The
**Jean Coutu**
Group (PJC) Inc.

# RESULTS FOR THE FIRST QUARTER

# OF FISCAL YEAR

# 2016

### 13-WEEK PERIOD ENDED MAY 30, 2015

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Throughout this document, The Jean Coutu Group (PJC) Inc. and its subsidiaries, unless otherwise indicated, are referred to as "Corporation", "Jean Coutu Group", "we" or "our". The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. As at May 30, 2015, the Corporation operates a network of 416 franchised stores located in Québec, New Brunswick and Ontario under the banners of PJC Jean Coutu, PJC Clinique, PJC Jean Coutu Santé and PJC Jean Coutu Santé Beauté, which employs more than 20,000 people. Furthermore, the Jean Coutu Group owns Pro Doc Ltd ("Pro Doc"), a Québec-based subsidiary and manufacturer of generic drugs.

The
**Jean Coutu**
Group (PJC) Inc.

**MESSAGE TO SHAREHOLDERS**
13-week period ended May 30, 2015

To our shareholders:

The Jean Coutu Group is pleased to report its financial results for the first quarter of fiscal year 2016.

Revenues amounted to $712.4 million for the quarter ended May 30, 2015 compared with $688.6 million for the same period of fiscal year 2015.

Operating income before depreciation and amortization ("OIBA") increased by $1.0 million and amounted to $83.0 million for the quarter ended May 30, 2015 compared with $82.0 million for the quarter ended May 31, 2014. Pro Doc's contribution to the consolidated OIBA, net of intersegment eliminations, amounted to $22.3 million for the quarter ended May 30, 2015 compared with $22.7 million for the quarter ended May 31, 2014.

Net profit for the first quarter of fiscal year 2016 amounted to $50.6 million ($0.27 per share) compared with $54.1 million ($0.29 per share) for the first quarter of fiscal year 2015. The decrease in net profit is mostly due to a tax provision of $4.7 million recorded during the 13-week period ended May 30, 2015, following a judgment rendered by the Quebec Court of Appeal.

As at May 30, 2015, there were 416 stores in the PJC network of franchised stores. For the first quarter of fiscal year 2016, total retail sales for the PJC network of franchised stores increased by 4.4% and on a same-store basis, the PJC network's retail sales grew by 3.8% compared with the first quarter of fiscal year 2015.

The Board of the Jean Coutu Group declared a quarterly dividend of $0.11 per share. This dividend will be paid on August 7, 2015 to all holders of Class "A" subordinate voting shares and holders of Class "B" shares listed in the Corporation's shareholder ledger as at July 24, 2015.

"Network retail sales increased markedly during the first quarter of fiscal 2016, despite an ongoing competitive environment, which reflects a successful implementation of our marketing strategies", stated Mr. François J. Coutu, President and Chief Executive Officer. "We will continue to dedicate the necessary efforts to reach the objectives we have set, and therefore, sustain our long-term growth."

Yours truly,

*/s/ François J. Coutu*
François J. Coutu
President and Chief Executive Officer

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## 1. GENERAL INFORMATION

Throughout this document, The Jean Coutu Group (PJC) Inc. and its subsidiaries, unless otherwise indicated, are referred to as "Corporation", "Jean Coutu Group", "we" or "our". This management's discussion and analysis ("MD&A") provides the reader with a review and analysis, from the perspective of management, of the Corporation's financial results for the first quarter of fiscal year 2016. This MD&A should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements for the first quarter of fiscal year 2016, its annual audited consolidated financial statements and its annual MD&A of fiscal year 2015.

The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. As at May 30, 2015, the Corporation operates a network of 416 franchised stores located in Québec, New Brunswick and Ontario under the banners of PJC Jean Coutu, PJC Clinique, PJC Jean Coutu Santé and PJC Jean Coutu Santé Beauté, which employs more than 20,000 people. Furthermore, the Jean Coutu Group owns Pro Doc Ltd ("Pro Doc"), a Québec-based subsidiary and manufacturer of generic drugs.

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), as set out in the Handbook of the Chartered Professional Accountants of Canada – Accounting Part 1, which incorporates the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Corporation's fiscal year end coincides with the Saturday which is the closest to February 29 or March 1st and usually includes 52 weeks, but can include a 53rd week every 5 or 6 years. Fiscal years ending February 27, 2016 and February 28, 2015 each contain 52 weeks. The quarters ended May 30, 2015 ("Q1-2016") and May 31, 2014 ("Q1-2015") each contained 13 weeks.

Unless otherwise indicated, all amounts are in Canadian dollars.

## 2. DEFINITIONS

### Segmented information

The Corporation has two reportable operating segments: franchising and generic drugs. Within the franchising segment, the Corporation carries on the franchising activity under the banners of PJC Jean Coutu, PJC Clinique, PJC Jean Coutu Santé and PJC Jean Coutu Santé Beauté, operates two distribution centers and coordinates several other services for the benefit of its franchisees. In the generic drugs segment, the Corporation owns Pro Doc, a Canadian manufacturer of generic drugs whose revenues come from the sale of generic drugs to wholesalers and pharmacists. Both reportable operating segments of the Corporation are in the Canadian geographic area.

### Revenues – Franchising

Revenues consist of sales and other revenues derived from franchising activities. Merchandise sales to PJC franchisees, mostly through the Corporation's distribution centers, account for the major part of the revenues. PJC franchised stores' retail sales are not included in the Corporation's revenues. However, any change in their retail sales directly affects the Corporation's revenues since PJC franchisees purchase most of their inventory from its distribution centers.

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

### Revenues – Generic drugs

Revenues consist of generic drugs' sale of the Pro Doc subsidiary.

