The Jean Coutu Group (PJC) Inc.

Trades under the symbol (TSX): PJC.A

Press release
For immediate release

THE JEAN COUTU GROUP – SECOND QUARTER OF FISCAL YEAR 2016 RESULTS

Longueuil, Québec, October 7, 2015 - The Jean Coutu Group (PJC) Inc. (the "Corporation" or the "Jean Coutu Group") reported today its financial results for the quarter ended August 29, 2015.

SUMMARY OF RESULTS

(Unaudited, in millions of Canadian dollars, except per share amounts)

	Second quarter		First half	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenues	**686.6**	674.4	**1,399.0**	1,363.0
Operating income before amortization ("OIBA")	**81.7**	81.0	**164.7**	163.0
Net profit	**53.8**	53.6	**104.4**	107.7
Per share	**0.29**	0.28	**0.56**	0.57

Highlights

- Revenues increased by 1.8% to $686.6 million for the second quarter of fiscal year 2016 compared with the same quarter of last year.
- OIBA increased by 0.9% for the second quarter of fiscal year 2016, despite the deflationary impact on revenues of the volume increase in prescriptions of generic drugs.
- The Corporation extended its $250 million credit facility maturity date by 1 year to November 2020.

Financial results

“Throughout the second quarter, we have continued to implement our business plan efficiently, which helped us report an increased operating income in spite of a challenging regulatory context and a still highly competitive environment”, explained Mr. François J. Coutu, President and Chief Executive Officer. “We remain committed to focus on dynamic strategies in order to meet our objectives and sustain our growth.”

Revenues

Revenues consist mainly of sales and other revenues derived from franchising activities. Merchandise sales to PJC franchisees made mostly through our distribution centres account for the greater part of our revenues.

Revenues amounted to $686.6 million during the quarter ended August 29, 2015, compared with $674.4 million for the quarter ended August 30, 2014. For the first half of fiscal year 2016, revenues amounted to $1,399.0 million compared with $1,363.0 million for the same period of the previous fiscal year, an increase of 2.6%. 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 as well as the price reductions of generic drugs.

OIBA

OIBA increased by $0.7 million to $81.7 million for the quarter ended August 29, 2015 compared with $81.0 million for the quarter ended August 30, 2014. A reversal of $1.5 million of liabilities for share-based payments instruments (stock appreciation rights and deferred share units) was recorded during the second quarter of fiscal year 2016 compared with a reversal of $0.6 million for the second 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 $0.2 million compared with the same quarter last year. OIBA as a percentage of revenues ended the second quarter of fiscal year 2016 at 11.9% compared with 12.0% for the same quarter of the previous fiscal year.

For the first half of fiscal year 2016, the Corporation's OIBA increased by $1.7 million amounting to $164.7 million compared with $163.0 million for the same period of fiscal year 2015. A reversal of $3.6 million of liabilities for share-based payments instruments (stock appreciation rights and deferred share units) was recorded during the first half of fiscal year 2016 compared with an expense of $1.5 million for the first half of fiscal year 2015. OIBA before the expense for those shared-based payments instruments decreased by $3.4 million compared with the same period last year. This is mainly explained by an increase in 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. As a percentage of revenues, OIBA ended the first semester of 2016 at 11.8% compared with 12.0% for the same period of the previous fiscal year.

Pro Doc

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $49.0 million for the quarter ended August 29, 2015, compared with $48.1 million for the quarter ended August 30, 2014. Pro Doc's contribution to the consolidated OIBA amounted to $22.7 million for the quarter ended August 29, 2015, compared with $22.1 million for the quarter ended August 30, 2014. Pro Doc's contribution to the consolidated OIBA as a percentage of gross sales, net of intersegment eliminations, ended the second quarter of fiscal year 2016 at 46.3% compared with 45.9% for the same period of the previous fiscal year.

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $99.3 million during the first half of fiscal year 2016, compared with $96.4 million for the same period of fiscal year 2015. Pro Doc's contribution to the consolidated OIBA amounted to $45.0 million during the first half of fiscal year 2016, compared with $44.8 million for the same period of fiscal year 2015. Pro Doc's contribution to the consolidated OIBA as a percentage of its gross sales, net of intersegment eliminations, ended the first semester of fiscal year 2016 at 45.3% compared with 46.5% for the same period of the previous fiscal year.

