The Jean Coutu Group (PJC) Inc.

RESULTS FOR THE FIRST QUARTER

OF FISCAL YEAR

2017

13-WEEK PERIOD ENDED MAY 28, 2016

TABLE OF CONTENTS

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 28, 2016, the Corporation operates a network of 420 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 28, 2016

To our shareholders:

The Jean Coutu Group is pleased to report its financial results for the first quarter of fiscal year 2017.

Revenues amounted to $723.6 million for the first quarter of fiscal year 2017 compared with $712.4 million for the same period of previous fiscal year.

Operating income before depreciation and amortization ("OIBA") decreased by $6.0 million and amounted to $77.0 million for the quarter ended May 28, 2016 compared with $83.0 million for the quarter ended May 30, 2015. Pro Doc's contribution to the consolidated OIBA, net of intersegment eliminations, amounted to $21.3 million for the quarter ended May 28, 2016 compared with $22.3 million for the quarter ended May 30, 2015.

Net profit for the first quarter of fiscal year 2017 amounted to $49.0 million ($0.27 per share) compared with $50.6 million ($0.27 per share) for the first quarter of fiscal year 2016.

As at May 28, 2016, there were 420 stores in the PJC network of franchised stores. For the first quarter of fiscal year 2017, total retail sales for the PJC network of franchised stores increased by 1.5% and on a same-store basis, the PJC network's retail sales increased by 1.1% compared with the first quarter of fiscal year 2016.

The Board of the Jean Coutu Group declared a quarterly dividend of $0.12 per share. This dividend will be paid on August 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 July 22, 2016.

“During the first quarter, network retail sales showed an increase despite a very competitive environment and a difficult regulatory context, which demonstrates the effectiveness of our strategies and the strength of our brand,” stated the President and CEO, François J. Coutu. “We will continue to make every effort required to reach our objectives and remain a leader in our sector.”

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 2017. This MD&A should be read in conjunction with the Corporation's unaudited condensed consolidated financial statements for the first quarter of fiscal year 2017, its annual audited consolidated financial statements and its annual MD&A of fiscal year 2016.

The Jean Coutu Group is one of the most trusted names in Canadian pharmacy retailing. As at May 28, 2016, the Corporation operates a network of 420 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 year ending March 4, 2017 will include 53 weeks whereas fiscal year ended February 27, 2016 included 52 weeks. The quarters ended May 28, 2016 ("Q1-2017") and May 30, 2015 ("Q1-2016") 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 quarters ended May 28, 2016 (Q1–2017) and May 30, 2015 (Q1-2016).

	Quarter	
(Unaudited, in millions of dollars except per share amounts)	**Q1 - 2017**	Q1 - 2016
	$	$
Sales	**653.7**	643.8
Other revenues	**69.9**	68.6
Revenues [(1)]	**723.6**	712.4
Gross profit	**85.0**	86.1
Operating income before amortization ("OIBA")		
Franchising	**55.7**	60.7
Generic drugs	**21.3**	17.1
Intersegment eliminations	**-**	5.2
	77.0	83.0
Financing revenues	**0.5**	0.5
Income tax expense	**18.4**	25.3
Net profit	**49.0**	50.6
Per share, basic and diluted	**0.27**	0.27

(1) Revenues include sales and other revenues.

COMPARISON OF THE CONSOLIDATED QUARTERLY RESULTS FOR THE PERIODS ENDED MAY 28, 2016 (Q1-2017) AND MAY 30, 2015 (Q1-2016)

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

Revenues

Sales amounted to $653.7 million for the quarter ended May 28, 2016, compared with $643.8 million for the quarter ended May 30, 2015, a 1.5% increase. 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.

Gross sales of Pro Doc drugs, net of intersegment eliminations, amounted to $51.5 million for the quarter ended May 28, 2016, compared with $50.3 million for the quarter ended May 30, 2015, an increase of 2.4%.

Other revenues amounted to $69.9 million for the first quarter of fiscal year 2017 compared with $68.6 million for the first quarter of fiscal year 2016.

