Loblaw

COMPANIES LIMITED

Q1

FIRST QUARTER REPORT TO SHAREHOLDERS

12 WEEKS ENDING MARCH 28, 2015

2015 First Quarter Report to Shareholders

2015 First Quarter Highlights[1]

With the completion of the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") in the second quarter of 2014, the Company's results for the first quarter of 2015 include the consolidation of Shoppers Drug Mart and the associated acquisition-related accounting adjustments. Relevant Shoppers Drug Mart results and metrics have been included in Section 4.1 "Retail Segment" of the Company's Management's Discussion and Analysis.

"In 2015 we continue to execute against the clear strategic framework we set out a year ago," said Galen G. Weston, Executive Chairman & President of Loblaw Companies Limited. "Our entire organization is focused on delivering the best in food, the best in health and beauty, operational excellence and growth. Although the grocery industry remains highly competitive and health care reform continues to challenge our pharmacy business, we are maintaining stable business performance, gaining incremental efficiencies, delivering synergies on schedule, deleveraging the balance sheet and achieving continued earnings growth."

Financial Highlights

- Consolidated sales of $10,048 million, an increase of 37.8% compared to the first quarter of 2014.
- Consolidated adjusted EBITDA[2] of $789 million, an increase of 63.7% compared to the first quarter of 2014.
- Retail segment sales of $9,830 million, an increase of 38.5% compared to the first quarter of 2014, including $2,596 million of retail sales contributed by Shoppers Drug Mart.
    - Food retail (Loblaw) same-store sales growth for the quarter was 4.0%, after excluding gas bar (1.2%) and the negative impact of a change in distribution model by a tobacco supplier (0.8%). Including these impacts, food retail same-store sales growth was 2.0% (2014 – 0.9%).
    - Drug retail (Shoppers Drug Mart) same-store sales increased by 3.1% with pharmacy increasing by 3.5% and front store increasing by 2.7% over the first quarter of 2014.
    - Total retail same-store sales growth was 2.3% for the first quarter of 2015.
- Financial Services revenue of $199 million, an increase of 10.6% compared to the first quarter of 2014.
- Choice Properties Real Estate Investment Trust's adjusted funds from operations[2] of $75 million, an increase of 8.7% compared to the first quarter of 2014.
- Adjusted basic net earnings per common share[2] of $0.73, an increase of 35.2% compared to the first quarter of 2014.
- During the first quarter of 2015, the Company realized approximately $44 million of net synergies.
- In the first quarter of 2015, free cash flow[2] was $144 million compared to negative free cash flow of $282 million in the first quarter of 2014.
- During the first quarter of 2015, adjusted debt[2] increased by $43 million, primarily driven by normal seasonal working capital requirements. The Company remains on track to meet its debt reduction target.
- Quarterly common share dividend increase of approximately 2.0% from $0.245 per common share to $0.250 per common share.

See endnotes at the end of the Company's Management's Discussion and Analysis.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's first quarter 2015 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended January 3, 2015 and the related annual MD&A included in the Company's 2014 Annual Report – Financial Review ("2014 Annual Report").

The Company's first quarter 2015 unaudited interim period condensed consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars.

A glossary of terms used throughout this Quarterly Report can be found at the back of the Company's 2014 Annual Report. In addition, this Quarterly Report includes the following terms: "adjusted debt(2) to rolling year adjusted EBITDA(2)", which is defined as adjusted debt(2) divided by cumulative adjusted EBITDA(2) for the latest four quarters; "Rolling year adjusted return on equity", which is defined as cumulative adjusted net earnings(2) available to common shareholders of the Company for the latest four quarters divided by average Total Equity Attributable to Shareholders of the Company; and "Rolling year adjusted return on capital", which is defined as cumulative tax effected adjusted operating income(2) for the latest four quarters divided by average capital. Capital for the purposes of this calculation is defined as adjusted debt(2), plus Total Equity Attributable to Shareholders of the Company, less cash and cash equivalents, short term investments and amounts held in escrow.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

The information in this MD&A is current to May 5, 2015, unless otherwise noted.

1. Forward-Looking Statements

This Quarterly Report, including this MD&A, for the Company contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects, opportunities and legal and regulatory matters. Specific forward-looking statements in this Quarterly Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, synergies and other benefits associated with the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), future liquidity and debt reduction targets, planned capital investments, and status and impact of information technology ("IT") systems implementation. These specific forward-looking statements are contained throughout this Quarterly Report including, without limitation, in Section 11 "Outlook" of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "on track" and "should" and similar expressions, as they relate to the Company and its management.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2015 is based on certain assumptions including assumptions about anticipated cost savings, operating efficiencies and continued growth from current initiatives. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from those expressed, implied or projected in the forward-looking statements, including those described in Section 15 "Enterprise Risks and Risk Management" of the MD&A in the Company's 2014 Annual Report and the Company's Annual Information Form (for the year ended January 3, 2015). Such risks and uncertainties include:

- failure to realize the anticipated strategic benefits or operational, competitive and cost synergies following the acquisition of Shoppers Drug Mart;
- failure to reduce indebtedness associated with the acquisition of Shoppers Drug Mart to bring leverage ratios to a level consistent with investment grade ratings;
- failure to realize benefits from investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;

- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- changes in the Company's estimate of inventory cost as a result of its IT system upgrade;
- changes to the regulation of generic prescription drug prices and the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions, including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments;
- the risk that the Company will be unsuccessful in any material litigation, class action, or regulatory proceeding;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on and fund its credit card receivables.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including, without limitation, the section entitled "Risks" in the Company's Annual Information Form (for the year ended January 3, 2015). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this MD&A. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. Key Financial Performance Indicators

The Company has identified key financial performance indicators to measure the progress of short and long term objectives. With the completion of the acquisition of Shoppers Drug Mart, the Company's first quarter results include the consolidation of Shoppers Drug Mart and the associated acquisition-related accounting adjustments. Certain key financial performance indicators are set out below:

As at or for the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)		**2015** **(12 weeks)**		2014[3] (12 weeks)
Consolidated:				
Revenue growth		**37.8%**		1.2%
EBITDA[2]	**$**	**784**	$	471
Adjusted EBITDA[2]		**789**		482
Adjusted EBITDA margin[2]		**7.9%**		6.6%
Operating income	**$**	**414**	$	276
Adjusted operating income[2]		**543**		287
Adjusted operating margin[2]		**5.4%**		3.9%
Net earnings	**$**	**146**	$	120
Adjusted net earnings[2]		**301**		153
Basic net earnings per common share ($)	**$**	**0.35**	$	0.43
Adjusted basic net earnings per common share[2] ($)	**$**	**0.73**	$	0.54
Cash and cash equivalents, short term investments and security deposits		**1,063**		4,273
Cash flows from (used in) operating activities		**517**		(46)
Adjusted debt[2] to rolling year adjusted EBITDA[2]		**2.8x**		3.1x
Free cash flow[2]	**$**	**144**	$	(282)
Rolling year adjusted return on equity[7]		**13.8%**		10.3%
Rolling year adjusted return on capital[7]		**11.4%**		10.3%
Retail Segment:				
Food retail same-store sales growth		**2.0%**		0.9%
Shoppers Drug Mart same-store sales growth		**3.1%**		1.4%
Total retail same-store sales growth		**2.3%**		0.9%
Gross profit	**$**	**2,624**	$	1,603
Adjusted gross profit[2]		**2,624**		1,603
Adjusted gross profit %[2]		**26.7%**		22.6%
Adjusted operating margin[2]		**5.1%**		3.5%
Adjusted EBITDA margin[2]		**7.5%**		6.2%
Financial Services Segment[4]:				
Earnings before income taxes	**$**	**28**	$	23
Annualized yield on average quarterly gross credit card receivables		**14.2%**		14.2%
Annualized credit loss rate on average quarterly gross credit card receivables		**4.8%**		4.5%
Choice Properties Segment[5]:				
Adjusted funds from operations[2]	**$**	**75**	$	69

3. Consolidated Results of Operations

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)		2015 (12 weeks)		2014[3] (12 weeks)		$ Change	% Change
Revenue	$	10,048	$	7,292	$	2,756	37.8 %
EBITDA[2]		784		471		313	66.5 %
Adjusted EBITDA[2]		789		482		307	63.7 %
Adjusted EBITDA margin[2]		7.9%		6.6%			
Operating income	$	414	$	276	$	138	50.0 %
Adjusted operating income[2]		543		287		256	89.2 %
Adjusted operating margin[2]		5.4%		3.9%			
Net interest expense and other financing charges	$	192	$	115	$	77	67.0 %
Adjusted net interest expense and other financing charges[2]		131		88		43	48.9 %
Net earnings		146		120		26	21.7 %
Adjusted net earnings[2]		301		153		148	96.7 %
Basic net earnings per common share ($)	$	0.35	$	0.43	$	(0.08)	(18.6)%
Adjusted basic net earnings per common share[2] ($)	$	0.73	$	0.54	$	0.19	35.2 %

In the first quarter of 2015, the Company recognized a divestitures loss of $2 million (2014 – acquisition-related costs of $8 million) in selling, general and administrative expenses ("SG&A") and nil (2014 – $15 million) in net interest expenses and other financing charges related to the acquisition of Shoppers Drug Mart and the divestitures required by the Competition Bureau.