Net profit

Net profit amounted to $53.8 million ($0.29 per share) for the quarter ended August 29, 2015 compared with $53.6 million ($0.28 per share) for the quarter ended August 30, 2014.

Net profit for the first half of fiscal year 2016 amounted to $104.4 million ($0.56 per share) compared with $107.7 million ($0.57 per share) for the same period of fiscal year 2015. This decrease in net profit is mainly due to a tax provision of $4.7 million recorded during first half of fiscal year 2016, 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. An application for leave to appeal to the Supreme Court of Canada was filed by the Corporation on June 29, 2015 in this case.

Information on the PJC network of franchised stores

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.

For the quarter ended August 29, 2015, on a same-store basis, the PJC network's retail sales increased by 2.0%, pharmacy sales increased by 2.5% and front-end sales increased by 0.4%, compared with the corresponding period last year. Sales of non-prescription drugs, which represented 8.2% of total retail sales, increased by 1.1% compared with 1.0% for the corresponding period of fiscal year 2015.

During the first half of fiscal year 2016, on a same store basis, the PJC network's retail sales grew by 2.9%, pharmacy sales increased by 3.3% and front-end sales increased by 1.6%, compared with the same period last year. Sales on non-prescription drugs, which represented 8.5% of total retail sales, increased by 2.8% compared with 0.4% for the same period of fiscal year 2015.

Generic drugs reached 70.0% of prescriptions during the second quarter of fiscal year 2016 compared with 68.1% of prescriptions for the comparable period of the previous fiscal year. The increase in 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 second quarter of fiscal year 2016 the introduction of new generic drugs reduced pharmacy’s retail sales growth by 1.2% and price reductions of generic drugs reduced the growth of those sales by another 0.3%.

	Second quarter		**First half**	
Network performance (1) *(unaudited)*	**2016**	2015	**2016**	2015
Retail sales *(in millions of dollars)*	**$1,033.5**	$1,007.8	**$2,096.1**	$2,026.0
Retail sales growth *(in percentage)*				
Total stores				
Total	**2.6%**	2.9%	**3.5%**	1.8%
Pharmacy	**2.9%**	3.1%	**3.8%**	2.0%
Front-end (2)	**1.2%**	2.1%	**2.3%**	1.2%
Same store				
Total	**2.0%**	2.4%	**2.9%**	1.3%
Pharmacy	**2.5%**	2.7%	**3.3%**	1.5%
Front-end (2)	**0.4%**	1.6%	**1.6%**	0.5%
Prescriptions growth *(in percentage)*				
Total stores	**2.7%**	3.9%	**2.9%**	4.0%
Same store	**2.4%**	3.5%	**2.6%**	3.6%

(1) Franchised outlets’ retail sales are not included in the Corporation’s consolidated financial statements.

(2) Front-end retail sales exclude sales of services which are included in the total retail sales growth.

PJC network of franchised stores expansion

During the second quarter of fiscal year 2016, there were 3 openings in the PJC network of franchised stores, including 1 relocation and the closing of 1 store. Also, 1 store was expanded.

As at August 29, 2015, total selling square footage of the PJC network amounted to 3,211,000 square feet compared with 3,137,000 square feet as at August 30, 2014.

Financing activities

The Corporation extended its $250 million credit facility maturity date by 1 year to November 2020. All other terms and conditions of the credit agreement remained unchanged.

Dividend
The Board of the Jean Coutu Group declared a quarterly dividend of $0.11 per share. This dividend will be paid on November 6, 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 October 23, 2015.

Agreement in principle between the AQPP and the Ministry of Health and Social Services
There were no developments related to the agreement in principle between the Québec provincial association of pharmacists, "Association québécoise des pharmaciens propriétaires" ("AQPP") and the Ministry of Health and Social Services during the quarter.

Strategies and outlook
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 the growth in prescription drugs consumption and to the increased use of pharmaceuticals as the primary intervention in individual healthcare. Management believes that these trends will continue and that 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 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 consolidated margins.