Gross profit

For the first quarter of fiscal year 2017, gross profit amounted to $85.0 million compared with $86.1 million for the first quarter of the previous fiscal year, a decrease of 1.3%. For the quarter ended May 28, 2016, gross profit calculated as a percentage of sales was 13.0% compared with 13.4% for the same period of the previous fiscal year.

OIBA – Consolidated

As a percentage of revenue, consolidated OIBA amounted to 10.6% for the first quarter of fiscal year 2017 compared with 11.7% for the same quarter of the previous fiscal year. The variation 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 of the franchising activities decreased by $5.0 million to $55.7 million for the first quarter of fiscal year 2017 compared with $60.7 million for the first quarter 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 quarter of fiscal year 2017 compared with $2.1 million for the first 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. OIBA before the expense for those shared-based payments instruments decreased by $3.0 million compared with the same quarter last year. This decrease is mainly explained by an increase of general and operating expenses such as higher labor expenses related to the transition to the new location in Varennes, annual inflation and higher volume distributed.

OIBA – Generic drugs segment

Pro Doc's contribution to the consolidated OIBA, net of intersegment eliminations, decreased by $1.0 million to $21.3 million for the first quarter of fiscal year 2017, compared with $22.3 million for the first quarter of fiscal year 2016. This decrease is mainly attributable to the increase of professional allowances paid to pharmacists. Pro Doc's contribution to the consolidated OIBA, as a percentage of its gross sales and net of intersegment eliminations, reached 41.4% for the first quarter of current fiscal year compared with 44.3% for the same period of the previous fiscal year.

Financing revenues

For the first quarter of fiscal year 2017, financing revenues amounted to $0.5 million same as for the first quarter of fiscal year 2016.

Income tax

For the first quarter of fiscal year 2017, income tax expense amounted to $18.4 million, compared with $25.3 million for the first quarter of fiscal year 2016. This corresponds to effective income tax rates of 27.3% and 33.3%, respectively. The variation in effective rate is mainly attributable to the 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 hearing at the Supreme Court of Canada of the appeal by the Corporation was held on May 18, 2016. The Corporation is waiting for the decision of the Supreme Court of Canada in this file.

Net profit

Net profit for the quarter ended May 28, 2016 amounted to $49.0 million ($0.27 per share) compared with $50.6 million ($0.27 per share) for the quarter ended May 30, 2015.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION – UNAUDITED

(Unaudited, in millions of dollars except per share amounts)	Quarters							
	Q1-2017	Q4-2016[1]	Q3-2016	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015
	$	$	$	$	$	$	$	$
Revenues								
Franchising	**723.3**	705.7	748.0	684.6	712.0	713.2	736.3	673.4
Generic drugs	**40.6**	(37.0)	41.3	48.6	33.5	45.7	45.0	46.8
Intersegment sales	**(40.3)**	37.9	(40.1)	(46.6)	(33.1)	(45.0)	(44.6)	(45.8)
	723.6	706.6	749.2	686.6	712.4	713.9	736.7	674.4
Operating income before depreciation and amortization ("OIBA")								
Franchising	**55.7**	57.2	63.6	59.0	60.7	61.0	62.5	58.9
Generic drugs	**21.3**	(23.8)	22.3	27.6	17.1	24.8	23.6	26.5
Intersegment eliminations	**-**	46.2	1.1	(4.9)	5.2	(1.7)	(1.3)	(4.4)
	77.0	79.6	87.0	81.7	83.0	84.1	84.8	81.0
Net profit	**49.0**	51.5	57.8	53.8	50.6	55.2	56.0	53.6
Basic profit per share	**0.27**	0.28	0.31	0.29	0.27	0.30	0.30	0.28

[1] For Q4-2016, the generic drugs segment and the intersegment eliminations varied following the implementation of a consignment contract between the generic drugs and the franchising segments.