Also in the first quarter of 2015, the Company recorded $12 million (2014 – nil) in restructuring and reorganization costs primarily associated with the administrative restructuring activities in the Joe Fresh and Shoppers Home Health Care businesses.

The above impacts, as well as certain other items, have been excluded from the Company's adjusted metrics in order to provide a better reflection of the Company's underlying operating performance. See Section 12 "Non-GAAP Financial Measures".

Revenue Revenue was $10,048 million in the first quarter of 2015, an increase of $2,756 million compared to the first quarter of 2014, primarily driven by the Retail segment, including $2,596 million of Shoppers Drug Mart revenue.

EBITDA[2]

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)		2015 (12 weeks)		2014[3] (12 weeks)		$ Change	% Change
EBITDA[2]	$	784	$	471	$	313	66.5%
Adjustments to EBITDA[2]		5		11		(6)	
Adjusted EBITDA[2]	$	789	$	482	$	307	63.7%

EBITDA[2] was $784 million in the first quarter of 2015, an increase of $313 million compared to the first quarter of 2014, primarily driven by the Retail segment. The increase in EBITDA[2] included a positive net impact of adjustments of $6 million, consisting of a $12 million fair value gain on fuel and foreign currency contracts and $8 million of Shoppers Drug Mart acquisition-related costs incurred in 2014, partially offset by $12 million of restructuring costs and a $2 million Shoppers Drug Mart divestitures loss in 2015.

After excluding these adjustments, adjusted EBITDA[2] of $789 million was $307 million higher compared to the first quarter of 2014, primarily driven by the Retail segment. Adjusted EBITDA[2] was positively impacted by net synergies of $44 million. Adjusted EBITDA margin[2] was 7.9% for the first quarter of 2015 compared to 6.6% in the same quarter in 2014.

Operating Income

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)		2015 (12 weeks)		2014[3] (12 weeks)		$ Change	% Change
Operating income	$	**414**	$	276	$	138	50.0%
Adjustment for the amortization of intangible assets[2]		**124**		—		124	
Adjustments to EBITDA[2]		**5**		11		(6)	
Adjusted operating income[2]	$	**543**	$	287	$	256	89.2%

Operating income was $414 million in the first quarter of 2015, an increase of $138 million compared to the first quarter of 2014, primarily driven by the Retail segment. The increase in operating income included a negative impact of $124 million of amortization of intangible assets related to the acquisition of Shoppers Drug Mart, partially offset by the positive net impact of adjustments to EBITDA[2] noted above of $6 million.

After excluding these adjustments, adjusted operating income[2] of $543 million was $256 million higher compared to the first quarter of 2014, consisting of the $307 million increase in adjusted EBITDA[2] noted above, partially offset by an increase in depreciation and amortization[2] of $51 million. Adjusted operating margin[2] was 5.4% compared to 3.9% in the first quarter of 2014.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $192 million in the first quarter of 2015, an increase of $77 million compared to the first quarter of 2014. The increase in net interest expense and other financing charges included the negative impact of a higher fair value adjustment loss related to the Trust Unit Liability, accelerated amortization of deferred financing costs, partially offset by the Shoppers Drug Mart acquisition-related costs incurred in the first quarter of 2014, as set out in Section 12 “Non-GAAP Financial Measures”.

After excluding these impacts to net interest expense and other financing charges, adjusted net interest expense and other financing charges[2] of $131 million was $43 million higher compared to the first quarter of 2014, primarily as a result of higher interest on long term debt incurred to finance the acquisition of Shoppers Drug Mart and debt issuances by Choice Properties to third parties.

Income Taxes Income tax expense for the first quarter of 2015 was $76 million and the effective tax rate was 34.2%. Income tax expense for the first quarter of 2014 was $41 million and the effective tax rate was 25.5%. The increase in the effective tax rate was primarily attributable to an increase in non-deductible items, including the fair value adjustments on the Trust Unit Liability and a decrease in certain non-taxable amounts. The adjusted income tax expense[2] for the first quarter was $111 million and the adjusted income tax rate[2] was 26.9%. The adjusted income tax expense[2] for the first quarter of 2014 was $46 million and the adjusted income tax rate[2] was 23.1%. The increase in the adjusted income tax rate[2] was primarily attributable to a decrease in certain non-taxable amounts.

In 2012, the Company received indication from the Canada Revenue Agency (the “CRA”) that the CRA intended to proceed with reassessments of the tax treatment of the Company’s wholly owned subsidiary, Glenhuron Bank Limited (“Glenhuron”). The CRA’s position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Subsequent to the end of the first quarter of 2015, the Company received reassessments from the CRA and the Ontario Ministry of Finance for the 2000 to 2010 taxation years totaling $341 million including interest and penalties. The Company believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. The Company strongly disagrees with the CRA’s position and has filed Notices of Objection. No amount for any reassessments has been provided for in the Company’s unaudited interim period condensed consolidated financial statements.

Net Earnings Net earnings were $146 million in the first quarter of 2015, an increase of $26 million compared to the first quarter of 2014, and adjusted net earnings[2] of $301 million were $148 million higher compared to the first quarter of 2014.

Basic Net Earnings Per Common Share Basic net earnings per common share were $0.35 compared to $0.43 in the first quarter of 2014. Basic net earnings per common share included the negative impacts of the amortization of intangible assets related to the acquisition of Shoppers Drug Mart ($0.22 per share), the fair value adjustment loss related to the Trust Unit Liability for the change in the fair value of Choice Properties Real Estate Investment Trust’s (“Choice Properties”) Trust Units (“Units”) ($0.14 per share), restructuring costs ($0.02 per share), net fixed asset and other related impairments ($0.01 per share) and accelerated amortization of deferred financing costs ($0.01 per share), partially offset by the fair value gain on fuel and foreign currency contracts ($0.02 per share).

Adjusted basic net earnings per common share[2] were $0.73 in the first quarter of 2015 compared to $0.54 in the first quarter of 2014. This increase was primarily due to the increase in adjusted net earnings[2] described above, partially offset by the dilutive effect of the 119.5 million common shares issued as partial consideration for the acquisition of Shoppers Drug Mart, as well as 10.5 million common shares issued to George Weston Limited (“Weston”) in relation to the acquisition of Shoppers Drug Mart.

4. Reportable Operating Segments Results of Operations

4.1 Retail Segment

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2015 (12 weeks)	2014[3] (12 weeks)	$ Change	% Change
Sales	$ 9,830	$ 7,095	$ 2,735	38.5%
Gross profit	2,624	1,603	1,021	63.7%
Adjusted gross profit[2]	2,624	1,603	1,021	63.7%
EBITDA[2]	734	430	304	70.7%
Adjusted EBITDA[2]	739	440	299	68.0%
Operating income	370	240	130	54.2%
Adjusted operating income[2]	499	250	249	99.6%

For the periods ended March 28, 2015 and March 22, 2014 (unaudited)	2015 (12 weeks)	2014[3] (12 weeks)
Food retail same-store sales growth	2.0%	0.9%
Shoppers Drug Mart same-store sales growth	3.1%	1.4%
Total retail same-store sales growth	2.3%	0.9%
Adjusted gross profit %[2]	26.7%	22.6%
Adjusted EBITDA margin[2]	7.5%	6.2%
Adjusted operating margin[2]	5.1%	3.5%

Sales Retail segment sales were $9,830 million in the first quarter of 2015, an increase of $2,735 million compared to the first quarter of 2014, including $2,596 million of retail sales contributed by Shoppers Drug Mart. The increase in Retail segment sales was primarily due to the following factors:

- Food retail same-store sales growth for the quarter was 4.0%, after excluding gas bar (1.2%) and the negative impact of a change in distribution model by a tobacco supplier (0.8%). Including these impacts, food retail same-store sales growth was 2.0% (2014 – 0.9%).
  - Sales growth in food was strong, primarily driven by inflation;
  - Sales growth in pharmacy and health and beauty was modest;
  - Sales in gas bar declined, primarily driven by a decline in gas prices;
  - Sales in general merchandise, excluding apparel, declined; and
  - Sales growth in retail apparel was modest, while U.S. wholesale apparel sales declined.
- The Company's food retail average quarterly internal food price index was higher (2014 – slightly higher) than the average quarterly national food price inflation of 4.6% (2014 – 1.2%) as measured by The Consumer Price Index for Food Purchased from Stores ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in the Company's stores.
- Shoppers Drug Mart retail sales were comprised of pharmacy sales of $1,257 million and front store sales of $1,339 million.
  - Same-store sales growth was 3.1%;
  - Same-store pharmacy sales growth was 3.5%;
    - number of prescriptions dispensed increased by 4.8% compared to the first quarter of 2014. On a same-store basis, growth was 4.7%;
    - year-over-year, the average prescription value decreased by 1.1%;
    - generic molecules comprised 64.5% of the prescriptions dispensed in the first quarter of 2015 compared to 62.5% in the same period in the prior year; and
  - Same-store front store sales growth was 2.7%.
- 53 grocery and drug stores were opened and 34 grocery and drug stores were closed in the 12 months ended March 28, 2015, with an additional two franchise grocery stores and 16 drug stores divested pursuant to a Consent Agreement with the Competition Bureau related to the acquisition of Shoppers Drug Mart, resulting in a net increase of 0.1 million square feet, or 0.1% compared to the date of acquisition. Excluding the divestitures, net square footage increased by 0.3 million, or 0.5%.

Gross Profit Gross profit and adjusted gross profit[(2)] were $2,624 million in the first quarter of 2015, an increase of $1,021 million compared to the first quarter of 2014, including $1,024 million of gross profit and adjusted gross profit[(2)] contributed by Shoppers Drug Mart. Adjusted gross profit percentage[(2)] was 26.7% in the first quarter of 2015 compared to 22.6% in the first quarter of 2014.

Excluding Shoppers Drug Mart, food retail adjusted gross profit percentage[(2)] decreased by 50 basis points to 22.1%. The decrease was primarily driven by a 50 basis point impact from restructuring certain franchise fee arrangements, as discussed below. After excluding this negative impact, adjusted gross profit percentage[(2)] was flat, as reductions in transportation costs and synergies related to the acquisition were offset by higher shrink.

In 2014, the Company restructured its fee arrangements with the franchisees of certain franchise banners. These revised arrangements are expected to result in an annual reduction of Retail segment sales and gross profit of approximately $150 million, with a corresponding decrease in SG&A. In the first quarter of 2015, the impact of this restructuring was a $33 million negative impact to adjusted gross profit[(2)], with an offsetting $33 million positive impact to SG&A.

Shoppers Drug Mart gross profit and adjusted gross profit[(2)] were higher than in the first quarter of 2014[(6)], primarily driven by increased sales and by synergies. Adjusted gross profit percentage[(2)] was flat, after excluding synergies.

EBITDA[(2)] EBITDA[(2)] was $734 million in the first quarter of 2015, an increase of $304 million compared to the first quarter of 2014, primarily driven by the acquisition of Shoppers Drug Mart. The increase in EBITDA[(2)] included a positive net impact of adjustments of $5 million as set out in Section 12 "Non-GAAP Financial Measures". Significant adjustments during the first quarter of 2015 included the fair value gain on fuel and foreign currency contracts, restructuring costs, net fixed asset and other related impairments and a divestitures loss.

After excluding these adjustments, adjusted EBITDA[(2)] of $739 million was $299 million higher compared to the first quarter of 2014, driven by the increase in adjusted gross profit[(2)] of $1,021 million described above, partially offset by an increase in SG&A of $722 million. The increase in SG&A was primarily driven by the acquisition of Shoppers Drug Mart. Food retail expenses were positively impacted by the restructuring of certain franchise fee arrangements. Excluding this positive impact, food retail expenses were relatively flat, as lower charges related to the transition of certain grocery stores to more cost effective and efficient operating terms under collective agreements and efficiencies achieved in supply chain and administration were offset by higher foreign exchange losses and higher investments in the Company's franchise business.

Shoppers Drug Mart SG&A was higher than its first quarter of 2014 reported results[(6)], driven by higher store-level expenses, primarily labour and occupancy.

Adjusted EBITDA margin[(2)] was 7.5% compared to 6.2% in the first quarter of 2014, primarily driven by the contribution of Shoppers Drug Mart.

Operating Income Operating income was $370 million in the first quarter of 2015, an increase of $130 million compared to the first quarter of 2014, primarily driven by the acquisition of Shoppers Drug Mart. The increase in operating income included a negative impact of the amortization of intangible assets related to the acquisition of Shoppers Drug Mart of $124 million, partially offset by the positive net impact of adjustments to EBITDA[(2)] noted above of $5 million.

After excluding these adjustments, adjusted operating income[(2)] of $499 million was $249 million higher compared to the first quarter of 2014, consisting of the increase in adjusted EBITDA[(2)] of $299 million, partially offset by an increase in Retail segment depreciation and amortization[(2)] of $50 million.

Adjusted operating margin[(2)] was 5.1% compared to 3.5% in the first quarter of 2014, primarily driven by the contribution of Shoppers Drug Mart.

4.2 Financial Services Segment[(4)]

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2015 (12 weeks)	2014 (12 weeks)	$ Change	% Change
Revenue	$ 199	$ 180	$ 19	10.6%
Operating income	42	36	6	16.7%
Earnings before income taxes	28	23	5	21.7%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	As at March 28, 2015	As at March 22, 2014	$ Change	% Change
Average quarterly net credit card receivables	$ 2,554	$ 2,469	$ 85	3.4%
Credit card receivables	2,478	2,399	79	3.3%
Allowance for credit card receivables	51	47	4	8.5%
Annualized yield on average quarterly gross credit card receivables	14.2%	14.2%		
Annualized credit loss rate on average quarterly gross credit card receivables	4.8%	4.5%		

Revenue Revenue was $199 million in the first quarter of 2015, an increase of $19 million, or 10.6%, compared to the first quarter of 2014, primarily driven by higher interchange income as a result of increased credit card transaction values, higher interest income from increased credit card receivable balances, and an increase in *PC* Telecom revenue from increased Mobile Shop sales.

Operating Income and Earnings Before Income Taxes Operating income was $42 million in the first quarter of 2015, an increase of $6 million, and earnings before income taxes were $28 million, an increase of $5 million, compared to the first quarter of 2014. These increases were primarily driven by higher revenue described above, partially offset by higher costs associated with the Financial Services loyalty program and higher operating costs as a result of an increase in the active customer base and the depreciation of the Canadian dollar.

Credit Card Receivables As at March 28, 2015, credit card receivables were $2,478 million, an increase of $79 million compared to March 22, 2014. This increase was primarily driven by a growth in the active customer base as a result of continued investments in customer acquisitions and marketing initiatives. As at March 28, 2015, the allowance for credit card receivables was $51 million, an increase of $4 million compared to March 22, 2014, primarily due to the growth in the credit card receivables portfolio.

4.3 Choice Properties Segment[5]

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars)		**2015** **(12 weeks)**		2014 (12 weeks)		$ Change	% Change
Revenue	**$**	**182**	$	167	$	15	9.0%
Operating income		**127**		118		9	7.6%
Adjusted operating income[2]		**127**		119		8	6.7%
Net interest expense and other financing charges		**339**		126		213	169.0%
Adjusted funds from operations[2]		**75**		69		6	8.7%

Revenue Revenue was $182 million in the first quarter of 2015, an increase of $15 million, or 9.0%, compared to the first quarter of 2014, and included $163 million (2014 – $150 million) generated from tenants within the Retail segment. The increase was primarily driven by revenue from properties acquired subsequent to the first quarter of 2014, as well as an increase in the base rent of existing properties.

Operating Income Operating income was $127 million in the first quarter of 2015, an increase of $9 million compared to the first quarter of 2014. The increase in operating income included a positive impact of $1 million of net fixed asset and other related impairments incurred in 2014.

After excluding this adjustment, adjusted operating income[2] was $127 million in the first quarter of 2015, an increase of $8 million compared to the first quarter of 2014. The increase was primarily driven by higher revenue as described above.

Net Interest Expense and Other Financing Charges Net interest expense and other financing charges were $339 million in the first quarter of 2015, an increase of $213 million compared to the first quarter of 2014, primarily driven by a $206 million increase in the fair value adjustment loss on Class B Limited Partnership units.

Adjusted Funds from Operations Adjusted funds from operations[2] were $75 million in the first quarter of 2015, an increase of $6 million compared to the first quarter of 2014, primarily driven by higher net property income. This increase was partially offset by an increase in normalized sustaining property and leasing capital expenditures, resulting from a larger investment property portfolio.

