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 2017 RESULTS

Varennes, Québec, October 5, 2016 - The Jean Coutu Group (PJC) Inc. (the "Corporation" or the "Jean Coutu Group") reported today its financial results for the quarter ended August 27, 2016.

SUMMARY OF RESULTS

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

	Second quarter		First half	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenues	**701.2**	686.6	**1,424.8**	1,399.0
Operating income before amortization ("OIBA")	**78.5**	81.7	**155.5**	164.7
Net profit	**51.5**	53.8	**100.5**	104.4
Per share	**0.28**	0.29	**0.54**	0.56

Highlights

- Revenues increased by 2.1% to $701.2 million for the second quarter of fiscal year 2017 compared with the same quarter last year.
- Sales of the commercial section of our distribution centers increased by 6.5% during the second quarter of fiscal year 2017 compared with the same quarter last year.

Financial results

“During the second quarter, sales of the commercial section showed a significant increase despite a still very competitive environment, demonstrating the effectiveness of our business strategies," stated Mr. François J. Coutu, President and CEO. "We will continue to make the necessary efforts to promote sales growth and maintain 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 $701.2 million for the quarter ended August 27, 2016, compared with $686.6 million for the quarter ended August 29, 2015. For the first half of fiscal year 2017, revenues amounted to $1,424.8 million compared with $1,399.0 million for the same period of the previous fiscal year, an increase of 1.8%. 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. The increase in sales of the commercial section of our distribution centers reflects the success of our business strategies as well as the strength of our brand.

OIBA

OIBA decreased by $3.2 million to $78.5 million for the quarter ended August 27, 2016 compared with $81.7 million for the quarter ended August 29, 2015. No adjustment of liabilities for share-based payments instruments (stock appreciation rights and deferred share units) was recorded during the second quarter of fiscal year 2017 compared with a reversal of $1.5 million for the second quarter of fiscal year 2016. 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. Furthermore, gains on the sale of property & equipment and investment property of $6.4 million were recorded during the second quarter of fiscal year 2017 compared with $0.1 million for the second quarter of fiscal year 2016. OIBA before the expense for those shared-based payments instruments and the gains on the sale of property & equipment and investment property decreased by $8.0 million compared with the same quarter last year. This decrease is mainly due to the lower contribution of Pro Doc to the OIBA and by an increase in general and operating expenses such as labor and other expenses related to the transition to the Varennes location. OIBA as a percentage of revenues ended the second quarter of fiscal year 2017 at 11.2% compared with 11.9% for the same quarter of the previous fiscal year.

For the first half of fiscal year 2017, the Corporation's OIBA decreased by $9.2 million amounting to $155.5 million compared with $164.7 million for the same period of fiscal year 2016. A reversal of $0.1 million of liabilities for share-based payments instruments (stock appreciation rights and deferred share units) was recorded during the first half of fiscal year 2017 compared with $3.6 million for the first half of fiscal year 2016. Furthermore, gains on the sale of property & equipment and investment property of $6.2 million were recorded in the first half of fiscal year 2017. OIBA before the expense for those shared-based payments instruments and the gains on the sale of property & equipment and investment property decreased by $11.9 million compared with the same period last year. As a percentage of revenues, OIBA ended the first semester of 2017 at 10.9% 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 $49.4 million for the quarter ended August 27, 2016, compared with $49.0 million for the quarter ended August 29, 2015. Pro Doc's contribution to the consolidated OIBA amounted to $17.9 million for the quarter ended August 27, 2016, compared with $22.7 million for the quarter ended August 29, 2015. This decrease is mainly attributable to the increase on April 28, 2016 of the maximum professional allowances allowed by the regulation on benefits authorized to a pharmacist from 15% to 25%. 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 2017 at 36,2% compared with 46.3% for the same period of the previous fiscal year.

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $100.9 million for the first half of fiscal year 2017, compared with $99.3 million for the same period of fiscal year 2016. Pro Doc's contribution to the consolidated OIBA amounted to $39.2 million for the first half of fiscal year 2017, compared with $45.0 million for the same period of fiscal year 2016. 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 2017 at 38.9% compared with 45.3% for the same period of the previous fiscal year.

Net profit

Net profit amounted to $51.5 million ($0.28 per share) for the quarter ended August 27, 2016 compared with $53.8 million ($0.29 per share) for the quarter ended August 29, 2015.

Net profit for the first half of fiscal year 2017 amounted to $100.5 million ($0.54 per share) compared with $104.4 million ($0.56 per share) for the same period of fiscal year 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 August 27, 2016, on a same-store basis, the PJC network's retail sales increased by 2.0%, pharmacy sales increased by 0.8% and front-end sales increased by 4.5%, compared with the corresponding period last year. Sales of non-prescription drugs, which represented 8.4% of total retail sales, increased by 5.1% compared with 1.1% for the corresponding period of fiscal year 2016.

For the first half of fiscal year 2017, on a same store basis, the PJC network's retail sales grew by 1.5%, pharmacy sales increased by 0.7% and front-end sales increased by 3.4%, compared with the same period last year. Sales on non-prescription drugs which represented 8.7% of total retail sales, increased by 4.5% compared with 2.8% for the same period of fiscal year 2016.