Except for Q4-2016, the Corporation's revenues for each comparable quarter have been increasing. This increase is due to the overall market growth despite the deflationary impact on revenues of the increase in proportion of prescriptions of generic drugs compared with the brand name drugs as well as of the price reductions of generic drugs. The reduction in revenues for Q4-2016 is mainly attributable to the decrease in sales of non-prescription drugs for cold and flu.

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 and the benefits authorized for pharmacists

The reimbursement rate for four large volume generic prescription drugs was considerably reduced for all Canadian provinces in April 2015 and for another generic drug in May 2016. These changes, 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.

The Minister of Health and Social Services published on April 13, 2016, the regulation amending the benefits authorized for pharmacists increasing 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. The increase in professional allowances higher than as currently allowed will reduce the profitability of the subsidiary Pro Doc.

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 28, 2016 there were 420 stores in the PJC network, compared with 417 as at February 27, 2016 and 416 as at May 30, 2015. As at May 28, 2016, total selling square footage of the PJC network amounted to 3,254,000 square feet compared with 3,230,000 square feet as at February 27, 2016 and 3,188,000 square feet as at May 30, 2015.

During the first quarter of fiscal year 2017, there were 5 store openings in the PJC network of franchised stores including 2 relocations compared with 2 store openings including 1 relocation during the first quarter of fiscal year 2016. Furthermore, the Corporation did not proceed to any closing during the first quarter of the current fiscal year, compared with the closing of 1 PJC Santé during the first quarter of previous fiscal year.

NETWORK PERFORMANCE

	13 weeks	
(Unaudited)	**Q1-2017**	Q1-2016
Retail sales *(in millions of dollars)*	**$1,078.9**	$1,062.6
Retail sales per square foot *(in dollars)* (1)	**$1,315**	$1,296
Retail sales per sector *(in percentage)*		
Pharmacy, prescription drugs	**62.9%**	63.3%
Front-end, non-prescription drugs	**9.0%**	8.8%
Front-end, general merchandise	**28.1%**	27.9%
Retail sales growth *(in percentage)*		
Total stores		
Total	**1.5%**	4.4%
Pharmacy	**0.8%**	4.7%
Front-end (2)	**3.0%**	3.4%
Same store (3)		
Total	**1.1%**	3.8%
Pharmacy	**0.5%**	4.2%
Front-end (2)	**2.3%**	2.7%
Prescriptions growth *(in percentage)*		
Total stores	**4.0%**	3.2%
Same store (3)	**3.8%**	2.8%

(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 2017, on a same-store basis, PJC network retail sales grew by 1.1%, pharmacy sales increased by 0.5% and front-end sales increased by 2.3% compared with the same period last year. Still for the first quarter of fiscal year 2017, sales of non-prescription drugs, which represented 9.0% of total retail sales, increased by 3.9% compared with an increase of 4.4% for the first quarter of the previous fiscal year.

Proportion of generic drugs reached 70.7% of prescriptions during the first quarter of current fiscal year compared with 69.1% of prescriptions for 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 2017, the introduction of new generic drugs reduced pharmacy's retail sales growth by 0.2%. Furthermore, the price reductions of generic drugs reduced retails sales by 0.2% 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 another 1.3%. The growth in number of prescriptions for total stores of 4.0% during this period exceeded by 3.2% the growth of pharmacy's retail sales (0.8%). This difference is mainly due to the deflationary impact of the increase of generic drugs prescriptions, a lower increase in sales of new expensive specialty drugs as well as the impact of the periodic deductions from the MSSS during the last quarter.

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 28, 2016 and May 30, 2015.

