The Jean Coutu Group (PJC) Inc.

Trades under the symbol (TSX): PJC.A

Press release
For immediate release

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

Varennes, Québec, January 7, 2016 - The Jean Coutu Group (PJC) Inc. (the "Corporation" or the "Jean Coutu Group") reported today its financial results for the quarter ended November 28, 2015.

SUMMARY OF RESULTS

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

	Third quarter		**39-week period**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Revenues	**749.2**	736.7	**2,148.2**	2,099.7
Operating income before amortization ("OIBA")	**87.0**	84.8	**251.7**	247.8
Net profit	**57.8**	56.0	**162.2**	163.7
Per share	**0.31**	0.30	**0.87**	0.87

Highlights

- Revenues increased by 1.7% to $749.2 million for the third quarter of fiscal year 2016 compared with the same quarter of last year.
- OIBA increased by 2.6% for the third quarter of fiscal year 2016, despite the deflationary impact on revenues of the volume increase in prescriptions of generic drugs.
- Net profit per share reached $0.31 during the third quarter of fiscal year 2016 compared with $0.30 for the same period of the previous fiscal year, a 3.3% increase.

Financial results

“We are satisfied with the results of the third quarter of fiscal 2016, which demonstrate the relevance of our strategies and the strength of our organization, despite the restrictive regulatory context which prevails in our industry”, stated Mr. François J. Coutu, President and Chief Executive Officer. “In the next few months, we will continue to capitalize on dynamic strategic initiatives to maintain our growth and sustain our leadership.”

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 $749.2 million during the quarter ended November 28, 2015, compared with $736.7 million for the quarter ended November 29, 2014. For the 39-week period of fiscal year 2016, revenues amounted to $2,148.2 million compared with $2,099.7 million for the same period of the previous fiscal year, an increase of 2.3%. This increase is attributable to the overall market growth 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 $2.2 million to $87.0 million for the quarter ended November 28, 2015 compared with $84.8 million for the quarter ended November 29, 2014. An expense of $0.1 million for share-based payments instruments (stock appreciation rights and deferred share units) was recorded during the third quarter of fiscal year 2016 compared with $4.4 million for the third 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 shared-based payments instruments decreased by $2.1 million compared with the same quarter last year. OIBA as a percentage of revenues ended the third quarter of fiscal year 2016 at 11.6% compared with 11.5% for the same quarter of the previous fiscal year.

For the 39-week period of fiscal year 2016, the Corporation's OIBA increased by $3.9 million amounting to $251.7 million compared with $247.8 million for the same period of fiscal year 2015. A reversal of $3.5 million of liabilities for share-based payments instruments was recorded during the 39-week period of fiscal year 2016 compared with an expense of $5.9 million for the 39-week period of fiscal year 2015. OIBA before the expense for shared-based payments instruments decreased by $5.5 million compared with the same period last year. This decrease 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, expenses in information technology to improve the network's performance as well as expenses for the transition of our headquarters and distribution center to their new location in Varennes. As a percentage of revenues, OIBA ended the 39-week period of 2016 at 11.7% compared with 11.8% for the same period of the previous fiscal year.

Pro Doc

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $51.7 million for the quarter ended November 28, 2015, compared with $50.7 million for the quarter ended November 29, 2014. Pro Doc's contribution to the consolidated OIBA amounted to $23.4 million for the quarter ended November 28, 2015, compared with $22.3 million for the quarter ended November 29, 2014. Pro Doc's contribution to the consolidated OIBA as a percentage of gross sales, net of intersegment eliminations, ended the third quarter of fiscal year 2016 at 45.3% compared with 44.0% for the same period of the previous fiscal year.

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $151.0 million during the 39-week period of fiscal year 2016, compared with $147.1 million for the same period of fiscal year 2015. Pro Doc's contribution to the consolidated OIBA amounted to $68.4 million during the 39-week period of fiscal year 2016, compared with $67.1 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 39-week period of fiscal year 2016 at 45.3% compared with 45.6% for the same period of the previous fiscal year.