As at March 28, 2015, the Company's ownership interest in Choice Properties was 82.8%.

Additional information about Choice Properties is available online at www.sedar.com.

5. Acquisition of Shoppers Drug Mart Corporation

On March 28, 2014, the Company acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of $12,273 million, comprised of approximately $6,600 million of cash and the issuance of approximately 119.5 million common shares of the Company. The Company also issued 10.5 million common shares to Weston in relation to the acquisition of Shoppers Drug Mart. In the first quarter of 2014, the Company incurred costs of $23 million related to the acquisition of Shoppers Drug Mart, of which $8 million was recorded in SG&A and $15 million was recorded in net interest expense and other financing charges.

As at March 28, 2015, the Company finalized the purchase price allocation. In the first quarter of 2015, the Company revised its fair value estimate of the Optimum loyalty program liability retrospective to the date of acquisition. The result decreased the fair value of net tangible assets acquired and increased goodwill by $75 million to $473 million and $2,360 million, respectively. The finalized purchase price allocation is summarized as follows:

(millions of Canadian dollars except where otherwise indicated) (unaudited)			**Estimated Useful Life**
Fair Value of Net Tangible Assets Acquired	**$**	**473**	
Goodwill		**2,360**	
Prescription files		5,005	11 years
Brands		3,390	indefinite
Optimum loyalty program		490	18 years
Other		555	5 to 10 years
Total Intangible Assets		**9,440**	
Total Net Assets Acquired	**$**	**12,273**	

During the first quarter of 2015, the final three Shoppers Drug Mart stores required to be divested pursuant to a Consent Agreement reached with the Competition Bureau in 2014 were sold, resulting in a divestitures loss of $2 million. Since the closing of the acquisition, the Company recognized a cumulative net divestitures loss of $14 million .

6. Liquidity and Capital Resources

6.1 Cash Flows

Major Cash Flow Components

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2015 (12 weeks)**	2014[(3)] (12 weeks)	$ Change	% Change
Cash flows from (used in):				
Operating activities	**$ 517**	$ (46)	$ 563	1,223.9 %
Investing activities	**(271)**	154	(425)	(276.0)%
Financing activities	**(239)**	166	(405)	(244.0)%

Cash Flows from (used in) Operating Activities Cash flows from operating activities were $517 million in the first quarter of 2015 compared to cash flows used in operating activities of $46 million in the first quarter of 2014. The increase was primarily driven by a lower change in non-cash working capital and higher cash earnings, primarily as a result of the acquisition of Shoppers Drug Mart. The change in non-cash working capital was primarily due to a lower year-over-year decrease in trade payables and other liabilities, partially offset by a year-over-year increase in inventory.

Cash Flows (used in) from Investing Activities Cash flows used in investing activities were $271 million in the first quarter of 2015 compared to cash flows from investing activities of $154 million in the first quarter of 2014. The change in cash flows used in investing activities was primarily due to an increase in short term investments in the first quarter of 2015 compared to a reduction in short term investments in the first quarter of 2014, and higher capital investments in the first quarter of 2015 compared to the first quarter of 2014. The change in short term investments in the first quarter of 2014 is driven by the conversion of short term investments into cash as part of the Company's preparation to fund the cash portion of the Shoppers Drug Mart acquisition.

Capital Investments and Store Activity

As at or for the periods ended March 28, 2015 and March 22, 2014 (unaudited)	**2015 (12 weeks)**	2014 (12 weeks)	% Change
Capital investments[3] (millions of Canadian dollars)	**$ 231**	$ 117	97.4 %
Corporate square footage (in millions)	**36.8**	36.9	(0.3)%
Franchise square footage (in millions)	**15.5**	15.0	3.3 %
Associate-owned drug store square footage (in millions)	**17.7**	—	100.0 %
Total retail square footage (in millions)	**70.0**	51.9	34.9 %
Number of corporate stores[(i)]	**613**	558	9.9 %
Number of franchise stores	**524**	508	3.1 %
Number of Associate-owned drug stores	**1,307**	—	100.0 %
Total number of stores	**2,444**	1,066	129.3 %
Percentage of corporate real estate owned	**72.0%**	73.0%	
Percentage of franchise real estate owned	**45.0%**	45.0%	
Percentage of Associate-owned drug store real estate owned	**2.0%**	—%	
Average store size (square feet)			
Corporate	**60,000**	66,100	(9.2)%
Franchise	**29,600**	29,500	0.3 %
Associate-owned drug store	**13,500**	—	100.0 %

(i) 2015 figure includes 68 Shoppers Drug Mart corporate stores.

Cash Flows (used in) from Financing Activities During the first quarter of 2015, cash flows used in financing activities were $239 million compared to cash flows from financing activities of $166 million in the first quarter of 2014. In the first quarter of 2015, cash flows used in financing activities were primarily driven by net repayments of long term debt, repayment of short term debt and interest payments, partially offset by drawings on lines of credit by Shoppers Drug Mart Associates to fund working capital requirements. In the first quarter of 2014, cash flows from financing activities were primarily driven by net issuance of long term debt, partially offset by interest and dividend payments.

In the first quarter of 2015, long term debt repayments and issuances included:

- The repayment on the unsecured term loan facility of $207 million for a net outstanding amount of $1,022 million;
- The repayment of $122 million of Choice Properties' senior unsecured committed credit facility ("Choice Properties' Credit Facility"); and
- The issuance of $250 million aggregate principal amount of senior unsecured debentures by Choice Properties.

In the first quarter of 2014, long term debt issuances and repayments included:

- The issuance of $450 million aggregate principal amount of senior unsecured debentures by Choice Properties; and
- The repayment of the Company's $100 million, 6.0% medium term note ("MTN") upon maturity.

Free Cash Flow[(2)]

For the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2015 (12 weeks)**	2014[(3)] (12 weeks)	$ Change	% Change
Free cash flow[(2)]	**$ 144**	$ (282)	$ 426	151.1%

In the first quarter of 2015, free cash flow[(2)] was $144 million compared to negative free cash flow of $282 million in 2014. The increase in free cash flow[(2)] for the first quarter of 2015 was primarily driven by higher cash flows from operating activities, partially offset by higher capital investments.

6.2 Liquidity and Capital Structure

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its committed credit facilities will enable the Company to finance its capital investment program and fund its ongoing business requirements over the next 12 months, including working capital, pension plan funding requirements, financial obligations and debt reduction commitments.

The Company is required to comply with certain financial covenants for various debt instruments. As at March 28, 2015 and throughout the quarter, the Company was in compliance with these financial covenants.

Adjusted Debt(2) During the first quarter of 2015, adjusted debt(2) increased by $43 million, primarily driven by normal seasonal working capital requirements. On closing of the acquisition of Shoppers Drug Mart, adjusted debt(2) was $11,060 million. Since the closing of the acquisition, the Company has made progress and remains on track to meeting its debt reduction target by decreasing adjusted debt(2) by $1,022 million, resulting in an outstanding adjusted debt(2) balance of $10,038 million as at March 28, 2015. The reduction in adjusted debt(2) since closing included the repayment of a $350 million MTN and repayments of the unsecured term loan facility (net of the replacement of all tranches of inter-corporate debt of Choice Properties initially held by Loblaw and sold to unrelated parties).

Under the terms of the unsecured term loan facility, the proceeds from the store divestitures required pursuant to the Consent Agreement must be applied against amounts owning under the facility. Of the cumulative amount repaid under the facility as at March 28, 2015, $66 million related to these proceeds.

Adjusted Debt(2) to Rolling Year Adjusted EBITDA(2)

(unaudited)	**As at March 28, 2015**	As at March 22, 2014(3)	As at January 3, 2015(3)
Adjusted debt(2) to rolling year adjusted EBITDA(2)	**2.8x**	3.1x	3.1x

The Company monitors its adjusted debt(2) to rolling year adjusted EBITDA(2) ratio as a measure to ensure it is operating under an efficient capital structure. The adjusted debt(2) to rolling year adjusted EBITDA(2) ratio decreased compared to March 22, 2014 and January 3, 2015 as a result of the increase in adjusted EBITDA(2) due to the full year inclusion of Shoppers Drug Mart adjusted EBITDA(2) and the debt reduction progress since the acquisition. The Company will continue to target leverage ratios consistent with those of investment grade ratings.