	13 weeks	
(In millions of dollars)	**Q1-2017**	Q1-2016
	$	$
Cash flow provided by operating activities	**46.4**	22.1
Cash flow related to investing activities	**(20.6)**	(25.2)
Cash flow related to financing activities	**(23.0)**	(20.6)

COMPARISON OF THE CONSOLIDATED INFORMATION ON LIQUIDITY FOR QUARTERS ENDED MAY 28, 2016 AND MAY 30, 2015

Cash flow generated by operating activities

Cash generated by operating activities amounted to $46.4 million for the first quarter of fiscal year 2017 compared with $22.1 million for the first quarter of fiscal year 2016. This increase of $24.3 million is mainly due to the decrease of $52.0 million of income tax paid. This decrease was partly offset by the net change in non-cash asset and liability items during the first quarter of the current fiscal year. Readers are referred to Note 8 of the Corporation's unaudited condensed consolidated financial statements for the first quarter of fiscal year 2017 for a listing of the net changes in non-cash asset and liability items.

Cash flow related to investing activities

Cash used for investing activities during the first quarter of fiscal year 2017 amounted to $20.6 million compared with $25.2 million during the first quarter of fiscal year 2016. For the first quarter of fiscal year 2017, $8.5 million were used to acquire property and equipment mainly related to the new facilities in Varennes and $9.5 million for intangible assets whereas for 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 were used to acquire intangible assets. During the first quarter of current fiscal year, 5 stores were opened, including 2 relocations, in the PJC network of franchised stores. Furthermore, 4 stores were significantly renovated or expanded.

Cash flow related to financing activities

For the first quarter of fiscal 2017, cash used for financing activities amounted to $23.0 million compared with $20.6 million for the first quarter of fiscal year 2016. During the first quarter of fiscal year 2017, the Corporation paid a quarterly dividend of $0.12 per Class "A" Subordinate Voting Share and Class "B" share. These dividends amounted to $22.2 million (annualized dividend of $0.48 per share). 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 for a total of $20.6 million (annualized dividend of $0.44 per share).

LONG-TERM DEBT

As at May 28, 2016, the Corporation had access to an unsecured revolving credit facility maturing on November 10, 2020 in the amount of $250.0 million. As at May 28, 2016 this credit facility was unused.

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 28, 2016, all of its bank covenants were respected.

CAPITAL STOCK

Repurchase under the normal course issuer bid

On April 27, 2016, the Corporation announced its intention to repurchase for cancellation, if it is considered advisable, up to 4,063,000 of its outstanding Class "A" Subordinate Voting Shares, representing approximately 5% of the current public float of such shares, over a 12-month period ending no later than May 8, 2017. The shares will be repurchased through the facilities of the Toronto Stock Exchange ("TSX") and in accordance with its requirements.

On April 29, 2015, the Corporation announced its intention to repurchase for cancellation 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. During the term of this normal course issuer bid, 2,170,790 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 28, 2016 and May 30, 2015 the Corporation did not repurchase any Class "A" Subordinate Voting Shares.

Shares issued

As at May 28, 2016 and as at February 27, 2016, the total number of Class "A" Subordinate Voting Shares issued was 81.4 million, and the number of Class "B" shares was 103.5 million, for a total of 184.9 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 25 of the Corporation's consolidated financial statements of fiscal year 2016.

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 27, 2016.

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 variables rates financial obligations. Depending on the surrounding markets in interest rate, the Corporation could, in the future, use derivative financial instruments or other tools to manage this risk.

Readers are referred to Note 28 of the Corporation's consolidated financial statements of fiscal year 2016 for more information on other risks related to financial instruments to which the Corporation is exposed to.

Guarantees and buyback agreements

As at May 28, 2016, the Corporation had guaranteed the reimbursement of certain bank loans contracted by franchisees for a maximum amount of $1.8 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 28, 2016, financing related to the equipment and inventories buyback agreements were $73.4 million and $130.9 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 28, 2016 and February 27, 2016 consolidated financial statements.

Contingencies

In the normal course of its operating activities, the Corporation is involved in various claims and legal proceedings. Although the outcome of these proceedings cannot be determined with certainty, management estimates that any responsibility resulting from such contingencies are not likely to have a substantial negative impact on the Corporation's consolidated financial statements. The Corporation limits its exposure by subscribing to insurance policies and by getting indemnification commitments from some of its major suppliers to cover some risk of claims related to its activities.