Conference call
Financial analysts and investors are invited to attend the conference call on the second quarter of fiscal year 2016 financial results to be held on October 7, 2015, at 9:00 AM (ET). The call-in number is 514-861-2255 or toll free at 1-888-789-9572, access code 9588146 followed by pound sign (#). Media and other interested individuals are invited to listen to the live or deferred broadcast on The Jean Coutu Group corporate website at www.jeancoutu.com. A full replay will also be available by dialling 514-861-2272 or toll free at 1-800-408-3053 until November 6, 2015. The access code is 7998211 followed by pound sign (#).

Supporting documentation (Management's discussion and analysis and investor presentation) is available at www.jeancoutu.com using the investors' link. Readers may also access additional information and filings related to the Corporation using the following link to the www.sedar.com website.

About The Jean Coutu Group
The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. The Corporation operates a network of 417 *franchised stores in Québec, New Brunswick and Ontario under the banners of PJC Jean Coutu, PJC Clinique, PJC Santé and PJC Santé Beauté, which employs over 20,000 people. Furthermore, the Jean Coutu Group owns Pro Doc Ltd ("Pro Doc"), a Québec-based subsidiary and manufacturer of generic drugs.*

This press release contains forward-looking statements that involve risks and uncertainties, and which are based on the Corporation's current expectations, estimates, projections and assumptions that were made by the Corporation 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 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 press release, 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 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 nonrecurring 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 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.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 the Corporation's annual management's discussion and analysis for fiscal year ended February 28, 2015. The forward-looking statements in this press release 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.

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THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of income

For the periods ended August 29, 2015 and August 30, 2014 *(unaudited, in millions of Canadian dollars, unless otherwise noted)*	13 weeks 2015 $	13 weeks 2014 $	26 weeks 2015 $	26 weeks 2014 $
Sales	**616.5**	605.6	**1,260.3**	1,225.2
Other revenues	**70.1**	68.8	**138.7**	137.8
	686.6	674.4	**1,399.0**	1,363.0
Operating expenses				
Cost of sales	**537.1**	528.3	**1,094.8**	1,062.9
General and operating expenses	**67.8**	65.1	**139.5**	137.1
Operating income before depreciation and amortization	**81.7**	81.0	**164.7**	163.0
Depreciation and amortization	**7.9**	7.9	**15.5**	15.9
Operating income	**73.8**	73.1	**149.2**	147.1
Financing revenus	**(0.2)**	(0.4)	**(0.7)**	(0.7)
Profit before income taxes	**74.0**	73.5	**149.9**	147.8
Income taxes	**20.2**	19.9	**45.5**	40.1
Net profit	**53.8**	53.6	**104.4**	107.7
Basic and diluted profit per share, in dollars	**0.29**	0.28	**0.56**	0.57

Condensed consolidated statements of comprehensive income

For the periods ended August 29, 2015 and August 30, 2014 *(unaudited, in millions of Canadian dollars)*	13 weeks 2015 $	13 weeks 2014 $	26 weeks 2015 $	26 weeks 2014 $
Net profit	**53.8**	53.6	**104.4**	107.7
Other comprehensive income				
Items that will be reclassified subsequently to net profit:				
Net change in cash flow hedge:				
Gain for the period	**0.9**	-	**0.9**	-
Reclassification of gain to non-financial assets	**(0.1)**	-	**(0.1)**	-
Income taxes	**(0.1)**	-	**(0.1)**	-
	0.7	-	**0.7**	-
Total comprehensive income	**54.5**	53.6	**105.1**	107.7

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of changes in equity

For the periods ended August 29, 2015 and August 30, 2014

(unaudited, in millions of Canadian dollars)

	Capital stock	Treasury stock	Contributed surplus	Hedging reserve	Retained earnings	Total equity
	$	$	$	$	$	$
Balance at February 28, 2015	**416.0**	**(2.8)**	**58.1**	**-**	**556.1**	**1,027.4**
Net profit	**-**	**-**	**-**	**-**	**104.4**	**104.4**
Other comprehensive income	**-**	**-**	**-**	**0.7**	**-**	**0.7**
Total comprehensive income	**-**	**-**	**-**	**0.7**	**104.4**	**105.1**
Dividends	**-**	**-**	**-**	**-**	**(41.1)**	**(41.1)**
Share-based compensation cost	**-**	**-**	**0.5**	**-**	**-**	**0.5**
Balance at August 29, 2015	**416.0**	**(2.8)**	**58.6**	**0.7**	**619.4**	**1,091.9**
Balance at March 1, 2014	422.1	(3.0)	55.1	-	457.9	932.1
Net profit	-	-	-	-	107.7	107.7
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	107.7	107.7
Redemption of capital stock	(12.7)	-	-	-	(42.9)	(55.6)
Dividends	-	-	-	-	(37.7)	(37.7)
Share-based compensation cost	-	-	0.4	-	-	0.4
Options exercised	1.1	-	(0.1)	-	-	1.0
Balance at August 30, 2014	410.5	(3.0)	55.4	-	485.0	947.9