Unsecured Term Loan Facility During the first quarter of 2015, the Company repaid $207 million of the $3,500 million unsecured term loan facility obtained in connection with the financing of the acquisition of Shoppers Drug Mart, using $198 million of existing cash and $9 million from the proceeds of assets required to be divested by the Competition Bureau. The Company has repaid $2,478 million of the unsecured term loan facility since the acquisition, which included using net proceeds of $1,500 million from the sale of Choice Properties Transferor Notes to unrelated parties that resulted in a neutral impact to long term debt. As at March 28, 2015, the outstanding balance on the unsecured term loan facility was $1,022 million.

Subsequent to the end of the first quarter of 2015, the Company obtained $250 million through an unsecured term loan bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.13%, maturing March 30, 2019. The Company used the proceeds from this loan to repay $250 million of the unsecured term loan facility.

Committed Credit Facility In the first quarter of 2015, the Company amended its $1,000 million committed credit facility ("Credit Facility") agreement to extend the maturity date to March 31, 2020, with all other terms and conditions remaining substantially the same. As at March 28, 2015, March 22, 2014 and January 3, 2015, there were no amounts drawn under the Credit Facility.

President's Choice Bank Securities Portfolio In 2014, the Office of the Superintendent of Financial Institutions ("OSFI") released the final Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio ("LCR") standard effective January 1, 2015. As at the end of the first quarter of 2015 and throughout the quarter, President's Choice Bank ("PC Bank") was in compliance with the LCR standard, which specifies the level of liquid securities that PC Bank is required to maintain to meet its financial liabilities.

Choice Properties In the first quarter 2015, Choice Properties issued $250 million aggregate principal amount of Series E senior unsecured debentures. These debentures bear interest at a rate of 2.30% per annum and mature on September 14, 2020. The offering was made under Choice Properties' Short Form Base Shelf Prospectus. Choice Properties used these proceeds to repay existing debt and for general business purposes.

As at March 28, 2015, Choice Properties had no amount drawn (March 22, 2014 – nil; January 3, 2015 – $122 million) under its $500 million Choice Properties' Credit Facility.

Short Form Base Shelf Prospectus On March 19, 2015, the Company filed a Short Form Base Shelf Prospectus ("prospectus") allowing for the potential issuance of up to $1,500 million of debentures and/or preferred shares subject to the availability of funding in capital markets. The prospectus expires in 2017. The Company's prospectus filed on December 21, 2012 expired in the first quarter of 2015.

6.3 Financial Condition

Rolling Year Adjusted Return on Equity(7) and Rolling Year Adjusted Return on Capital(7)

(unaudited)	**As at March 28, 2015**	As at March 22, 2014(3)
Rolling year adjusted return on equity(7)	**13.8%**	10.3%

(unaudited)	**As at March 28, 2015**	As at March 22, 2014(3)
Rolling year adjusted return on capital(7)	**11.4%**	10.3%

The rolling year adjusted return on equity(7) and the rolling year adjusted return on capital(7) increased significantly as at the end of the first quarter of 2015 compared to the end of the first quarter of 2014, primarily due to the full year contribution of Shoppers Drug Mart. In addition, the rolling year adjusted return on equity(7) and the rolling year adjusted return on capital(7) were positively impacted by a lower average equity base, as the acquisition of Shoppers Drug Mart occurred in the second quarter of 2014, which will result in declines in both ratios over the remainder of 2015 as post-acquisition capital is fully reflected in the rolling-year ratios.

6.4 Credit Ratings

The following table sets out the current credit ratings of the Company:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

In the first quarter of 2015, Dominion Bond Rating Service reaffirmed Loblaw's credit ratings and trends.

The following table sets out the current credit ratings of Choice Properties:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Senior unsecured debentures	BBB	Stable	BBB	n/a

In the first quarter of 2015, Dominion Bond Rating Service reaffirmed Choice Properties' credit ratings and trends.

6.5 Other Sources of Funding

Independent Securitization Trusts The Company, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells and repurchases credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust® ("Eagle")* and Other Independent Securitization Trusts, from time to time, depending on PC Bank's financing requirements. The following table summarizes the amounts securitized to independent securitization trusts:

(millions of Canadian dollars) (unaudited)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust®*	**$ 750**	$ 750	$ 750
Securitized to Other Independent Securitization Trusts	**505**	605	605

In the first quarter of 2015, PC Bank repurchased $100 million of co-ownership interest in the securitized receivables from the Other Independent Securitization Trusts, and recorded a corresponding decrease to short term debt.

Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability and was in compliance with this requirement as at March 28, 2015 and throughout the quarter.

Subsequent to the end of the first quarter of 2015, in connection with expected funding needs in the latter half of 2015, PC Bank entered into bond forward agreements of $350 million to hedge its exposure to interest rate changes prior to obtaining financing. These agreements qualify for hedge accounting as cash flow hedges of future interest payments. Accordingly, any unrealized gain or loss on the effective portion of the bond forward agreements will be recorded in other comprehensive income.

6.6 Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activity in the common shares issued and outstanding during the first quarter of 2015 and 2014 was as follows:

	March 28, 2015 (12 weeks)		March 22, 2014 (12 weeks)	
(millions of Canadian dollars except where otherwise indicated) (unaudited)	**Number of Common Shares**	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**412,480,891**	**$ 7,860**	282,311,573	$ 1,648
Issued for settlement of stock options	**404,198**	**17**	304,208	13
Purchased for cancellation	**(280,100)**	**(5)**	—	—
Issued and outstanding, end of period	**412,604,989**	**$ 7,872**	282,615,781	$ 1,661
Shares held in trust, beginning of period	**(555,046)**	**$ (3)**	(1,067,323)	$ (6)
Purchased for future settlement of RSUs and PSUs	**(376,403)**	**(7)**	—	—
Release for settlement of RSUs and PSUs (note 15)	**297,767**	**1**	236,059	1
Shares held in trust, end of period	**(633,682)**	**$ (9)**	(831,264)	$ (5)
Issued and outstanding, net of shares held in trust, end of period	**411,971,307**	**$ 7,863**	281,784,517	$ 1,656
Weighted average outstanding, net of shares held in trust	**411,965,622**		281,466,596	

Dividends The following table summarizes the Company's cash dividends declared for 2015 and 2014:

(unaudited)	March 28, 2015[i] (12 weeks)	March 22, 2014 (12 weeks)
Dividends declared per share ($):		
Common share	$ 0.245	$ 0.240
Second Preferred Share, Series A[ii]	$ 0.37	$ 0.37

(i) The 2015 first quarter dividends of $0.245 per share declared on common shares have a payment date of April 1, 2015. The 2015 first quarter dividends of $0.37 per share declared on Second Preferred Shares, Series A have a payment date of April 30, 2015.
(ii) Dividends on Second Preferred Share, Series A are presented in net interest and other financing charges on the condensed consolidated statements of earnings.

The Board of Directors declared a quarterly dividend of $0.250 per common share, an increase of approximately 2.0%, payable on July 1, 2015 to shareholders of record on June 15, 2015 and a dividend on the Second Preferred Shares, Series A of $0.37 per share payable on July 31, 2015 to shareholders of record on July 15, 2015. At the time such dividends are declared, the Company identifies on its website, loblaw.ca, the designation of eligible and ineligible dividends in accordance with the administrative position of the CRA.

Normal Course Issuer Bid The activity under the Company's Normal Course Issuer Bid ("NCIB") is summarized as follows:

(millions of Canadian dollars except where otherwise indicated) (unaudited)	March 28, 2015 (12 weeks)	March 22, 2014 (12 weeks)
Shares repurchased under the NCIB for cancellation (number of shares)	280,100	—
Cash consideration paid	$ 17	$ —
Premium charged to Retained Earnings	12	—
Reduction in common shares	5	—
Shares repurchased under the NCIB and held in trusts (number of shares)	376,403	—
Cash consideration paid	$ 24	$ —
Premium charged to Retained Earnings	17	—
Reduction in common shares	7	—

Subsequent to the end of the first quarter of 2015, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 21,931,288 of the Company's common shares, representing approximately 10% of the public float. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

7. Quarterly Results of Operations

Under an accounting convention common in the retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. Fiscal year 2014 was 53 weeks and fiscal year 2013 was 52 weeks. When a fiscal year such as 2014 contains 53 weeks, the fourth quarter is 13 weeks in duration. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration.