## 3. QUARTERLY RESULTS

### QUARTERLY FINANCIAL INFORMATION – UNAUDITED

The following table presents selected financial information and operating results for the quarters ended May 30, 2015 and May 31, 2014.

| | Quarter | |
|---|---|---|
| *(Unaudited, in millions of dollars except per share amounts)* | **Q1 - 2016** | Q1 - 2015 |
| | **$** | $ |
| **Sales** | **643.8** | 619.6 |
| **Other revenues** | **68.6** | 69.0 |
| **Revenues** [(1)] | **712.4** | 688.6 |
| **Gross profit** | **86.1** | 85.0 |
| **Operating income before amortization ("OIBA")** | | |
| Franchising | **60.7** | 59.3 |
| Generic drugs | **17.1** | 21.2 |
| Inter-segment eliminations | **5.2** | 1.5 |
| | **83.0** | 82.0 |
| **Financing revenues** | **0.5** | 0.3 |
| **Income tax expense** | **25.3** | 20.2 |
| **Net profit** | **50.6** | 54.1 |
| **Per share, basic and diluted** | **0.27** | 0.29 |

(1) Revenues include sales and other revenues.

### COMPARISON OF THE CONSOLIDATED QUARTERLY RESULTS FOR THE PERIODS ENDED MAY 30, 2015 (Q1-2016) AND MAY 31, 2014 (Q1-2015)

Readers are referred to the "Modifications decreed by competent authorities with respect to drug pricing" section at the end of this section for details on the changes in drug pricing.

#### Revenues

Sales amounted to $643.8 million during the quarter ended May 30, 2015, compared with $619.6 million during the quarter ended May 31, 2014, a 3.9% increase. This increase is attributable to the overall market growth and the expansion of the PJC network of franchised stores despite the deflationary impact on revenues of the volume increase in prescriptions of generic drugs compared with brand name drugs.

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $50.3 million during the quarter ended May 30, 2015, compared with $48.3 million for the quarter ended May 31, 2014, a 4.1% increase.

Other revenues amounted to $68.6 million during the first quarter of fiscal year 2016 compared with $69.0 million during the first quarter of fiscal year 2015.

#### Gross profit

For the first quarter of fiscal year 2016, gross profit amounted to $86.1 million compared with $85.0 million for the first quarter of the previous fiscal year, an increase of 1.3%. For the quarter ended May 30, 2015, gross profit calculated as a percentage of sales was 13.4% compared with 13.7% for the same period of the previous fiscal year.

#### OIBA – Consolidated

As a percentage of revenue, consolidated OIBA amounted to 11.7% during the first quarter of fiscal year 2016 compared with 11.9% for the same quarter of the previous fiscal year. The decrease in the OIBA as a percentage of revenues is explained, among other things, by the elements presented in the segmented analysis below.

### OIBA – Franchising segment

OIBA for the franchising activities increased by $1.4 million to $60.7 million for the first quarter of fiscal year 2016 compared with $59.3 million for the first quarter of fiscal year 2015. This increase is mainly attributable to a reversal of $2.1 million of liabilities for share-based payments instruments (stock appreciation rights and deferred share units) recorded during the first quarter of fiscal year 2016 compared with an expense of $2.1 million for the first quarter of fiscal year 2015. The variation of the expense for those share-based payments instruments is mainly attributable to the fluctuation of the Corporation's common share market price. OIBA before the expense for those shared-based payments instruments decreased by $2.8 million compared with the same quarter last year. This decrease is mainly explained by an increase of the other general and operating expenses such as higher labor expenses for annual inflation and higher volume handled in our warehouses, additional support to new stores in the network and expenses in information technology to improve the network's performance.

### OIBA – Generic drugs segment

Pro Doc's contribution to the consolidated OIBA, net of intersegment eliminations, decreased by $0.4 million to $22.3 million for the first quarter of fiscal year 2016, compared with $22.7 million for the first quarter of fiscal year 2015. Pro Doc's contribution to the consolidated OIBA, as a percentage of its gross sales and net of intersegment eliminations, reached 44.3% for the first quarter of fiscal year 2016 compared with 47.0% for the same period of the previous fiscal year.

### Financing revenues

For the first quarter of fiscal year 2016, financing revenues amounted to $0.5 million compared with $0.3 million for the first quarter of fiscal year 2015.

### Income tax

For the first quarter of fiscal year 2016, income tax expense amounted to $25.3 million, compared with $20.2 million for the first quarter of fiscal year 2015. This corresponds to an effective income tax rate of 33.3% for the first quarter of fiscal year 2016 and to an effective rate of 27.2% for the first quarter of fiscal year 2015. This increase is mainly due to a tax provision of $4.7 million recorded during the 13-week period ended May 30, 2015, following a judgment rendered by the Quebec Court of Appeal. This Court reversed a judgment rendered at first instance in favor of the Corporation by the Supreme Court in relation to an introductory motion of suit for rectification of books and records and declaratory relief filed by the Corporation. An application for leave to appeal to the Supreme Court of Canada was filed by the Corporation on June 29, 2015 in this case.

### Net profit

Net profit for the quarter ended May 30, 2015 amounted to $50.6 million ($0.27 per share) compared with $54.1 million ($0.29 per share) for the quarter ended May 31, 2014. The decrease in net profit is mostly due to a tax provision of $4.7 million recorded during the 13-week period ended May 30, 2015.

**SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION – UNAUDITED**

| *(Unaudited, in millions of dollars except per share amounts)* | Quarters **Q1-2016** | Q4-2015 | Q3-2015 | Q2-2015 | Q1-2015 | Q4-2014 | Q3-2014 | Q2-2014 |
|---|---|---|---|---|---|---|---|---|
| | **$** | $ | $ | $ | $ | $ | $ | $ |
| **Revenues** | | | | | | | | |
| Franchising | **712.0** | 713.2 | 736.3 | 673.4 | 687.5 | 684.8 | 711.2 | 652.7 |
| Generic drugs | **33.5** | 45.7 | 45.0 | 46.8 | 39.7 | 41.8 | 44.2 | 40.9 |
| Intersegment sales | **(33.1)** | (45.0) | (44.6) | (45.8) | (38.6) | (41.2) | (42.9) | (39.8) |
| | **712.4** | 713.9 | 736.7 | 674.4 | 688.6 | 685.4 | 712.5 | 653.8 |
| **Operating income before depreciation and amortization ("OIBA")** | | | | | | | | |
| Franchising | **60.7** | 61.0 | 62.5 | 58.9 | 59.3 | 65.1 | 66.4 | 58.2 |
| Generic drugs | **17.1** | 24.8 | 23.6 | 26.5 | 21.2 | 23.2 | 26.6 | 25.1 |
| Intersegment eliminations | **5.2** | (1.7) | (1.3) | (4.4) | 1.5 | (0.8) | (5.0) | (6.1) |
| | **83.0** | 84.1 | 84.8 | 81.0 | 82.0 | 87.5 | 88.0 | 77.2 |
| **Net profit** | **50.6** | 55.2 | 56.0 | 53.6 | 54.1 | 57.7 | 62.5 | 208.2 |
| Basic profit per share | **0.27** | 0.30 | 0.30 | 0.28 | 0.29 | 0.30 | 0.30 | 0.99 |

During the last quarters, the Corporation's revenues for each comparable quarter have been increasing. This increase is due to the expansion of the PJC network of franchised stores and the overall market growth despite the deflationary impact of the price reductions of generic drugs and the increase in proportion of prescriptions of generic drugs compared with the brand name drugs.

The Corporation's net profit for Q2-2014 included a gain related to the investment in Rite Aid of $158.3 million.

The Corporation's net profit for Q3-2014 included a reversal of tax provisions of $3.2 million.

The Corporation's net profit for Q1-2016 included an expense for tax provisions of $4.7 million.

**Modifications decreed by competent authorities with respect to drug pricing**

The reimbursement rate for four large volume generic prescription drugs was considerably reduced for all Canadian provinces in April 2014. This change, as well as other changes regarding the pricing of generic drugs sold in New Brunswick also had a deflationary impact on the Corporation's consolidated sales.

These changes, as well as any new announcement that could be made, could have an adverse effect on the Corporation's financial performance.

## 4. INFORMATION ON THE PJC NETWORK OF FRANCHISED STORES

Within the franchising segment, the Corporation carries on the franchising activity under the banners of PJC Jean Coutu, PJC Clinique, PJC Jean Coutu Santé and PJC Jean Coutu Santé Beauté, operates two distribution centers and coordinates several other services for the benefit of its franchisees. These services include centralized purchasing, distribution, marketing, training, human resources, management, operational consulting and information systems, as well as a private label program. The PJC franchisees manage their store and are responsible for merchandising and financing their inventory. They must supply their store from the Corporation's distribution centers, subject to availability of ordered products. The PJC franchised stores' financial results are not included in the Corporation's consolidated financial statements.

**Expansion of the PJC network of franchised stores**

As at May 30, 2015 there were 416 stores in the PJC network of franchised stores, same as at February 28, 2015 compared with 414 as at May 31, 2014. As at May 30, 2015, total selling square footage of the PJC network amounted to 3,188,000 square feet compared with 3,185,000 square feet as at February 28, 2015 and 3,113,000 square feet as at May 31, 2014.

During the first quarter of fiscal year 2016, there were 2 store openings in the PJC network of franchised stores including the relocation of 1 store, same as during the first quarter of fiscal year 2015. Furthermore, the Corporation proceeded to the closing of 1 store during the first quarter of current fiscal year compared with no closings for the first quarter of the previous fiscal year.

### NETWORK PERFORMANCE

| | 13 weeks | |
|---|---|---|
| *(Unaudited)* | **Q1 – 2016** | Q1 – 2015 |
| **Retail sales** *(in millions of dollars)* | **$1,062.6** | $1,018.2 |
| **Retail sales per square foot** *(in dollars)* (1) | **$1,296** | $1,271 |
| **Retail sales per sector** *(in percentage)* | | |
| Pharmacy, prescription drugs | **63.3%** | 63.2% |
| Front-end, non-prescription drugs | **8.8%** | 8.7% |
| Front-end, general merchandise | **27.9%** | 28.1% |
| **Retail sales growth** *(in percentage)* | | |
| **Total stores** | | |
| Total | **4.4%** | 0.8% |
| Pharmacy | **4.7%** | 0.9% |
| Front-end (2) | **3.4%** | 0.3% |
| **Same store** (3) | | |
| Total | **3.8%** | 0.1% |
| Pharmacy | **4.2%** | 0.3% |
| Front-end (2) | **2.7%** | (0.5)% |
| **Prescriptions growth** *(in percentage)* | | |
| Total stores | **3.2%** | 4.2% |
| Same store (3) | **2.8%** | 3.7% |

(1) The last 12-month store sales are divided by the weighted average square footage for this period.
(2) The front-end sales exclude the sale of services included in the retail sales growth total.
(3) Same store means a store which has been operated throughout the current fiscal year as well as the previous fiscal year.

For the first quarter of fiscal year 2016, on a same-store basis, PJC network retail sales grew by 3.8%, pharmacy sales increased by 4.2% and front-end sales increased by 2.7% compared with the same period last year. Still for the first quarter of fiscal year 2016, sales of non-prescription drugs, which represented 8.8% of total retail sales, increased by 4.4% compared with a decrease of 0.1% for the first quarter of the previous fiscal year.