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of financial position

(unaudited, in millions of Canadian dollars)	**As at August 29, 2015**	As at February 28, 2015
	$	$
Current assets		
Cash	**93.2**	121.9
Trade and other receivables	**193.2**	209.2
Inventories	**226.6**	224.8
Prepaid expenses	**10.2**	9.3
	523.2	565.2
Non-current assets		
Long-term receivables from franchisees	**30.9**	28.5
Investment in associates and joint ventures	**15.4**	15.4
Property and equipment	**486.1**	438.3
Investment property	**23.7**	24.0
Intangible assets	**204.4**	207.0
Goodwill	**36.0**	36.0
Deferred tax	**12.8**	14.1
Other long-term assets	**16.3**	15.1
Total assets	**1,348.8**	1,343.6
Current liabilities		
Trade and other payables	**229.2**	245.4
Income taxes payable	**7.2**	47.5
	236.4	292.9
Non-current liabilities		
Deferred tax	**1.0**	0.5
Other long-term liabilities	**19.5**	22.8
Total liabilities	**256.9**	316.2
Equity	**1,091.9**	1,027.4
Total liabilities and equity	**1,348.8**	1,343.6

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of cash flows

For the periods ended August 29, 2015 and August 30, 2014	13 weeks 2015	13 weeks 2014	26 weeks 2015	26 weeks 2014
(unaudited, in millions of Canadian dollars)	**$**	$	**$**	$
Operating activities				
Net profit	**53.8**	53.6	**104.4**	107.7
Adjustments:				
Depreciation and amortization	**7.9**	7.9	**15.5**	15.9
Interest income	**(0.4)**	(0.5)	**(0.9)**	(0.9)
Income taxes	**20.2**	19.9	**45.5**	40.1
Others	**1.1**	0.9	**2.1**	2.1
	82.6	81.8	**166.6**	164.9
Net change in non-cash asset and liability items	**(9.2)**	(18.5)	**(9.9)**	(14.0)
Interest received	**0.4**	0.6	**0.9**	0.9
Income taxes paid	**(22.4)**	(7.6)	**(84.1)**	(22.7)
Cash flow related to operating activities	**51.4**	56.3	**73.5**	129.1
Investing activities				
Investments in associates and joint ventures	**-**	-	**-**	(1.0)
Purchase of property and equipment	**(31.7)**	(12.4)	**(54.3)**	(21.1)
Proceeds from disposal of property and equipment	**0.1**	-	**0.1**	-
Purchase of investment property	**-**	(1.0)	**-**	(1.0)
Proceeds from disposal of investment property	**-**	1.0	**-**	1.0
Net change in long-term receivables from franchisees	**(3.0)**	(3.8)	**(4.1)**	(5.2)
Purchase of intangible assets	**(1.6)**	(7.6)	**(3.1)**	(8.8)
Cash flow related to investing activities	**(36.2)**	(23.8)	**(61.4)**	(36.1)
Financing activities				
Issuance of capital stock	**-**	0.5	**-**	1.0
Redemption of capital stock	**-**	(51.9)	**-**	(51.9)
Dividends paid	**(20.5)**	(18.8)	**(41.1)**	(37.7)
Cash flow related to financing activities	**(20.5)**	(70.2)	**(41.1)**	(88.6)
Effect of foreign exchange rate changes on cash and cash equivalents	**0.3**	-	**0.3**	-
Net change in cash and cash equivalents	**(5.0)**	(37.7)	**(28.7)**	4.4
Cash and cash equivalents, beginning of period	**98.2**	116.4	**121.9**	74.3
Cash and cash equivalents, end of period	**93.2**	78.7	**93.2**	78.7