Generic drugs reached 71.3% of prescriptions during the second quarter of fiscal year 2017 compared with 70.0% 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 2017, the introduction of new generic drugs reduced pharmacy’s retail sales growth by 0.4%. Furthermore, price reductions of generic drugs reduced retail sales growth by 0.3% and the periodic deductions agreed upon between the *"Ministère de la Santé et des Services sociaux"* (MSSS) and the "*Association québécoise des pharmaciens propriétaires*" (AQPP) reduced the growth of those sales by an additional 1.4%. The 4.0% growth in number of prescriptions for total stores during this period exceeded the growth of pharmacy's retail sales. This difference is mainly due to the deflationary impact of the increase of generic drugs prescriptions as well as the impact of the periodic deductions from the MSSS during the last quarter.

	Second quarter		**First half**	
Network performance [1] *(unaudited)*	**2017**	2016	**2017**	2016
Retail sales *(in millions of dollars)*	**$1,058.6**	$1,033.5	**$2,137.5**	$2,096.1
Retail sales growth *(in percentage)*				
Total stores				
Total	**2.4%**	2.6%	**2.0%**	3.5%
Pharmacy	**1.2%**	2.9%	**1.0%**	3.8%
Front-end [2]	**5.2%**	1.2%	**4.0%**	2.3%
Same store				
Total	**2.0%**	2.0%	**1.5%**	2.9%
Pharmacy	**0.8%**	2.5%	**0.7%**	3.3%
Front-end [2]	**4.5%**	0.4%	**3.4%**	1.6%
Prescriptions growth *(in percentage)*				
Total stores	**4.0%**	2.7%	**4.0%**	2.9%
Same store	**3.7%**	2.4%	**3.7%**	2.6%

(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 2017, 2 stores were renovated or expanded.

As at August 27, 2016, total selling square footage of the PJC network amounted to 3,257,000 square feet compared with 3,211,000 square feet as at August 29, 2015.

Financing activities

The Corporation extended its $250 million credit facility maturity date by 1 year to November 2021. All other terms and conditions of the credit agreement remained unchanged.

Dividend

The Board of the Jean Coutu Group declared a quarterly dividend of $0.12 per share. This dividend will be paid on November 4, 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 October 21, 2016.

Regulatory changes

On June 10, 2016, the Québec National Assembly adopted the 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* allowing the Minister of Health and Social Services to issue a call for tenders to add drugs to the Drugs List as well as, in relation to drugs having been the object of such a call for tenders, for the services of a wholesaler to supply the pharmacist owners. A draft regulation to determine the conditions and applicable mechanisms to any call for tenders was published in the *"Gazette officielle du Québec"* on August 24, 2016. The regulation on the call for tenders procedure can be enacted by the Minister of Health and Social Services after a period of 45 days starting on that date.

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, would however have a deflationary impact on retail sales in pharmacy. The regulation amending the benefits authorized for pharmacists increased the maximum professional allowances from 15% to 25% for a period of 6 months since April 28, 2016 and to 30% for the following 3 months. After this period, no limit will apply for a period of 2 years and 3 months. Those increases in professional allowances as well as additional generic drugs price decreases will reduce the profitability of the subsidiary Pro Doc.

Conference call

Financial analysts and investors are invited to attend the conference call on the second quarter of fiscal year 2017 financial results to be held on October 5, 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 November 4, 2016. The access code is 7278588 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 420 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 27, 2016. 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.

- 30 -

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THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of income

For the periods ended August 27, 2016 and August 29, 2015	13 weeks 2016	13 weeks 2015	26 weeks 2016	26 weeks 2015
(unaudited, in millions of Canadian dollars, unless otherwise noted)	**$**	$	**$**	$
Sales	**631.8**	616.5	**1,285.5**	1,260.3
Other revenues	**69.4**	70.1	**139.3**	138.7
	701.2	686.6	**1,424.8**	1,399.0
Operating expenses				
Cost of sales	**555.0**	537.1	**1,123.7**	1,094.8
General and operating expenses	**67.7**	67.8	**145.6**	139.5
Operating income before depreciation and amortization	**78.5**	81.7	**155.5**	164.7
Depreciation and amortization	**10.0**	7.9	**20.1**	15.5
Operating income	**68.5**	73.8	**135.4**	149.2
Financing revenus	**(0.5)**	(0.2)	**(1.0)**	(0.7)
Profit before income taxes	**69.0**	74.0	**136.4**	149.9
Income taxes	**17.5**	20.2	**35.9**	45.5
Net profit	**51.5**	53.8	**100.5**	104.4
Basic and diluted profit per share, in dollars	**0.28**	0.29	**0.54**	0.56