Also, during fiscal years 2009 and 2011, the Corporation was named as a defendant in two actions instituted against it by the same franchisee. The plaintiff claims that the clause of its franchise agreement regarding the payment of royalties on the sale of medications of its pharmacies would be illegal because it would lead him to contravene an article of the Pharmacists' Code of ethics and claims the reimbursement of royalties paid on the sale of medications and damages. The Corporation contests the grounds upon which these actions are based and intends to defend its position. However, due to the inherent uncertainties of litigation, it is not possible to predict the final outcome of these lawsuits or to determine the amount of any potential losses, if any. No provision for contingent loss has been recorded in the Corporation's 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 28, 2016, Mr. Jean Coutu had the ultimate control of the Jean Coutu Group (PJC) Inc.

Readers are referred to Note 27 of the Corporation's consolidated financial statements of fiscal year 2016 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 10. "Critical accounting estimates" of the Corporation's MD&A of fiscal year ended February 27, 2016. There were no significant changes in the critical accounting estimates since fiscal year 2016.

9. RISKS AND UNCERTAINTIES

The section "Risks and uncertainties" of the MD&A for fiscal year 2016 relates various risks the Corporation faces. Detail and description of those risks did not change since fiscal year 2016 except for the recent development related to the proposed Bill 81 relating to Prescription Drug Insurance in Québec described below.

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. 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.

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 2017.

11. STRATEGIES AND OUTLOOK

This section is subject to Section 9 ("Risks and uncertainties") and 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, would however have a deflationary impact on retail sales in pharmacy. Additional generic drugs price decreases as well as increases in professional allocations paid to the pharmacist owners by the manufacturers of those products would reduce the OIBA of our subsidiary Pro Doc.

During the first quarter of fiscal year 2017, the Corporation continued with the progressive move of the Longueuil distribution center to Varennes. The move will be completed during the next quarters. 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. The project represents a total investment of nearly $180.0 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 4, 2016

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of income

For the periods ended May 28, 2016 and May 30, 2015	13 weeks	
(unaudited, in millions of Canadian dollars, unless otherwise noted)	**2016**	2015
	$	$
Sales	**653.7**	643.8
Other revenues (Note 3)	**69.9**	68.6
	723.6	712.4
Operating expenses		
Cost of sales (Note 4)	**568.7**	557.7
General and operating expenses (Note 4)	**77.9**	71.7
Operating income before depreciation and amortization	**77.0**	83.0
Depreciation and amortization	**10.1**	7.6
Operating income	**66.9**	75.4
Financing revenus	**(0.5)**	(0.5)
Profit before income taxes	**67.4**	75.9
Income taxes (Note 5)	**18.4**	25.3
Net profit	**49.0**	50.6
Basic and diluted profit per share, in dollars (Note 6)	**0.27**	0.27

Condensed consolidated statements of comprehensive income

For the periods ended May 28, 2016 and May 30, 2015	13 weeks	
(unaudited, in millions of Canadian dollars)	**2016**	2015
	$	$
Net profit	**49.0**	50.6
Other comprehensive income		
Items that will be reclassified subsequently to net profit:		
Net change in cash flow hedge:		
Loss for the period	**(0.6)**	-
Reclassification of gain to non-financial assets	**(0.1)**	-
Income taxes	**0.2**	-
	(0.5)	-
Total comprehensive income	**48.5**	50.6

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 13-week periods ended May 28, 2016 and May 30, 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	**-**	**-**	**-**	**-**	**49.0**	**49.0**
Other comprehensive income	**-**	**-**	**-**	**(0.5)**	**-**	**(0.5)**
Total comprehensive income	**-**	**-**	**-**	**(0.5)**	**49.0**	**48.5**
Dividends	**-**	**-**	**-**	**-**	**(22.2)**	**(22.2)**
Share-based compensation cost	**-**	**-**	**0.2**	**-**	**-**	**0.2**
Balance at May 28, 2016	**405.2**	**(2.2)**	**58.9**	**0.1**	**684.8**	**1,146.8**
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