Proportion of generic drugs reached 69.1% of prescriptions during the first quarter of fiscal year 2016 compared with 67.8% of prescriptions during the first quarter of the previous fiscal year. The increase of the number of generic drugs prescriptions, with lower selling prices than brand name drugs, had a deflationary impact on the pharmacy's retail sales. For the first quarter of fiscal year 2016, the introduction of new generic drugs reduced pharmacy's retail sales growth by 1.1% and the price reductions of generic drugs decreed by competent authorities reduced pharmacy's retail sales growth by another 0.4%.

## 5. LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

The Corporation's cash flows are generated by: i) merchandise sales and rental revenue from PJC franchised stores, ii) royalties paid by PJC franchisees and iii) rent from properties leased to third parties other than franchisees. These cash flows are used: i) to purchase products for resale and for payment of services, ii) to finance operating expenses, iii) for real estate investments, iv) to finance capital expenditures incurred to renovate and open stores, replace equipment and construction of new head office and new distribution center, v) to repurchase shares and vi) for dividends payment. The Corporation has typically financed capital expenditures and working capital requirements through cash flows from operating activities.

## Selected consolidated information on liquidity

The following table presents selected information from the unaudited consolidated statements of cash flows for quarters ended May 30, 2015 and May 31, 2014.

| | 13 weeks | |
|---|---|---|
| *(In millions of dollars)* | **Q1 – 2016** | Q1 – 2015 |
| | **$** | $ |
| Cash flow provided by operating activities | **22.1** | 72.8 |
| Cash flow related to investing activities | **(25.2)** | (12.3) |
| Cash flow related to financing activities | **(20.6)** | (18.4) |

## Comparison of the consolidated information on liquidity for the periods ended May 30, 2015 and May 31, 2014

### Cash flow generated by operating activities

Cash generated by operating activities amounted to $22.1 million for the first quarter of fiscal year 2016 compared with $72.8 million for the first quarter of fiscal year 2015. This decrease of $50.7 million is due to the increase in income tax paid during the first quarter of fiscal year 2016.

### Cash flow related to investing activities

Cash used by investing activities for the first quarter of fiscal year 2016 amounted to $25.2 million compared with $12.3 million for the first quarter of fiscal year 2015. During the first quarter of fiscal year 2016, $22.6 million were used to acquire property and equipment mainly related to the new facilities in Varennes and $1.5 million for intangible assets, whereas during the first quarter of fiscal year 2015, $8.7 million were used to acquire property and equipment and $1.2 million were used to acquire intangible assets. During the first quarter of current fiscal year, 2 stores were opened, including the relocation of 1 store, in the PJC network of franchised stores. Furthermore, 5 stores were expanded or significantly renovated.

### Cash flow related to financing activities

For the first quarter of fiscal 2016, cash used for financing activities amounted to $20.6 million compared with $18.4 million for the first quarter of fiscal 2015. During the first quarter of fiscal year 2016, the Corporation paid a quarterly dividend of $0.11 per Class "A" Subordinate Voting Share and Class "B" share. These dividends amounted to $20.6 million (annualized dividend of $0.44 per share). During the first quarter of fiscal year 2015, the Corporation paid a quarterly dividend of $0.10 per Class "A" Subordinate Voting Share and Class "B" share for a total of $18.9 million (total dividend of $0.40 per share).

## Long-term debt

As at May 30, 2015, the Corporation had access to an unsecured revolving credit facility maturing on November 10, 2019 in the amount of $250.0 million. As at May 30, 2015, this credit facility was unused (unused as at February 28, 2015, except for letters of credit of $0.3 million).

Beside this revolving credit facility to finance its projects, the Corporation's cash flow is provided by its operating activities. The Corporation does not expect any liquidity issues. As at May 30, 2015, all of its bank covenants were respected.

## Capital stock

### Repurchase under the normal course issuer bid

On April 29, 2015, the Corporation announced its intention to repurchase for cancellation, if it is considered advisable, up to 7,983,000 of its outstanding Class "A" Subordinate Voting Shares, representing approximately 10% of the current public float of such shares, over a 12-month period ending no later than May 6, 2016. The shares will be repurchased through the facilities of the Toronto Stock Exchange ("TSX") and in accordance with its requirements.

On April 30, 2014, the Corporation announced its intention to repurchase for cancellation up to 8,190,000 of its outstanding Class "A" Subordinate Voting Shares, representing approximately 10% of the current public float of such shares, over a 12-month period ending no later than May 6, 2015. During the term of this normal course issuer bid, the Corporation repurchased and cancelled 2,574,100 Class "A" Subordinate Voting Shares in accordance with applicable Canadian securities laws.

For the 13-week periods ended May 30, 2015 and May 31, 2014, the Corporation did not repurchase any Class "A" Subordinate Voting Shares.

### Stock options

For the quarter ended May 30, 2015, no Class "A" Subordinate Voting Shares were issued following the exercise of stock option compared with 41,303 shares issued following the exercise of stock option for the quarter ended May 31, 2014.

### Shares issued

As at May 30, 2015 and as at February 28, 2015, the total number of Class "A" Subordinate Voting Shares (TSX: PJC.A) issued was 83.5 million, and the number of Class "B" shares was 103.5 million, for a total of 187.0 million shares of the Corporation issued.

### OPERATING LEASE OBLIGATIONS

The Corporation leases a substantial portion of its buildings using conventional operating leases. Generally, the Corporation's real estate leases are for primary terms of 10 to 15 years with renewing options.

For further details, readers are referred to Note 26 of the Corporation's consolidated financial statements of fiscal year 2015.

### CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Readers are referred to the table of the Corporation's main contractual cash obligations under its long-term debt, leases, services and capital assets commitments included in the Corporation's annual MD&A of the fiscal year ended February 28, 2015.

## 6. FINANCIAL INSTRUMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

This section is subject to Section 12 ("Forward-Looking Statements Disclaimer"). The Corporation does not use any off-balance sheet arrangements that currently have, or are reasonably likely expected to have, a material effect on its financial condition, financial performance or cash flow. The Corporation uses operating leases for many of its properties.

In its normal course of business, the Corporation is exposed to a certain interest rates fluctuation risk, due to its variable rates' financial obligations. Depending on the surrounding market's interest rate, the Corporation could, in the future, use derivative financial instruments or other interest rate management vehicles.

Readers are referred to Note 29 of the Corporation's consolidated financial statements of fiscal year 2015 for more information on other risks related to financial instruments to which the Corporation is exposed to.

### Guarantees and buyback agreements

As at May 30, 2015, the Corporation had guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of $2.9 million. Most of those guarantees apply to loans with a maturity of up to one year. These loans are also personally guaranteed by the franchisees.

The Corporation has also entered into commitments with financial institutions to buy back the equipment and inventories of some of its franchisees under certain conditions. As at May 30, 2015, financing related to the equipment and inventories buyback agreements were $73.3 million and $146.3 million respectively. Historically, the Corporation has not made any indemnification payments under such agreements and no amounts have been accrued with respect to these guarantees in its May 30, 2015 and February 28, 2015 consolidated financial statements.

## 7. RELATED PARTY TRANSACTIONS

Franchising activities include transactions with franchised stores controlled by executives with significant influence on the Corporation or close member of these executives' family. The transactions between the Corporation and these enterprises are carried out in the normal course of business and are made under the same terms and conditions as those made with other franchisees.

As at May 30, 2015, Mr. Jean Coutu had the ultimate control of the Jean Coutu Group (PJC) Inc.

Readers are referred to Note 28 of the Corporation's consolidated financial statements of fiscal year 2015 for additional information on related party transactions and for the detail on the key management personnel compensation.

## 8. CRITICAL ACCOUNTING ESTIMATES

This MD&A is based on the Corporation's consolidated financial statement prepared according to IFRS. The preparation of the consolidated financial statements requires management to make certain judgments, estimates and assumptions, which 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Detailed information on these significant estimates is presented in section 11. "Critical accounting estimates" of the Corporation's MD&A of fiscal year ended February 28, 2015. There were no significant changes in the critical accounting estimates since fiscal year 2015.

## 9. RISKS AND UNCERTAINTIES

The section "Risks and uncertainties" of the MD&A of fiscal year 2015 relates various risks the Corporation faces. Detail and description of those risks did not change since fiscal year 2015 except for the recent development related to the agreement in principle between the “Association québécoise des pharmaciens propriétaires” (“AQPP”) and the Ministry of Health and Social Services described below.

The Corporation understands that on June 29, 2015, the Québec provincial association of pharmacists, AQPP, sought the approval by its members of a confidential agreement in principle between the AQPP and the Ministry of Health and Social Services concerning certain aspects of the remuneration of pharmacists, as reported by recent media reports.

The Corporation understands that the agreement in principle contemplates the removal of the 15% cap on professional allowances which may be paid by generic manufacturers to pharmacists when buying their prescription drug products.

The agreement in principle must be approved by the Quebec Treasury Board in order to become effective. The Corporation expects the Quebec Treasury Board to consider the agreement in principle shortly but cannot predict whether such approval will take place and if so, on what terms. If the 15% cap on professional allowances is removed, our consolidated results would be affected because higher professional allowances than as currently allowed would reduce the profitability of our subsidiary Pro Doc. If and when ratified, the confidentiality of the agreement will be lifted and its terms will be definitive, and we may be in a position to provide more information.

## 10. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in the Corporation's internal control over financial reporting that have materially affected, or are reasonably likely to have materially affected, the Corporation's internal control over financial reporting during the first quarter of fiscal year 2016.

## 11. STRATEGIES AND OUTLOOK

This section is subject to Section 12 ("Forward-Looking Statements Disclaimer").

With its operations and financial flexibility, the Corporation is very well positioned to capitalize on the growth in the drugstore retail industry. Demographic trends are expected to contribute to growth in the prescription drugs' consumption and to the increased use of pharmaceuticals as the primary intervention in individual healthcare. Management believes these trends will continue and the Corporation will maintain its growth in revenues through differentiation and quality of offering and service levels to its network of franchised stores, with a focus on sales growth, its real estate program and operating efficiency. The growth in the number of generic drugs' prescriptions, with lower selling prices than the branded name drugs, will however have a deflationary impact on retail sales in pharmacy but the volume increase in the generic drugs operating segment will have a positive impact on the consolidated margins.

Moreover, the Corporation will consolidate its operations currently located in Longueuil, including the headquarters and distribution center, in Varennes, on the South Shore of Montreal. The space currently used by the Jean Coutu Group operations, located in the Longueuil industrial park since 1976, can no longer support the needs of the Corporation's growing network. The new facilities, totaling 800,000 square feet, will allow the Corporation to be more efficient and to better serve its network of franchised drugstores. Construction of the new, modern and enlarged facilities has begun during the first quarter of fiscal year 2015. The project represents a total investment of nearly $190.0 million.

