum leverage ratio, and, if this ratio exceeds a certain level, (ii) a minimum interest coverage ratio. The Company is in compliance with the requirements stipulated in its credit facility agreement with regards to the maintenance of those ratios.

18. 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.

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

	2009		2008	
	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	**2.4**	**13.85**	2.5	14.03
Options granted	**0.2**	**7.45**	0.2	11.36
Options exercised	**-**	**-**	(0.1)	7.35
Options forfeited	**-**	**-**	(0.2)	15.18
Options outstanding, end of year	**2.6**	**13.20**	2.4	13.85
Options exercisable, end of year	**2.1**	**13.80**	1.9	13.94

The following table summarizes information about the stock options as at February 28, 2009:

	Options outstanding			**Options exercisable**	
Range of exercise price	**Number of options**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
(in dollars)	***(in millions)***	***(years)***	***(in dollars)***	***(in millions)***	***(in dollars)***
Below $10	**0.6**	**4.9**	**8.28**	**0.4**	**8.68**
$10 - $15	**1.2**	**6.7**	**13.70**	**0.9**	**13.92**
$15 - $20	**0.8**	**5.0**	**16.61**	**0.8**	**16.61**
	2.6	**5.7**	**13.20**	**2.1**	**13.80**

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

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

The following data represents the assumptions used in the stock option fair value valuation in accordance with the Black-Scholes model for the options granted:

	2009	2008
Dividend yield	**1.84%**	1.27%
Expected volatility	**33.48%**	28.66%
Risk-free interest rate	**1.88%**	3.64%
Expected life (years)	**6**	6

During the fiscal year ended February 28, 2009, the Company granted 264,300 stock options (222,900 in 2008). The fair value of those options is $2.37 for the fiscal year ended February 28, 2009 ($3.44 in 2008). An amount of $0.8 million for the fiscal year ended February 28, 2009 was expensed for the stock option plan ($0.6 million in 2008). In addition, an amount of $0.2 million ($1.6 million in 2008) was recorded as stock-based compensation cost for former employees of our US Operations now working with Rite Aid. This amount was recorded in the share of loss from investment in Rite Aid.

19. Guarantees and contingencies

a) Guarantees

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

The Company is unable to estimate 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 significant amount with respect to these items in the consolidated financial statements.

19. Guarantees and contingencies *(continued)*

a) Guarantees *(continued)*

The Company has guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of $2.7 million as at February 28, 2009 (March 1, 2008 - $1.4 million). Most of those guarantees apply to loans with a maximum maturity of 11 years. Those loans are also personally guaranteed by the franchisees.

b) 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 February 28, 2009, financing related to these inventories amounted to $103.0 million (March 1, 2008 - $87.0 million). 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 5 years and loans not exceeding 11 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 February 28, 2009, financing related to the equipment amounted to $28.0 million (March 1, 2008 - $21.7 million). 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 February 28, 2009, and March 1, 2008.

c) 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. The Company limits its exposure to risk of claims related to its activities by subscribing insurance policies.

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

19. Guarantees and contingencies *(continued)*

c) Contingencies *(continued)*

Also, during the fiscal year, the Company was named as a defendant in an action instituted against it by one of its franchisees. The plaintiff claims that the clause of its franchise agreement regarding the payment of royalties on the sale of medications of its pharmacies would be illegal because it would lead him to contravene an article of the Pharmacists' Code of ethics. The Company contests the grounds upon which this action is based and intends to defend its position. However, due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of this lawsuit or to determine the amount of any potential losses, if any. No provision for contingent loss has been recorded in the Company's consolidated financial statements.

20. Commitments

The balance of the commitments under the terms of building and vehicle operating leases maturing up to the year 2047 totals $359.8 million. The Company also has commitments for the acquisition and construction of buildings with contractors totalling $20.2 million and agreements with suppliers to purchase inventory and services totalling $20.2 million. Minimum payments payable over the next five years are as follows:

	Operating leases	Other commercial commitments
	$	$
2010	**36.0**	**31.1**
2011	**34.1**	**6.7**
2012	**31.7**	**2.2**
2013	**28.5**	**0.2**
2014	**25.9**	**0.2**

Under the terms of building leases and subleases, the Company will receive, up to the year 2058, minimum payments totalling $389.4 million. 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)

21. 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 February 28, 2009 (March 1, in 2008).