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 28, 2016** **$**	As at February 27, 2016 $
Current assets		
Cash and temporary investment	**102.3**	100.3
Trade and other receivables	**204.4**	194.5
Inventories	**252.0**	224.0
Prepaid expenses	**9.7**	8.4
Income taxes receivable	**0.9**	8.8
	569.3	536.0
Non-current assets		
Long-term receivables from franchisees	**28.5**	27.5
Investment in associates and joint ventures	**30.1**	29.6
Property and equipment	**506.5**	510.7
Investment property	**20.5**	20.9
Intangible assets	**209.6**	203.0
Goodwill	**36.0**	36.0
Deferred tax	**0.1**	0.1
Other long-term assets	**16.3**	15.7
Total assets	**1,416.9**	1,379.5
Current liabilities		
Trade and other payables	**244.3**	234.8
	244.3	234.8
Non-current liabilities		
Deferred tax	**7.2**	6.6
Other long-term liabilities	**18.6**	17.8
Total liabilities	**270.1**	259.2
Equity	**1,146.8**	1,120.3
Total liabilities and equity	**1,416.9**	1,379.5

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

THE JEAN COUTU GROUP (PJC) INC.

Condensed consolidated statements of cash flows

For the periods ended May 28, 2016 and May 30, 2015	13 weeks	
	2016	2015
(unaudited, in millions of Canadian dollars)	**$**	$
Operating activities		
Net profit	**49.0**	50.6
Adjustments:		
Depreciation and amortization	**10.1**	7.6
Interest income	**(0.4)**	(0.5)
Income taxes	**18.4**	25.3
Others	**1.7**	1.0
	78.8	84.0
Net change in non-cash asset and liability items (Note 8)	**(23.1)**	(0.7)
Interest received	**0.4**	0.5
Income taxes paid	**(9.7)**	(61.7)
Cash flow related to operating activities	**46.4**	22.1
Investing activities		
Investments in associates and joint ventures	**(0.8)**	-
Purchase of property and equipment	**(8.5)**	(22.6)
Proceeds from disposal of investment property	**0.1**	-
Net change in long-term receivables from franchisees	**(1.9)**	(1.1)
Purchase of intangible assets	**(9.5)**	(1.5)
Cash flow related to investing activities	**(20.6)**	(25.2)
Financing activities		
Redemption of capital stock	**(0.8)**	-
Dividends paid	**(22.2)**	(20.6)
Cash flow related to financing activities	**(23.0)**	(20.6)
Effect of foreign exchange rate changes on cash and cash equivalents	**(0.8)**	-
Net change in cash and cash equivalents	**2.0**	(23.7)
Cash and cash equivalents, beginning of period	**100.3**	121.9
Cash and cash equivalents, end of period	**102.3**	98.2
Cash and cash equivalents consist of:		
Cash	**88.3**	98.2
Temporary investment	**14.0**	-
	102.3	98.2

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 245, Jean Coutu Street, Varennes, Québec (Canada). The parent corporation and its subsidiaries ("the Corporation") operate 2 operating segments which are the franchising segment with a network of 420 franchised stores as at May 28, 2016 (February 27, 2016 - 417) 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.

Fiscal year end of the Corporation is the Saturday closest to February 29 or March 1 and usually comprises 52 weeks in duration but includes a 53rd week every 5 to 6 years. Fiscal year ending March 4, 2017 will include 53 weeks whereas fiscal year ended February 27, 2016 included 52 weeks.

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 27, 2016 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 4, 2016.

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.

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

2. Basis of preparation *(continued)*

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

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.