## 12. FORWARD-LOOKING STATEMENTS DISCLAIMER

This MD&A contains forward-looking statements which involve risks and uncertainties, and which are based on the Corporation's current expectations, estimates, projections and assumptions made by the Corporation in light of its experience and its perception of historical trends. All statements addressing expectations or projections about the future, including statements about the Corporation's strategy for growth, costs, operating or financial results, are forward-looking statements. All statements other than statements of historical facts included in this MD&A, including statements regarding the prospects of the Corporation's industry and the Corporation'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", "should", "would", "anticipate", "plan", "foresee", "believe" or "continue" or the negatives of these terms or variations of them or similar terminology. Although the Corporation believes the expectations reflected in these forward-looking statements are reasonable, it can give no assurance 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 nonrecurring items or of any mergers, acquisitions, dispositions, asset write-downs or other transactions or charges that may be announced or occur after the date hereof. While the list below of cautionary statements is not exhaustive, some important factors that could affect the Corporation's future operating results, financial position and cash flows and could cause its actual results to differ materially from those expressed in these forward-looking statements are changes in the legislation or the regulatory environment as it relates to the sale of prescription drugs and the pharmacy exercise, the success of the Corporation's business model, changes in laws and regulations, or in their interpretations, changes to tax regulations and accounting pronouncements, the cyclical and seasonal variations in the industry in which the Corporation operates, the intensity of competitive activity in the industry in which the Corporation operates, the supplier and brand reputations, the Corporation's ability to attract and retain pharmacists, labour disruptions, including possibly strikes and labour protests, the accuracy of management's assumptions and other factors that are beyond the Corporation's control. These and other factors could cause the Corporation's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied in those forward-looking statements.

Forward-looking statements are provided for the purpose of assisting in understanding the Corporation's financial position and results of operation and to present information about management's current expectations and plans relating to the future. Investors and others are thus cautioned that such statements may not be appropriate for other purposes and they should not place undue reliance on them. For more information on the risks, uncertainties and assumptions that would cause the Corporation's actual results to differ from current expectations, please also refer to the Corporation'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 Corporation's Annual Information Form under "Risk Factors" and also in the "Critical accounting estimates", "Risks and uncertainties" and "Strategies and outlook" sections of this MD&A. The forward-looking statements in this MD&A reflect the Corporation's expectations as of the date hereof and are subject to change after such date. The Corporation expressly disclaims 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.

July 6, 2015

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

## Condensed consolidated statements of income

| For the periods ended May 30, 2015 and May 31, 2014<br>*(unaudited, in millions of Canadian dollars, unless otherwise noted)* | 13 weeks<br>2015<br>$ | <br>2014<br>$ |
|---|---|---|
| **Sales** | **643.8** | 619.6 |
| **Other revenues** (Note 3) | **68.6** | 69.0 |
| | **712.4** | 688.6 |
| **Operating expenses** | | |
| Cost of sales (Note 4) | **557.7** | 534.6 |
| General and operating expenses (Note 4) | **71.7** | 72.0 |
| **Operating income before depreciation and amortization** | **83.0** | 82.0 |
| Depreciation and amortization | **7.6** | 8.0 |
| **Operating income** | **75.4** | 74.0 |
| **Financing revenus** | **(0.5)** | (0.3) |
| **Profit before income taxes** | **75.9** | 74.3 |
| **Income taxes** (Note 5) | **25.3** | 20.2 |
| **Net profit** | **50.6** | 54.1 |
| **Basic and diluted profit per share,** in dollars (Note 6) | **0.27** | 0.29 |

## Condensed consolidated statements of comprehensive income

| For the periods ended May 30, 2015 and May 31, 2014<br>*(unaudited, in millions of Canadian dollars)* | 13 weeks<br>2015<br>$ | <br>2014<br>$ |
|---|---|---|
| **Net profit** | **50.6** | 54.1 |
| **Other comprehensive income,** net of taxes of nil | **-** | - |
| **Total comprehensive income** | **50.6** | 54.1 |

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

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

## Condensed consolidated statements of changes in equity

**For the periods ended May 30, 2015 and May 31, 2014**

*(unaudited, in millions of Canadian dollars)*

| | Capital stock | Treasury stock | Contributed surplus | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Balance at February 28, 2015 | **416.0** | **(2.8)** | **58.1** | **556.1** | **1,027.4** |
| Net profit | **-** | **-** | **-** | **50.6** | **50.6** |
| Other comprehensive income | **-** | **-** | **-** | **-** | **-** |
| Total comprehensive income | **-** | **-** | **-** | **50.6** | **50.6** |
| Dividends | **-** | **-** | **-** | **(20.6)** | **(20.6)** |
| Share-based compensation cost | **-** | **-** | **0.2** | **-** | **0.2** |
| **Balance at May 30, 2015** | **416.0** | **(2.8)** | **58.3** | **586.1** | **1,057.6** |
| Balance at March 1, 2014 | 422.1 | (3.0) | 55.1 | 457.9 | 932.1 |
| Net profit | - | - | - | 54.1 | 54.1 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income | - | - | - | 54.1 | 54.1 |
| Dividends | - | - | - | (18.9) | (18.9) |
| Share-based compensation cost | - | - | 0.2 | - | 0.2 |
| Options exercised | 0.6 | - | (0.1) | - | 0.5 |
| Balance at May 31, 2014 | 422.7 | (3.0) | 55.2 | 493.1 | 968.0 |