Net profit

Net profit amounted to $57.8 million ($0.31 per share) for the quarter ended November 28, 2015 compared with $56.0 million ($0.30 per share) for the quarter ended November 29, 2014.

Net profit for the 39-week period of fiscal year 2016 amounted to $162.2 million ($0.87 per share) compared with $163.7 million ($0.87 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 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. On November 19, 2015, the Supreme Court of Canada granted the leave to appeal filed by the Corporation. The Supreme Court of Canada hearing is tentatively scheduled in May 2016.

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 November 28, 2015, on a same-store basis, the PJC network's retail sales increased by 0.1%, pharmacy sales decreased by 1.6% and front-end sales increased by 2.4%, compared with the corresponding period last year. Sales of non-prescription drugs, which represented 9.1% of total retail sales, increased by 3.9% compared with 1.6% for the corresponding period of fiscal year 2015.

During the 39-week period of fiscal year 2016, on a same store basis, the PJC network's retail sales grew by 1.9%, pharmacy sales increased by 1.7% and front-end sales increased by 1.9%, compared with the same period last year. Sales on non-prescription drugs, which represented 8.7% of total retail sales, increased by 3.2% compared with 0.8% for the same period of fiscal year 2015.

Generic drugs reached 69.8% of prescriptions during the third 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 third quarter of fiscal year 2016 the introduction of new generic drugs reduced pharmacy's retail sales growth by 0.9%. Furthermore, price reductions of generic drugs reduced retail sales growth by 0.3% and, the periodic deductions agreed upon between the Ministry of Health and Social Services and the "*Association québécoise des pharmaciens propriétaires*" (AQPP) reduced the growth of those sales by another 3.5%.

	Third quarter		39-week period	
Network performance (1) *(unaudited)*	**2016**	2015	**2016**	2015
Retail sales *(in millions of dollars)*	**$1,053.4**	$1,049.6	**$3,149.5**	$3,075.6
Retail sales growth *(in percentage)*				
Total stores				
Total	**0.4%**	3.6%	**2.4%**	2.4%
Pharmacy	**(1.4)%**	4.2%	**2.0%**	2.7%
Front-end (2)	**2.9%**	2.7%	**2.5%**	1.7%
Same store				
Total	**0.1%**	3.1%	**1.9%**	1.9%
Pharmacy	**(1.6)%**	3.8%	**1.7%**	2.2%
Front-end (2)	**2.4%**	2.0%	**1.9%**	1.0%
Prescriptions growth *(in percentage)*				
Total stores	**2.5%**	4.0%	**2.8%**	4.0%
Same store	**2.4%**	3.7%	**2.5%**	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 third quarter of fiscal year 2016, there was 1 franchised store relocated and 1 store was closed. Also, 3 stores were significantly renovated or expanded.

As at November 28, 2015, total selling square footage of the PJC network amounted to 3,217,000 square feet compared with 3,167,000 square feet as at November 29, 2014.

Dividend
The Board of the Jean Coutu Group declared a quarterly dividend of $0.11 per share. This dividend will be paid on February 5, 2016, to all holders of Class "A" Subordinate Voting Shares and holders of Class "B" Shares listed in the Corporation's shareholder ledger as at January 22, 2016.

Regulatory changes
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, except for a 50 % reduction, from December 23, 2015 to March 16, 2016, of the periodic deductions agreed upon. Payments by owner pharmacists related to this reduction will be deferred to the following four quarters.

Following the closing of the quarter ended November 28, 2015, the Minister of Health and Social Services published a draft regulation to suspend, for a period of 3 years, the current maximum limit of 15 % applicable to the professional allowance consented by generic drug manufacturers to owner pharmacists. If the 15% cap on professional allowances is removed, the consolidated results would be affected because higher professional allowances than as currently allowed would reduce the profitability of the subsidiary Pro Doc.