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters:

Summary of Consolidated Quarterly Results[3]

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2015	**2014**	2014	2013	2014	2013	2014	2013
(millions of Canadian dollars except where otherwise indicated) (unaudited)	**(12 weeks)**	**(12 weeks)**	(13 weeks)	(12 weeks)	(16 weeks)	(16 weeks)	(12 weeks)	(12 weeks)
Revenue	**$ 10,048**	**$ 7,292**	$ 11,413	$ 7,640	$ 13,599	$10,009	$ 10,307	$ 7,520
Net earnings (loss)	**$ 146**	**$ 120**	$ 247	$ 114	$ 142	$ 150	$ (456)	$ 177
Net earnings (loss) per common share:								
Basic ($)	**$ 0.35**	**$ 0.43**	$ 0.60	$ 0.41	$ 0.34	$ 0.53	$ (1.13)	$ 0.63
Diluted ($)	**$ 0.35**	**$ 0.42**	$ 0.59	$ 0.40	$ 0.34	$ 0.53	$ (1.13)	$ 0.62
Average national food price inflation (as measured by CPI)	**4.6%**	**1.2%**	3.5%	0.9%	2.8%	0.9%	2.5%	1.5%
Food retail same-store sales growth	**2.0%**	**0.9%**	2.4%	0.6%	2.6%	0.4%	1.8%	1.1%
Shoppers Drug Mart same-store sales growth	**3.1%**	**1.4%**	3.8%	1.2%	2.5%	2.2%	2.5%	2.0%

CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.

Over the past eight quarters, net retail square footage increased by 0.5 million and 18.0 million square feet contributed by Shoppers Drug Mart at acquisition to 70.0 million square feet.

Fluctuations in quarterly net earnings reflect the underlying operations of the Company and are impacted by seasonality, which is greatest in the fourth quarter and least in the first quarter, the timing of holidays and were impacted by the items set out in Section 12 "Non-GAAP Financial Measures" of the MD&A as well as the following significant items:

- The acquisition of Shoppers Drug Mart, including net synergies;
- Restructured fee arrangements with franchisees of certain franchise banners;
- Transition of certain stores to more cost effective and efficient operating terms under collective agreements; and
- Equity-based compensation.

8. Internal Control over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal controls over financial reporting in the first quarter of 2015 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting, except as noted below:

In accordance with the provisions of National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Shoppers Drug Mart. Loblaw acquired the net assets of Shoppers Drug Mart and its subsidiaries on March 28, 2014.

Shoppers Drug Mart's contribution to the Company's consolidated financial statements for the quarter ended March 28, 2015 was approximately 25 percent of consolidated revenues and approximately 40 percent of consolidated adjusted operating income(2). Additionally, Shoppers Drug Mart's current assets and current liabilities were approximately 30 percent and 25 percent of consolidated current assets and liabilities, respectively, and its long term assets and long term liabilities were approximately 55 percent and 20 percent of consolidated long term assets and long term liabilities, respectively.

The scope limitation is primarily based on the time required to assess Shoppers Drug Mart's disclosure controls and procedures ("DC&P") and internal controls over financial reporting in a manner consistent with the Company's other operations. The assessment on the design effectiveness of DC&P and internal controls over financial reporting is on track for completion by the second quarter of 2015 and the assessment of operating effectiveness will be completed by fourth quarter of 2015.

Further details related to the acquisition of Shoppers Drug Mart are disclosed in Section 5 "Acquisition of Shoppers Drug Mart Corporation" of this MD&A, the notes to the Company's unaudited interim period condensed consolidated financial statements for the first quarter of 2015 and Section 7 "Acquisition of Shoppers Drug Mart Corporation" in the Company's 2014 Annual Report.

9. Enterprise Risks and Risk Management

Detailed descriptions of the operating and financial risks and risk management strategies are included in Section 15 "Enterprise Risks and Risk Management" of the MD&A in the Company's 2014 Annual Report and is available online on www.sedar.com. Those risks and risk management strategies remain unchanged except as noted below.

Regulatory and Tax Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including laws affecting all types of taxes, and laws affecting the production, processing, preparation, distribution, packaging and labelling of products, could have an adverse impact on the financial or operational performance of the Company. In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

In 2012, the Company received indication from the CRA that the CRA intended to proceed with reassessments of the tax treatment of the Company's wholly owned subsidiary, Glenhuron. The CRA's position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Subsequent to the end of the first quarter of 2015, the Company received reassessments from the CRA and the Ontario Ministry of Finance for the 2000 to 2010 taxation years totaling $341 million including interest and penalties. The Company believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. The Company strongly disagrees with the CRA's position and has filed Notices of Objection. No amount for any reassessments has been provided for in the Company's unaudited interim period condensed consolidated financial statements.

If the CRA were to ultimately prevail with respect to the proposed reassessment or if the CRA were to successfully pursue other reassessments, the outcome could have a negative material impact on the Company's reputation, results of operations and financial position in the year(s) of resolution.

As part of the review undertaken by the Competition Bureau of the acquisition by the Company of Shoppers Drug Mart, it expressed concerns about practices that the Company has in place with certain suppliers. In connection with this review, the Bureau issued requests for documents from the Company and 12 suppliers of the Company. The Company has and will continue to cooperate with the Competition Bureau in its review of these practices. At this stage of the review, it is not possible to predict when the review will be completed or the outcome of such review. If the Competition Bureau is not satisfied that the Company's practices satisfy the Bureau's objectives of maintaining competitive markets, then the Bureau may pursue remedies that could have a negative material impact on the Company's reputation, results of operations and financial position.

Legal Proceedings Subsequent to the end of the first quarter of 2015, a class action was commenced in the Ontario Superior Court of Justice against the Company and certain subsidiaries, Weston, and others in Canada in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The class action, which has not yet been formally served on the Company, seeks approximately $2 billion in damages. Plaintiffs in class actions and other lawsuits against the Company may seek very large or indeterminate amounts as alleged damages, including punitive damages, and the amount of any probable and estimated liability, if any, may remain unknown for substantial periods of time. Since litigation is inherently uncertain, the outcome of this class action, and all other litigation proceedings and claims remains uncertain. The Company believes the class action is without merit and intends to vigorously defend itself against any claims arising out of any such action. In the event that management's assessment of this class action is incorrect, there may be a material adverse effect on the Company's reputation, results of operations and financial position.

10. Accounting Standards

10.1 Changes to Significant Accounting Policies

Vendor Allowances The timing of recognition of vendor allowances requires judgment to determine the point at which the Company has earned the allowance. In conjunction with the acquisition of Shoppers Drug Mart in 2014, management reviewed the timing of recognition of certain vendor allowances and has determined that it would be appropriate to align the policies of both companies. The Company implemented the change retrospectively in the second quarter of 2014, with the following impact:

Condensed Consolidated Statement of Earnings and Comprehensive Income

Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	March 22, 2014 (12 weeks)
Cost of Merchandise Inventories Sold	$ (23)
Operating Income	$ 23
Earnings Before Income Taxes	$ 23
Income taxes	6
Net Earnings	$ 17
Total Comprehensive Income	$ 17
Net Earnings per Common Share ($)	
Basic	$ 0.06
Diluted	$ 0.06

Condensed Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	March 22, 2014
Accounts receivable	$ (4)
Inventories	1
Deferred Income Tax Assets	2
Total Equity Attributable to Shareholders of the Company	$ (1)

Intangible Assets The classification of software costs requires judgment to determine whether such costs should be classified as fixed assets or intangible assets. Management has reviewed the classification of the Company's software costs, primarily related to the implementation of its new IT systems, and has determined that it would be appropriate to present certain costs as intangible assets. The Company implemented the change retrospectively in the first quarter of 2015, with the following impact:

Condensed Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 22, 2014	As at January 3, 2015	As at December 29, 2013
Fixed Assets	$ (549)	$ (498)	$ (590)
Intangible Assets	549	498	590

In addition, the Company reassessed and revised the useful life of its new IT systems from five to seven years. This revision represents a change in estimate resulting in a current year reduction of depreciation and amortization expense, related to these assets, of approximately $34 million compared to 2014.

11. Outlook

Loblaw's strategic framework is focused on delivering the best in food, best in health and beauty, operational excellence and growth. This strategic framework is supported by a financial strategy of maintaining a stable trading environment that targets positive same-store sales and stable gross margin; surfacing efficiencies; delivering synergies as a result of its acquisition of Shoppers Drug Mart; and deleveraging the balance sheet.

Consistent with its previous outlook, on a full year comparative basis reflecting 2014 financial results for Loblaw and Shoppers Drug Mart, in 2015 the Company expects to:

- Maintain positive same-store sales and stable gross margin (excluding synergies) in the Retail segment;
- Achieve net synergies as a result of the acquisition of Shoppers Drug Mart approaching $200 million;
- Continue to drive net efficiencies across the food retail business by achieving reductions in supply chain, administrative functions and IT, while still investing in key areas, like eCommerce;
- Grow adjusted operating income[(2)] in its food retail business, excluding synergies;
- Experience a decline in adjusted operating income[(2)] in its retail pharmacy business, excluding synergies, as a result of investments in key projects and other factors;
- Grow consolidated adjusted net earnings[(2)] (including synergies) relative to 2014, however not at the same level achieved in the first quarter of 2015;
- Invest approximately $1,200 million in capital expenditure programs; and
- Remain on track with its deleveraging target, expecting to meet its target in the first quarter of 2016.