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

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

## Condensed consolidated statements of financial position

| *(unaudited, in millions of Canadian dollars)* | **As at May 30, 2015** **$** | As at February 28, 2015 $ |
|---|---|---|
| *Current assets* | | |
| Cash | **98.2** | 121.9 |
| Trade and other receivables | **208.5** | 209.2 |
| Inventories | **209.3** | 224.8 |
| Prepaid expenses | **9.3** | 9.3 |
| | **525.3** | 565.2 |
| *Non-current assets* | | |
| Long-term receivables from franchisees | **28.9** | 28.5 |
| Investment in associates and joint ventures | **15.3** | 15.4 |
| Property and equipment | **461.5** | 438.3 |
| Investment property | **23.8** | 24.0 |
| Intangible assets | **205.9** | 207.0 |
| Goodwill | **36.0** | 36.0 |
| Deferred tax | **11.8** | 14.1 |
| Other long-term assets | **16.5** | 15.1 |
| **Total assets** | **1,325.0** | 1,343.6 |
| *Current liabilities* | | |
| Trade and other payables | **238.5** | 245.4 |
| Income taxes payable | **8.8** | 47.5 |
| | **247.3** | 292.9 |
| *Non-current liabilities* | | |
| Deferred tax | **0.5** | 0.5 |
| Other long-term liabilities | **19.6** | 22.8 |
| **Total liabilities** | **267.4** | 316.2 |
| **Equity** | **1,057.6** | 1,027.4 |
| **Total liabilities and equity** | **1,325.0** | 1,343.6 |

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

## Condensed consolidated statements of cash flows

| For the periods ended May 30, 2015 and May 31, 2014 | 13 weeks | |
|---|---|---|
| | **2015** | 2014 |
| *(unaudited, in millions of Canadian dollars)* | **$** | $ |
| **Operating activities** | | |
| Net profit | **50.6** | 54.1 |
| Adjustments: | | |
| Depreciation and amortization | **7.6** | 8.0 |
| Interest income | **(0.5)** | (0.4) |
| Income taxes | **25.3** | 20.2 |
| Others | **1.0** | 1.2 |
| | **84.0** | 83.1 |
| Net change in non-cash asset and liability items (Note 8) | **(0.7)** | 4.5 |
| Interest received | **0.5** | 0.3 |
| Income taxes paid | **(61.7)** | (15.1) |
| Cash flow related to operating activities | **22.1** | 72.8 |
| **Investing activities** | | |
| Investments in associates and joint ventures | **-** | (1.0) |
| Purchase of property and equipment | **(22.6)** | (8.7) |
| Net change in long-term receivables from franchisees | **(1.1)** | (1.4) |
| Purchase of intangible assets | **(1.5)** | (1.2) |
| Cash flow related to investing activities | **(25.2)** | (12.3) |
| **Financing activities** | | |
| Issuance of capital stock | **-** | 0.5 |
| Dividends paid | **(20.6)** | (18.9) |
| Cash flow related to financing activities | **(20.6)** | (18.4) |
| **Net change in cash and cash equivalents** | **(23.7)** | 42.1 |
| **Cash and cash equivalents, beginning of period** | **121.9** | 74.3 |
| **Cash and cash equivalents, end of period** | **98.2** | 116.4 |

The accompanying notes are an integral part of these condensed consolidated financial statements. See supplemental cash flow information in Note 8.

## 1. General information

The Jean Coutu Group (PJC) Inc. (the "parent corporation") is governed by the Business Corporations Act (Québec). The address of the parent corporation's registered office is 530, Bériault Street, Longueuil, Québec (Canada). The parent corporation and its subsidiaries ("the Corporation") operate 2 operating segments which are the franchising segment with a network of 416 franchised stores as at May 30, 2015 (February 28, 2015 - 416) under the banners of "PJC Jean Coutu", "PJC Clinique", "PJC Jean Coutu Santé" and "PJC Jean Coutu Santé Beauté", and the generic drugs segment through Pro Doc Ltd ("Pro Doc"), a Quebec-based subsidiary, which manufactures generic drugs. These segments are detailed in Note 9.

## 2. Basis of preparation

### *a) Statement of compliance*

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's consolidated annual financial statements for fiscal year ended February 28, 2015 prepared in accordance with International Financial Reporting Standards ("IFRS").

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

The unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on July 6, 2015.

### *b) Use of estimates and judgments*

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain judgments, estimates and assumptions, which 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are the identification of components of property and equipment and investment property, the classification of property and equipment with a dual-use as well as determining whether the Corporation has control or not over franchised stores to whom financial support is provided.

*(Unaudited, tabular amounts are in millions of Canadian dollars, unless otherwise noted)*

## 2. Basis of preparation *(continued)*

***b) Use of estimates and judgments*** *(continued)*

Assumptions and estimation uncertainties that have a significant risk that could result in material adjustment within the next financial year are: impairment of property and equipment, investment property; intangible assets and goodwill; useful lives of property and equipment, investment property and banner development costs; allowances for credit losses and tax provisions; determination of tax rates used for measuring deferred taxes; assumptions underlying the actuarial determination of defined benefit pension obligations; fair value of financial instruments; guarantees and contingencies.

## 3. Other revenues

| | **13 weeks** | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| Royalties | **29.0** | 28.8 |
| Rent | **24.7** | 24.1 |
| Sundry | **14.9** | 16.1 |
| | **68.6** | 69.0 |

## 4. Cost of sales and general and operating expenses

| | **13 weeks** | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| Wages, salaries and fringe benefits | **25.8** | 28.7 |
| Operating leases expenses | **15.4** | 15.2 |
| Other goods and services | **30.5** | 28.1 |
| General and operating expenses | **71.7** | 72.0 |

No significant cost other than the cost of inventories is included in the cost of sales.

## 5. Income taxes

For the 13-week period ended May 30, 2015, the consolidated effective tax rates were 33.3% (27.2% for the 13-week period ended May 31, 2014). This increase is mainly due to a tax provision of $4.7 million recorded during the 13-week period ended May 30, 2015, following a judgment rendered by the Quebec Court of Appeal. This court reversed a judgment rendered at first instance in favor of the Corporation by the Superior Court in relation to an introductory motion of suit for rectification of books and records and declaratory relief filed by the Corporation. The Corporation filed an application for leave to appeal to the Supreme Court of Canada on June 29, 2015 in this case.