The Corporation has reviewed proposed Bill 81, *An act to reduce the cost of certain medications covered by the basic prescription drug insurance plan by allowing calls for tender*, tabled by the Minister of Health and Social Services in the Québec National Assembly on November 24, 2015.

If enacted, proposed Bill 81 would amend the legislation relating to prescription drug insurance in Québec to, among other things, allow the Minister of Health and Social Services to issue a call for tenders to generic drug manufacturers and wholesalers to establish the pricing and supply conditions in respect of a given medication and grant exclusivity rights in respect thereof.

The Corporation notes that the conditions and mechanism applicable to any tender regime would be determined by ministerial regulation under proposed Bill 81, and that no details in this respect have been made available at this time.

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.

Conference call
Financial analysts and investors are invited to attend the conference call on the third quarter of fiscal year 2016 financial results to be held on January 7, 2016, at 9:00 AM (ET). The call-in number is 514-392-1478 or toll free at 1-866-225-0198. 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 February 6, 2016. The access code for the deferred broadcast is 5463996 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 416 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 November 28, 2015 and November 29, 2014	13 weeks		39 weeks	
	2015	2014	**2015**	2014
(unaudited, in millions of Canadian dollars, unless otherwise noted)	**$**	$	**$**	$
Sales	**678.2**	666.6	**1,938.5**	1,891.8
Other revenues	**71.0**	70.1	**209.7**	207.9
	749.2	736.7	**2,148.2**	2,099.7
Operating expenses				
Cost of sales	**587.7**	577.3	**1,682.5**	1,640.2
General and operating expenses	**74.5**	74.6	**214.0**	211.7
Operating income before depreciation and amortization	**87.0**	84.8	**251.7**	247.8
Depreciation and amortization	**8.2**	8.1	**23.7**	24.0
Operating income	**78.8**	76.7	**228.0**	223.8
Financing revenus	**(0.4)**	(0.1)	**(1.1)**	(0.8)
Profit before income taxes	**79.2**	76.8	**229.1**	224.6
Income taxes	**21.4**	20.8	**66.9**	60.9
Net profit	**57.8**	56.0	**162.2**	163.7
Basic and diluted profit per share, in dollars	**0.31**	0.30	**0.87**	0.87

Condensed consolidated statements of comprehensive income

For the periods ended November 28, 2015 and November 29, 2014	13 weeks		39 weeks	
	2015	2014	**2015**	2014
(unaudited, in millions of Canadian dollars)	**$**	$	**$**	$
Net profit	**57.8**	56.0	**162.2**	163.7
Other comprehensive income				
Items that will be reclassified subsequently to net profit:				
Net change in cash flow hedge:				
Gain for the period	**0.4**	-	**1.3**	-
Reclassification of gain to non-financial assets	**(0.2)**	-	**(0.3)**	-
Income taxes	**(0.1)**	-	**(0.2)**	-
	0.1	-	**0.8**	-
Total comprehensive income	**57.9**	56.0	**163.0**	163.7

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of changes in equity

For the periods ended November 28, 2015 and November 29, 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	**-**	**-**	**-**	**-**	**162.2**	**162.2**
Other comprehensive income	**-**	**-**	**-**	**0.8**	**-**	**0.8**
Total comprehensive income	**-**	**-**	**-**	**0.8**	**162.2**	**163.0**
Dividends	**-**	**-**	**-**	**-**	**(61.7)**	**(61.7)**
Share-based compensation cost	**-**	**-**	**0.7**	**-**	**-**	**0.7**
Balance at November 28, 2015	**416.0**	**(2.8)**	**58.8**	**0.8**	**656.6**	**1,129.4**
Balance at March 1, 2014	422.1	(3.0)	55.1	-	457.9	932.1
Net profit	-	-	-	-	163.7	163.7
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	163.7	163.7
Redemption of capital stock	(12.7)	-	-	-	(42.9)	(55.6)
Dividends	-	-	-	-	(56.5)	(56.5)
Share-based compensation cost	-	-	0.7	-	-	0.7
Options exercised	3.3	-	(0.5)	-	-	2.8
Balance at November 29, 2014	412.7	(3.0)	55.3	-	522.2	987.2