Condensed consolidated statements of comprehensive income

For the periods ended August 27, 2016 and August 29, 2015	13 weeks 2016	13 weeks 2015	26 weeks 2016	26 weeks 2015
(unaudited, in millions of Canadian dollars)	**$**	$	**$**	$
Net profit	**51.5**	53.8	**100.5**	104.4
Other comprehensive income				
Items that will be reclassified subsequently to net profit:				
Net change in cash flow hedge:				
Gain (loss) for the period	**(0.3)**	0.9	**(0.9)**	0.9
Reclassification of loss (gain) to non-financial assets	**0.2**	(0.1)	**0.1**	(0.1)
Income taxes (recovery)	**-**	(0.1)	**0.2**	(0.1)
	(0.1)	0.7	**(0.6)**	0.7
Total comprehensive income	**51.4**	54.5	**99.9**	105.1

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of changes in equity

For the periods ended August 27, 2016 and August 29, 2015

(unaudited, in millions of Canadian dollars)

	Capital stock	Treasury stock	Contributed surplus	Hedging reserve	Retained earnings	Total equity
	$	$	$	$	$	$
Balance at February 27, 2016	**405.2**	**(2.2)**	**58.7**	**0.6**	**658.0**	**1,120.3**
Net profit	**-**	**-**	**-**	**-**	**100.5**	**100.5**
Other comprehensive income	**-**	**-**	**-**	**(0.6)**	**-**	**(0.6)**
Total comprehensive income	**-**	**-**	**-**	**(0.6)**	**100.5**	**99.9**
Dividends	**-**	**-**	**-**	**-**	**(44.4)**	**(44.4)**
Share-based compensation cost	**-**	**-**	**0.4**	**-**	**-**	**0.4**
Balance at August 27, 2016	**405.2**	**(2.2)**	**59.1**	**-**	**714.1**	**1,176.2**
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

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of financial position

(unaudited, in millions of Canadian dollars)	**As at August 27, 2016** **$**	As at February 27, 2016 $
Current assets		
Cash and temporary investment	**148.6**	100.3
Trade and other receivables	**183.3**	194.5
Inventories	**251.3**	224.0
Prepaid expenses	**11.3**	8.4
Income taxes receivable	**0.2**	8.8
	594.7	536.0
Non-current assets		
Long-term receivables from franchisees	**26.9**	27.5
Investment in associates and joint ventures	**30.3**	29.6
Property and equipment	**497.6**	510.7
Investment property	**19.7**	20.9
Intangible assets	**207.3**	203.0
Goodwill	**36.0**	36.0
Deferred tax	**0.1**	0.1
Other long-term assets	**16.4**	15.7
Total assets	**1,429.0**	1,379.5
Current liabilities		
Trade and other payables	**225.8**	234.8
	225.8	234.8
Non-current liabilities		
Deferred tax	**8.3**	6.6
Other long-term liabilities	**18.7**	17.8
Total liabilities	**252.8**	259.2
Equity	**1,176.2**	1,120.3
Total liabilities and equity	**1,429.0**	1,379.5

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of cash flows

For the periods ended August 27, 2016 and August 29, 2015	13 weeks 2016	13 weeks 2015	26 weeks 2016	26 weeks 2015
(unaudited, in millions of Canadian dollars)	**$**	$	**$**	$
Operating activities				
Net profit	**51.5**	53.8	**100.5**	104.4
Adjustments:				
Depreciation and amortization	**10.0**	7.9	**20.1**	15.5
Interest income	**(0.5)**	(0.4)	**(0.9)**	(0.9)
Income taxes	**17.5**	20.2	**35.9**	45.5
Gain on disposal of property and equipment and investment property	**(6.4)**	(0.1)	**(6.2)**	-
Others	**1.0**	1.2	**2.5**	2.1
	73.1	82.6	**151.9**	166.6
Net change in non-cash asset and liability items	**2.1**	(9.2)	**(21.0)**	(9.9)
Interest received	**0.5**	0.4	**0.9**	0.9
Income taxes paid	**(15.7)**	(22.4)	**(25.4)**	(84.1)
Cash flow related to operating activities	**60.0**	51.4	**106.4**	73.5
Investing activities				
Investments in associates and joint ventures	**-**	-	**(0.8)**	-
Purchase of property and equipment	**(4.7)**	(31.7)	**(13.2)**	(54.3)
Proceeds from disposal of property and equipment	**14.0**	0.1	**14.0**	0.1
Proceeds from disposal of investment property	**0.2**	-	**0.3**	-
Net change in long-term receivables from franchisees	**0.4**	(3.0)	**(1.5)**	(4.1)
Purchase of intangible assets	**(1.3)**	(1.6)	**(10.8)**	(3.1)
Cash flow related to investing activities	**8.6**	(36.2)	**(12.0)**	(61.4)
Financing activities				
Redemption of capital stock	**-**	-	**(0.8)**	-
Dividends paid	**(22.2)**	(20.5)	**(44.4)**	(41.1)
Cash flow related to financing activities	**(22.2)**	(20.5)	**(45.2)**	(41.1)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.1)**	0.3	**(0.9)**	0.3
Net change in cash and cash equivalents	**46.3**	(5.0)	**48.3**	(28.7)
Cash and cash equivalents, beginning of period	**102.3**	98.2	**100.3**	121.9
Cash and cash equivalents, end of period	**148.6**	93.2	**148.6**	93.2
Cash and cash equivalents consist of:				
Cash			**143.1**	75.7
Temporary investment			**5.5**	17.5
			148.6	93.2