The Company's expectations for 2015 also include the following:

- Competitive intensity expected to remain high, but relatively stable as industry square footage growth in supermarket-type merchandise moderates; and
- Continued pressure in our retail pharmacy business from the ongoing impact of healthcare reform.

12. Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: Retail segment adjusted gross profit, Retail segment adjusted gross profit percentage, EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted operating income, adjusted operating margin, adjusted net interest expense and other financing charges, adjusted income taxes, adjusted income tax rate, adjusted net earnings, adjusted basic net earnings per common share, free cash flow, adjusted debt, adjusted debt to rolling year adjusted EBITDA, rolling year adjusted return on equity and rolling year adjusted return on capital and with respect to Choice Properties: adjusted funds from operations. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Management uses these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of the Company's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Retail Segment Adjusted Gross Profit and Retail Segment Adjusted Gross Profit Percentage There were no adjustments to Retail segment gross profit measures reported in the consolidated statements of earnings for the periods ended March 28, 2015 and March 22, 2014. The Company believes that Retail segment adjusted gross profit is useful in assessing the Retail segment's underlying operating performance and in making decisions regarding the ongoing operations of the business.

Retail segment adjusted gross profit percentage is calculated as adjusted Retail segment gross profit divided by Retail segment sales.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Income and Adjusted Operating Margin The following tables reconcile earnings before income taxes, net interest expense and other financing charges and depreciation and amortization ("EBITDA"), adjusted EBITDA and adjusted operating income to operating income, which is reconciled to GAAP net earnings measures reported in the consolidated statements of earnings for the periods ended March 28, 2015 and March 22, 2014. The Company believes that adjusted EBITDA is useful in assessing the performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investments program. The Company also believes that adjusted operating income is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of the business.

Adjusted EBITDA margin is calculated as adjusted EBITDA divided by revenue. Adjusted operating margin is calculated as adjusted operating income divided by revenue.

					2015 (12 weeks)					2014(3) (12 weeks)
(millions of Canadian dollars) (unaudited)	Retail	Financial Services(4)	Choice Properties(5)	Consolidation and Eliminations	Consolidated	Retail	Financial Services(4)	Choice Properties(5)	Consolidation and Eliminations	Consolidated
Net earnings					$ 146					$ 120
Add impact of the following:										
Net interest expense and other financing charges					192					115
Income taxes					76					41
Operating income	$ 370	$ 42	$ 127	$ (125)	$ 414	$ 240	$ 36	$ 118	$ (118)	$ 276
Depreciation and amortization	364	3	—	3	370	190	2	—	3	195
EBITDA	$ 734	$ 45	$ 127	$ (122)	$ 784	$ 430	$ 38	$ 118	$ (115)	$ 471
Operating income	$ 370	$ 42	$ 127	$ (125)	$ 414	$ 240	$ 36	$ 118	$ (118)	$ 276
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	124	—	—	—	124	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	(12)	—	—	—	(12)	—	—	—	—	—
Restructuring costs	12	—	—	—	12	—	—	—	—	—
Net fixed asset and other related impairments	3	—	—	—	3	2	—	1	—	3
Shoppers Drug Mart acquisition-related costs and divestitures loss	2	—	—	—	2	8	—	—	—	8
Adjusted operating income	$ 499	$ 42	$ 127	$ (125)	$ 543	$ 250	$ 36	$ 119	$ (118)	$ 287
Depreciation and amortization	364	3	—	3	370	190	2	—	3	195
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(124)	—	—	—	(124)	—	—	—	—	—
Adjusted EBITDA	$ 739	$ 45	$ 127	$ (122)	$ 789	$ 440	$ 38	$ 119	$ (115)	$ 482

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in the second quarter of 2014 included approximately $6,050 million of definite life intangible assets, which are being amortized over their estimated useful lives. During the first quarter of 2015, $124 million of amortization was recognized in operating income. Annual amortization associated with the acquired intangibles will be approximately $550 million over the next nine years, and will decrease thereafter.

Fair value adjustment on fuel and foreign currency contracts The Company enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and foreign exchange rates. Pursuant to the Company's derivative instruments accounting policy, changes in the fair value of these instruments are recorded in operating income. In the first quarter of 2015, the Company recorded a net fair value adjustment gain on these fuel and foreign currency contracts of $12 million (2014 – nil).

Restructuring costs In the first quarter of 2015, the Company recorded a charge of $12 million (2014 – nil), of restructuring and reorganization costs primarily associated with administrative restructuring activities in the Joe Fresh and Shoppers Home Health Care businesses.

Net fixed asset and other related impairments At each balance sheet date, the Company assesses and, when required, records impairments and recoveries of previous impairments related to the carrying value of its fixed assets, investment properties and intangible assets. In the first quarter of 2015, the Company recorded a net amount of $3 million (2014 – $3 million) related to fixed asset and other related impairments.

Shoppers Drug Mart acquisition-related costs and divestitures loss The Company recorded a loss related to the completed divestitures in the first quarter of 2015 of $2 million (2014 – nil). In connection with the agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, in the first quarter of 2014, the Company excluded $8 million of acquisition-related costs in operating income.

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest and other financing charges in the consolidated statements of earnings for the periods ended March 28, 2015 and March 22, 2014. The Company believes that adjusted net interest expense and other financing charges is useful in assessing the Company's underlying financial performance and in making decisions regarding the financial operations of the business.

(millions of Canadian dollars) (unaudited)		**2015 (12 weeks)**		2014 (12 weeks)
Net interest expense and other financing charges	**$**	**192**	$	115
Deduct impact of the following:				
Fair value adjustment on Trust Unit Liability		**(58)**		(12)
Accelerated amortization of deferred financing costs		**(3)**		—
Shoppers Drug Mart acquisition-related costs and divestitures loss		**—**		(15)
Adjusted net interest expense and other financing charges	**$**	**131**	$	88

Fair value adjustment on Trust Unit Liability The Company is exposed to market price fluctuations as a result of the Units held by unitholders other than the Company. These Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holder, subject to certain restrictions. This liability is recorded at fair value at each reporting date based on the market price of Units at the end of the period. In the first quarter of 2015, the Company recorded a loss of $58 million (2014 – $12 million) related to the fair value adjustment on the Trust Unit Liability.

Accelerated amortization of deferred financing costs In the first quarter of 2015, the Company recorded a $3 million (2014 – nil) charge related to the accelerated amortization of deferred financing costs due to the repayment of $207 million of the unsecured term loan facility.

Shoppers Drug Mart acquisition-related costs and divestitures loss In addition to the acquisition-related costs and divestitures loss recorded in operating income noted above, during the first quarter of 2014, $15 million of additional net interest expense were incurred in connection with the financing related to the acquisition of Shoppers Drug Mart.

Adjusted Income Tax Expense and Adjusted Income Tax Rate The Company believes adjusted income tax expense is useful in assessing the underlying operating performance and in making decisions regarding the ongoing operations of its business.

(millions of Canadian dollars) (unaudited)		**2015 (12 weeks)**		2014[(3)] (12 weeks)
Adjusted operating income[(i)]	**$**	**543**	$	287
Adjusted net interest and other financing charges[(i)]		**131**		88
Adjusted earnings before taxes	**$**	**412**	$	199
Income taxes	**$**	**76**	$	41
Tax impact of items included in adjusted earnings before taxes[(ii)]		**35**		5
Adjusted income taxes	**$**	**111**	$	46
Effective tax rate		**34.2%**		25.5%
Adjusted income tax rate		**26.9%**		23.1%

(i) See reconciliations of adjusted operating income and adjusted net interest and other financing charges above.
(ii) See the EBITDA, adjusted EBITDA and adjusting operating income table and the adjusted net interest and other financing charges table above for a complete list of items included in adjusted earnings before taxes.

Adjusted income tax rate is calculated as adjusted income taxes divided by the sum of adjusted operating income less adjusted net interest expense and other financing charges.