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	
	2016	2015
	$	$
Royalties	**29.9**	29.0
Rent	**25.5**	24.7
Sundry	**14.5**	14.9
	69.9	68.6

4. Cost of sales and general and operating expenses

	13 weeks	
	2016	2015
	$	$
Wages, salaries and fringe benefits	**30.9**	25.8
Operating leases expenses	**15.8**	15.4
Other goods and services	**31.2**	30.5
General and operating expenses	**77.9**	71.7

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 28, 2016, the consolidated effective tax rate was 27.3% (33.3% for the 13-week period ended May 30, 2015). The variation of effective tax rate 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 hearing at the Supreme Court of Canada of the appeal by the Corporation was held on May 18, 2016. The Corporation is waiting the decision of the Supreme Court of Canada in this file.

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	
	2016	2015
Net profit	**$ 49.0**	$ 50.6
Weighted average number of shares (in millions) used to compute basic profit per share	**184.8**	186.9
Basic profit per share, in dollars	**$ 0.27**	$ 0.27
Weighted average number of shares (in millions) used to compute diluted profit per share	**184.8**	187.0
Diluted profit per share, in dollars	**$ 0.27**	$ 0.27

For the 13-week period ended May 28, 2016, 188,000 antidilutive share-based payments instruments have been excluded from the computation of diluted profit per share (196,000 were excluded for the 13-week period ended May 30, 2015).

7. Capital stock

a) Shares issued

As at May 28, 2016 and February 27, 2016, the total number of Class "A" subordinate voting shares issued was 81.4 million and the number of Class "B" shares was 103.5 million for a total of 184.9 million shares issued.

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

7. Capital stock *(continued)*

b) Repurchase under the normal course issuer bid

On April 27, 2016, the Corporation announced its intention to repurchase for cancellation, if it is considered advisable, up to 4,063,000 of its outstanding Class "A" subordinate voting shares, representing approximately 5% of the current public float of such shares, over a 12-month period ending no later than May 8, 2017. The shares will be repurchased through the facilities of the Toronto Stock Exchange (the "TSX") and in accordance with its requirements.

On April 29, 2015, the Corporation announced its intention to repurchase for cancellation 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. During the term of this normal course issuer bid, 2,170,790 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 28, 2016 and May 30, 2015, the Corporation did not repurchase any Class "A" subordinate voting shares.

8. Supplemental cash flow information

	13 weeks	
	2016	2015
	$	$
Net change in non-cash asset and liability items		
Change in trade and other receivables and prepaid expenses	**(11.5)**	0.7
Change in inventories	**(28.0)**	15.5
Change in trade and other payables	**16.0**	(12.4)
Change in other long-term assets	**(0.6)**	(1.5)
Change in other long-term liabilities	**1.0**	(3.0)
Net change in non-cash asset and liability items	**(23.1)**	(0.7)

Other information

	As at May 28, 2016	As at February 27, 2016
	$	$
Property and equipment, investment property and intangible assets acquired included in trade and other payables	**6.2**	11.9
Redemption of capital stock included in trade and other payables	**-**	0.8

(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	
	2016	2015
	$	$
Revenues (1)		
Franchising	**723.3**	712.0
Generic drugs	**40.6**	33.5
Intersegment sales	**(40.3)**	(33.1)
	723.6	712.4
Operating income before depreciation and amortization (2)		
Franchising	**55.7**	60.7
Generic drugs	**21.3**	17.1
Intersegment eliminations	**-**	5.2
	77.0	83.0
Depreciation and amortization		
Franchising	**10.0**	7.5
Generic drugs	**0.1**	0.1
	10.1	7.6
Operating income (2)		
Franchising	**45.7**	53.2
Generic drugs	**21.2**	17.0
Intersegment eliminations	**-**	5.2
	66.9	75.4

(1) Revenues include sales and other revenues.

(2) Following the implementation of a consignment contract between the generic drugs and the franchising segments at the end of fiscal year 2016, the Corporation no longer has to account for intersegment eliminations for operating income before depreciation and amortization and operating income.

9. Segmented information *(continued)*

	13 weeks	
	2016	2015
	$	$
Acquisition of property and equipment, investment property and intangible assets		
Franchising	**12.2**	29.6
Generic drugs	**0.1**	-
	12.3	29.6

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