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of financial position

(unaudited, in millions of Canadian dollars)	**As at November 28, 2015** **$**	As at February 28, 2015 $
Current assets		
Cash	**122.1**	121.9
Trade and other receivables	**232.2**	209.2
Inventories	**220.1**	224.8
Prepaid expenses	**7.7**	9.3
	582.1	565.2
Non-current assets		
Long-term receivables from franchisees	**28.3**	28.5
Investment in associates and joint ventures	**15.2**	15.4
Property and equipment	**507.8**	438.3
Investment property	**24.3**	24.0
Intangible assets	**204.2**	207.0
Goodwill	**36.0**	36.0
Deferred tax	**12.6**	14.1
Other long-term assets	**15.4**	15.1
Total assets	**1,425.9**	1,343.6
Current liabilities		
Trade and other payables	**264.9**	245.4
Income taxes payable	**10.5**	47.5
	275.4	292.9
Non-current liabilities		
Deferred tax	**2.0**	0.5
Other long-term liabilities	**19.1**	22.8
Total liabilities	**296.5**	316.2
Equity	**1,129.4**	1,027.4
Total liabilities and equity	**1,425.9**	1,343.6

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of cash flows

For the periods ended November 28, 2015 and November 29, 2014	13 weeks		39 weeks	
	2015	2014	**2015**	2014
(unaudited, in millions of Canadian dollars)	**$**	$	**$**	$
Operating activities				
Net profit	**57.8**	56.0	**162.2**	163.7
Adjustments:				
Depreciation and amortization	**8.2**	8.1	**23.7**	24.0
Interest income	**(0.3)**	(0.3)	**(1.2)**	(1.2)
Income taxes	**21.4**	20.8	**66.9**	60.9
Others	**1.5**	1.2	**3.6**	3.3
	88.6	85.8	**255.2**	250.7
Net change in non-cash asset and liability items	**6.8**	(10.0)	**(3.1)**	(24.0)
Interest received	**0.3**	0.3	**1.2**	1.2
Income taxes paid	**(17.0)**	(7.4)	**(101.1)**	(30.1)
Cash flow related to operating activities	**78.7**	68.7	**152.2**	197.8
Investing activities				
Investments in associates and joint ventures	**-**	-	**-**	(1.0)
Purchase of property and equipment	**(27.7)**	(26.7)	**(82.0)**	(47.8)
Proceeds from disposal of property and equipment	**0.1**	-	**0.2**	-
Purchase of investment property	**(0.8)**	(0.2)	**(0.8)**	(1.2)
Proceeds from disposal of investment property	**-**	-	**-**	1.0
Net change in long-term receivables from franchisees	**1.3**	(0.7)	**(2.8)**	(5.9)
Purchase of intangible assets	**(2.6)**	(5.4)	**(5.7)**	(14.2)
Cash flow related to investing activities	**(29.7)**	(33.0)	**(91.1)**	(69.1)
Financing activities				
Financing fees	**(0.1)**	(0.2)	**(0.1)**	(0.2)
Issuance of capital stock	**-**	1.8	**-**	2.8
Redemption of capital stock	**-**	(3.7)	**-**	(55.6)
Dividends paid	**(20.6)**	(18.8)	**(61.7)**	(56.5)
Cash flow related to financing activities	**(20.7)**	(20.9)	**(61.8)**	(109.5)
Effect of foreign exchange rate changes on cash and cash equivalents	**0.6**	-	**0.9**	-
Net change in cash and cash equivalents	**28.9**	14.8	**0.2**	19.2
Cash and cash equivalents, beginning of period	**93.2**	78.7	**121.9**	74.3
Cash and cash equivalents, end of period	**122.1**	93.5	**122.1**	93.5