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

	2009	2008
	$	$
Defined contribution pension plans' expense	**1.7**	1.2
Defined benefit pension plans		
Current service cost	**0.7**	0.6
Interest expense	**0.7**	0.5
Actual return on plan assets	**1.2**	0.1
Actuarial gain	**(3.2)**	(1.6)
Elements of the defined benefit pension plans' expense before adjustments to recognize the long-term nature of employee future benefit costs	**(0.6)**	(0.4)
Amortization of past service cost	**0.4**	0.3
Difference between actual return and expected return on plan assets	**(1.8)**	(0.6)
Difference between actuarial gain recognized for the year and actual actuarial loss (gain) on accrued benefit obligation	**3.2**	1.7
Defined benefit pension plans' expense	**1.2**	1.0

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

21. Pension plans *(continued)*

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

	As at February 28, 2009	As at March 1, 2008
	$	$
Accrued benefit obligations		
Balance, beginning of year	**11.9**	12.6
Current service cost	**0.7**	0.6
Interest expense	**0.7**	0.5
Benefits paid	**(0.3)**	(0.2)
Amendments to pension plans and regulation	**2.6**	-
Actuarial gain	**(3.2)**	(1.6)
Balance, end of year	**12.4**	11.9
Plan assets		
Fair value, beginning of year	**8.1**	7.4
Actual return on plan assets	**(1.2)**	(0.1)
Employer contributions	**1.3**	1.0
Benefits paid	**(0.3)**	(0.2)
Amendments to pension plans and regulation	**(0.7)**	-
Fair value, end of year	**7.2**	8.1
Accrued benefit obligations	**12.4**	11.9
Plan assets	**(7.2)**	(8.1)
	5.2	3.8
Unamortized net actuarial gain (loss)	**0.3**	(1.1)
Unamortized past service cost	**(4.3)**	(1.4)
Accrued benefit liability (included in accounts payable and accrued liabilities)	**1.2**	1.3

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

21. Pension plans *(continued)*

As at February 28, 2009, and March 1, 2008, all pension plans had individually accrued benefit obligations in excess of plan assets.

As at February 28, 2009, 33% (27% in 2008) of the plan assets at fair value was deposited as Canadian refundable tax and 67% (73% in 2008) was invested. The balance invested consists of the following allocations:

	2009	2008
	%	%
Balanced funds	**72**	57
Equity income and insured annuity	**-**	11
Equity funds	**28**	30
Other	**-**	2

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):

	2009	2008
	%	%
Accrued benefit obligations		
Discount rate	**8.00**	5.50
Expected long-term rate of return on plan assets	**6.25**	6.25
Rate of compensation increase	**4.00**	4.00
Defined benefit expense		
Discount rate	**5.50**	4.75
Rate of compensation increase	**4.00**	4.00

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

22. Related party transactions

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

	2009	2008
	$	$
Revenues		
Sales	**32.6**	13.8
Royalties	**1.9**	0.9
Rent	**1.2**	0.6
	35.7	15.3

As at February 28, 2009, accounts receivable include an amount of $3.3 million (March 1, 2008 - $2.0 million) resulting from these transactions and receivables do not include significant long-term receivable (March 1, 2008 - $1.1 million) to an executive in connection with the acquisition of franchised stores. These transactions are carried out in the normal course of business and are measured at the exchange amount.

As at February 28, 2009, sales include an amount of $0.9 million and accounts receivable do not include any amount receivable ($3.2 million and $0.8 million respectively as at March 1, 2008) resulting from information technology services rendered to Rite Aid, a company subject to significant influence.

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

23. Financial instruments disclosure

a) Carrying amounts by financial asset and liability category :

	As at February 28, 2009	As at March 1, 2008
	$	$
Financial assets held for trading		
ABCP [(1)]	**21.8**	28.5
Loans and receivables		
Accounts receivable	**183.6**	167.9
Long-term receivables from franchisees	**22.7**	17.7
Financial liabilities		
Accounts payable and accrued liabilities	**217.0**	201.7
Current portion of long-term debt	**5.9**	2.0
Long-term debt	**269.8**	169.5

[(1)] The new notes issued following the restructuration plan, effective in January 2009, are designated as held for trading (Note 9c). Previously, these ABCP were also classified in that category.

b) Fair value

As at February 28, 2009, and March 1, 2008, the fair value of accounts receivable and accounts payable and accrued liabilities approximated to their carrying amounts because of their forthcoming maturities.

The fair value of long-term receivables from franchisees was not significantly different from their respective carrying amounts as at February 28, 2009, and March 1, 2008 as their effective interest rates are similar to the rates that the Company would grant for loans with similar terms and conditions as of the date of the financial statements. The fair value of long-term debt was not significantly different from its carrying amount as at February 28, 2009, and March 1, 2008 given that long-term debt mainly bears interest at rates based on market rates for terms generally not exceeding one month. At each balance sheet date, the Company believes it would obtain relatively similar interest rates for loans with similar terms and conditions. These conditions would not affect the fair value of the long-term debt in a way that it would not differ significantly from its carrying value.

c) Credit risk

Credit risk relates to the risk that a party to a financial instrument will not fulfil some or all of its obligations, thereby, causing the Company to sustain a financial loss. The principal credit risks for the Company relate to ABCP, accounts receivable and long-term receivables from franchisees. Credit risk is reduced by the active monitoring of the accounts receivable and receivables from franchisees by the Company's management.