## 6. Profit per share

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

| | **13 weeks** | |
|---|---|---|
| | **2015** | 2014 |
| Net profit | **$ 50.6** | $ 54.1 |
| Weighted average number of shares (in millions) used to compute basic profit per share | **186.9** | 189.0 |
| Basic profit per share, in dollars | **$ 0.27** | $ 0.29 |
| Weighted average number of shares (in millions) used to compute diluted profit per share | **187.0** | 189.3 |
| Diluted profit per share, in dollars | **$ 0.27** | $ 0.29 |

For the 13-week period ended May 30, 2015, 196,000 antidilutive share-based payments instruments have been excluded from the computation of diluted profit per share (none were excluded for the 13-week period ended May 31, 2014).

## 7. Capital stock

***a) Shares issued***

As at May 30, 2015 and February 28, 2015, the total number of Class "A" subordinate voting shares issued was 83.5 million and the number of Class "B" shares was 103.5 million for a total of 187.0 million shares issued.

***b) Repurchase under the normal course issuer bid***

On April 29, 2015, the Corporation announced its intention to repurchase for cancellation, if it is considered advisable, up to 7,983,000 of its outstanding Class "A" subordinate voting shares, representing approximately 10% of the current public float of such shares, over a 12-month period ending no later than May 6, 2016. The shares will be repurchased through the facilities of the Toronto Stock Exchange (the "TSX") and in accordance with its requirements.

*(Unaudited, tabular amounts are in millions of Canadian dollars, unless otherwise noted)*

## 7. Capital stock *(continued)*

### *b) Repurchase under the normal course issuer bid* *(continued)*

On April 30, 2014, the Corporation announced its intention to repurchase for cancellation up to 8,190,000 of its outstanding Class "A" subordinate voting shares, representing approximately 10% of the current public float of such shares, over a 12-month period ending no later than May 6, 2015. During the term of this normal course issuer bid, 2,574,100 shares have been repurchased and cancelled through the facilities of the TSX and in accordance with its requirements.

For the 13-week periods ended May 30, 2015 and May 31, 2014, the Corporation did not repurchase any Class "A" subordinate voting shares.

## 8. Supplemental cash flow information

| | 13 weeks | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| **Net change in non-cash asset and liability items** | | |
| Change in trade and other receivables and prepaid expenses | **0.7** | (8.6) |
| Change in inventories | **15.5** | 1.4 |
| Change in trade and other payables | **(12.4)** | 12.5 |
| Change in other long-term assets | **(1.5)** | (1.0) |
| Change in other long-term liabilities | **(3.0)** | 0.2 |
| Net change in non-cash asset and liability items | **(0.7)** | 4.5 |

**Other information**

| | **As at May 30, 2015** | As at February 28, 2015 |
|---|---|---|
| | **$** | $ |
| Property and equipment, investment property and intangible assets acquired included in trade and other payables | **27.0** | 21.5 |

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

## 9. Segmented information

The Corporation has two reportable operating segments: franchising and generic drugs. Within the franchising segment, the Corporation carries on the franchising activity under the banners of PJC Jean Coutu, PJC Clinique, PJC Jean Coutu Santé and PJC Jean Coutu Santé Beauté, operates two distribution centres and coordinates several other services for the benefit of its franchisees. Within the generic drugs segment, the Corporation owns Pro Doc, a Canadian manufacturer of generic drugs, whose revenues come from the sale of generic drugs to wholesalers and pharmacists. Both reportable operating segments of the Corporation are in the Canadian geographic area.

| | 13 weeks | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| **Revenues** [1] | | |
| Franchising | **712.0** | 687.5 |
| Generic drugs | **33.5** | 39.7 |
| Intersegment sales | **(33.1)** | (38.6) |
| | **712.4** | 688.6 |
| **Operating income before depreciation and amortization** | | |
| Franchising | **60.7** | 59.3 |
| Generic drugs | **17.1** | 21.2 |
| Intersegment eliminations | **5.2** | 1.5 |
| | **83.0** | 82.0 |
| **Depreciation and amortization** | | |
| Franchising | **7.5** | 7.9 |
| Generic drugs | **0.1** | 0.1 |
| | **7.6** | 8.0 |
| **Operating income** | | |
| Franchising | **53.2** | 51.4 |
| Generic drugs | **17.0** | 21.1 |
| Intersegment eliminations | **5.2** | 1.5 |
| | **75.4** | 74.0 |

[1] Revenues include sales and other revenues.

*(Unaudited, tabular amounts are in millions of Canadian dollars, unless otherwise noted)*

## 9. Segmented information *(continued)*

| | 13 weeks | |
|---|---|---|
| | **2015** | 2014 |
| | **$** | $ |
| **Acquisition of property and equipment, investment property and intangible assets** | | |
| Franchising | **29.6** | 9.5 |
| Generic drugs | **-** | 0.1 |
| | **29.6** | 9.6 |

| | As at May 30, 2015 | As at February 28, 2015 |
|---|---|---|
| | **$** | $ |
| **Total assets** | | |
| Franchising | **1,348.8** | 1,371.2 |
| Generic drugs | **34.7** | 40.9 |
| Intersegment eliminations | **(58.5)** | (68.5) |
| | **1,325.0** | 1,343.6 |
| **Total liabilities** | | |
| Franchising | **275.6** | 321.4 |
| Generic drugs | **20.3** | 27.0 |
| Intersegment eliminations | **(28.5)** | (32.2) |
| | **267.4** | 316.2 |

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