The carrying amounts of financial assets represents the Company's maximum exposure.

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

23. Financial instruments disclosure *(continued)*

c) Credit risk *(continued)*

Allowance for credit losses is reviewed at each balance sheet date. The Company updates its estimate of allowance for credit losses based on the evaluation of the recoverability of each franchisee balances taking into account historic collection. The allowance for credit losses is maintained at a sufficient level to absorb any future losses. The change in allowance for credit losses taking into account the effect of discounting these allowances is presented as follows:

	2009	2008
	$	$
Balance, beginning of period	**1.6**	2.3
Allowance for credit losses	**0.7**	0.3
Write-off	**(0.3)**	(1.0)
Balance, end of period	**2.0**	1.6

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfil its financial obligations when they are due. The Company manages its liquidity risk by monitoring its operating requirements and using its revolving credit facility to ensure its financial flexibility. The Company prepares budget and cash forecasts to ensure that it has sufficient funds to fulfil its obligations.

As at February 28, 2009, the Company had accounts payable and accrued liabilities of 217.0 million (March 1, 2008, $201.7 million) due over the next 12 months. Due dates for the long-term debt and the commitments are presented in Note 13 and Note 20, respectively.

The Company generates enough cash provided by its operating activities and have sufficient available financing via its revolving credit facility to finance its activities and to respect its obligations when they are due.

e) Interest rate risk

During the normal course of business, the Company is exposed to interest rate fluctuation risk as a result of its financial obligations at variable interest rate. As at February 28, 2009, $269.8 million (March 1, 2008 - $164.3 million) of long-term debt was exposed to interest rate fluctuations, representing its portion of revolving credit facility bearing interest at rate repriced generally for terms not exceeding one month. The Company is also exposed to interest rate fluctuation risk on the ABCP it holds (Note 9c).

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

23. Financial instruments disclosure *(continued)*

e) Interest rate risk *(continued)*

Given the Company's current level of indebtedness, it does not use any financial instruments to mitigate this risk. For the fiscal year ended February 28, 2009, a 100 basis points increase or decrease in interest rates, assuming that all other variables are constant, would have resulted in a $1.7 million increase or decrease in the Company's net loss, respectively.

f) Foreign exchange risk

Transactions denominated in currencies other than an entity's functional currency are translated according to the temporal method. All exchange gains and losses are included in the consolidated statement of earnings, unless subject to hedge accounting. As at February 28, 2009, and 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.

24. Supplemental cash flow information

	2009	2008
	$	$
Net changes in non-cash asset and liability items		
Accounts receivable and prepaid expenses	**(16.7)**	2.7
Inventories	**(4.7)**	(8.2)
Accounts payable and accrued liabilities and income taxes payable	**(16.4)**	25.6
Other long-term assets	**7.3**	(7.9)
Other long-term liabilities	**(0.6)**	(1.3)
Net changes in non-cash asset and liability items	**(31.1)**	10.9

Other information		
Interest paid	**8.7**	3.7
Income taxes paid (received)	**77.9**	(4.9)
Property and equipment acquired included in accounts payable and accrued liabilities	**7.6**	5.6

25. Segmented information

The Company has two reportable segments that are defined by geography and by the nature of its business: franchising segment in Canada, and an investment in Rite Aid, an entity subject to significant influence, which operates in the United States. Within the franchising segment, the Company carries on the franchising activity under the "PJC Jean Coutu" banner, operates two distribution centres and coordinates several other services for the benefit of its franchisees. Its investment in Rite Aid is accounted for using the equity method as described in Note 9a). Consequently, all information required is included in the consolidated statements of earnings and note to the consolidated financial statements.

The Company analyzes the performance of its franchising segment based on its OIBA, which is not a measure of performance under Canadian GAAP. OIBA results from the addition of net loss, income taxes, loss in value of an investment subject to significant influence, share of loss in investments subject to significant influence, adjustment to gain on sale of the retail segment, financing fees, amortization and amortization of incentives paid to franchisees. OIBA for the franchising segment is detailed as follows :

	2009	2008
	$	$
Operating income before amortization	**232.8**	169.6

General Information

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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 7, 2009 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 February 28, 2009 is available upon request. To order, please contact the Corporate Secretary of the Company.

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

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