Adjusted Net Earnings and Adjusted Basic Net Earnings Per Common Share The Company believes adjusted net earnings and adjusted basic net earnings per common share are useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

The following table reconciles adjusted net earnings and adjusted basic net earnings per common share to GAAP net earnings and basic net earnings per common share reported for the periods ended March 28, 2015 and March 22, 2014:

		2015 (12 weeks)				2014[(3)] (12 weeks)		
(millions of Canadian dollars/Canadian dollars) (unaudited)		**Net Earnings**		**Basic Net Earnings Per Common**		Net Earnings		Basic Net Earnings Per Common Share
	$	**146**	**$**	**0.35**	$	120	$	0.43
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		**91**		**0.22**		—		—
Fair value adjustment on Trust Unit Liability[(i)]		**58**		**0.14**		12		0.04
Fair value adjustment on fuel and foreign currency contracts		**(9)**		**(0.02)**		—		—
Restructuring costs		**9**		**0.02**		—		—
Net fixed asset and other related impairments		**2**		**0.01**		2		0.01
Accelerated amortization of deferred financing costs		**2**		**0.01**		—		—
Shoppers Drug Mart acquisition-related costs and divestitures loss		**2**		**—**		19		0.06
Adjusted	**$**	**301**	**$**	**0.73**	$	153	$	0.54

(i) Gains or losses related to the fair value adjustment on Trust Unit Liability are not subject to tax.

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the periods ended March 28, 2015 and March 22, 2014. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

(millions of Canadian dollars) (unaudited)		**2015 (12 weeks)**		2014[3] (12 weeks)
Cash flows from (used in) operating activities	**$**	**517**	$	(46)
Less:				
Capital investments		**231**		117
Interest paid		**142**		119
Free cash flow	**$**	**144**	$	(282)

Adjusted Debt The following table reconciles adjusted debt, used in the adjusted debt to rolling year adjusted EBITDA ratio, to GAAP measures reported as at the periods ended as indicated. The Company believes that adjusted debt is relevant in assessing the amount of financial leverage employed. In the table below, the Company has also presented adjusted debt as at March 28, 2014, the date of the acquisition of Shoppers Drug Mart, as this is the baseline for the Company's debt reduction targets.

(millions of Canadian dollars) (unaudited)		**As at March 28, 2015**		As at March 22, 2014[3]		As at January 3, 2015		As at March 28, 2014
Bank indebtedness	**$**	**299**	$	—	$	162	$	295
Short term debt		**505**		605		605		605
Long term debt due within one year		**445**		902		420		902
Long term debt		**10,922**		7,155		11,042		11,262
Trust Unit Liability		**784**		703		722		703
Capital securities		**225**		224		225		224
Certain other liabilities		**28**		39		28		39
Total debt	**$**	**13,208**	$	9,628	$	13,204	$	14,030
Less:								
Independent Securitization Trusts	**$**	**1,255**	$	1,355	$	1,355	$	1,355
Independent Funding Trusts		**496**		469		498		469
Trust Unit Liability		**784**		703		722		703
Guaranteed Investment Certificates		**635**		443		634		443
Adjusted debt	**$**	**10,038**	$	6,658	$	9,995	$	11,060

Adjusted debt to rolling year adjusted EBITDA is calculated as adjusted debt divided by rolling year adjusted EBITDA.

Choice Properties' Adjusted Funds from Operations(5) The following table reconciles Choice Properties' adjusted funds from operations to GAAP measures for the periods ended March 28, 2015 and March 22, 2014. The Company believes adjusted funds from operations is useful in measuring economic performance and is indicative of Choice Properties ability to pay distributions.

(millions of Canadian dollars) (unaudited)	**2015 (12 weeks)**	2014 (12 weeks)
Net loss	**$ (211)**	$ (8)
Fair value adjustments on Class B Limited Partnership units	**254**	48
Fair value adjustments on investment properties	**1**	—
Distributions on Class B Limited Partnership units	**50**	46
Amortization of tenant improvement allowances	**—**	1
Funds from Operations	**$ 94**	$ 87
Straight-line rental revenue	**$ (9)**	$ (9)
Amortization of finance charges	**—**	(1)
Sustaining property and leasing capital expenditures, normalized(i)	**(10)**	(8)
Adjusted Funds from Operations	**$ 75**	$ 69

(i) Seasonality impacts the timing of capital expenditures. The adjusted funds from operations calculation has been adjusted for this factor to make the quarters more comparable.

13. Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at sedar.com and with OSFI as the primary regulator for the Company's subsidiary, PC Bank.

May 5, 2015
Toronto, Canada

MD&A Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 119 of the Company's 2014 Annual Report.

(2) See Section 12 "Non-GAAP Financial Measures".

(3) Certain 2014 figures have been restated to conform with the current year's presentation. See Section 5 "Acquisition of Shoppers Drug Mart Corporation", Section 10.1 "Changes to Significant Accounting Policies" and Section 12 "Non-GAAP Financial Measures".

(4) For segment presentation purposes, the results are for the period ended March 31, 2015, consistent with Financial Services' fiscal calendar. Adjustments to March 28, 2015 are included in Consolidation and Eliminations. See Section 12 "Non-GAAP Financial Measures". This represents a change from the prior year whereby results were presented consistent with the Company's reporting calendar. The results for 2014 have not been restated.

(5) For segment presentation purposes, the results are for the periods ended March 31, 2015 and March 31, 2014, consistent with Choice Properties' fiscal calendar. Adjustments to March 28, 2015 and March 22, 2014 are included in Consolidation and Eliminations. See Section 12 "Non-GAAP Financial Measures".

(6) Refer to the Company's 2014 Second Quarter News Release, Addendum B, for restated comparable Shoppers Drug Mart results.

(7) For an explanation of the calculation for rolling year adjusted return on equity and rolling year adjusted return on capital, see the preface at the beginning of this MD&A.

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**March 28, 2015 (12 weeks)**	March 22, 2014[i] (12 weeks)
Revenue	**$ 10,048**	$ 7,292
Cost of Merchandise Inventories Sold	**7,221**	5,505
Selling, General and Administrative Expenses	**2,413**	1,511
Operating Income	**$ 414**	$ 276
Net interest expense and other financing charges (note 4)	**192**	115
Earnings Before Income Taxes	**$ 222**	$ 161
Income taxes (note 5)	**76**	41
Net Earnings	**$ 146**	$ 120
Net Earnings per Common Share ($) (note 6)		
Basic	**$ 0.35**	$ 0.43
Diluted	**$ 0.35**	$ 0.42
Weighted Average Common Shares Outstanding (note 6) **(millions)**		
Basic	**412.0**	281.5
Diluted	**416.1**	284.3

(i) Certain comparative figures have been restated. See note 2.

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**March 28, 2015 (12 weeks)**	March 22, 2014[(i)] (12 weeks)
Net Earnings	**$ 146**	$ 120
Other comprehensive income (loss), net of taxes		
Items that are or may be subsequently reclassified to profit or loss:		
Foreign currency translation adjustment	**$ 7**	$ 4
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial losses (note 16)	**(15)**	(69)
Other comprehensive loss	**$ (8)**	$ (65)
Total Comprehensive Income	**$ 138**	$ 55

(i) Certain comparative figures have been restated. See note 2.

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity
Balance at January 3, 2015	**$ 7,857**	**$ 4,810**	**$ 104**	**$ 8**	**$ 8**	**$ 12,787**
Net Earnings	**$ —**	**$ 146**	**$ —**	**$ —**	**$ —**	**$ 146**
Other comprehensive (loss) income	**—**	**(15)**	**—**	**7**	**—**	**(8)**
Total Comprehensive Income	**$ —**	**$ 131**	**$ —**	**$ 7**	**$ —**	**$ 138**
Common shares purchased for cancellation (note 14)	**(5)**	**(12)**	**—**	**—**	**—**	**(17)**
Net effect of equity-based compensation (note 14 and 15)	**17**	**(1)**	**—**	**—**	**—**	**16**
Shares purchased and held in trust (note 14 and 15)	**(7)**	**(17)**	**—**	**—**	**—**	**(24)**
Shares released from trust (note 14 and 15)	**1**	**11**	**—**	**—**	**—**	**12**
Dividends declared per common share – $0.245 (note 14)	**—**	**(101)**	**—**	**—**	**—**	**(101)**
	$ 6	**$ 11**	**$ —**	**$ 7**	**$ —**	**$ 24**
Balance at March 28, 2015	**$ 7,863**	**$ 4,821**	**$ 104**	**$ 15**	**$ 8**	**$ 12,811**

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Retained Earnings(i)	Contributed Surplus	Accumulated Other Comprehensive Income	Non-Controlling Interests	Total Equity(i)
Balance at December 28, 2013	$ 1,642	$ 5,271	$ 87	$ —	$ —	$ 7,000
Net earnings	$ —	$ 120	$ —	$ —	$ —	$ 120
Other comprehensive (loss) income	—	(69)	—	4	—	(65)
Total Comprehensive Income	$ —	$ 51	$ —	$ 4	$ —	$ 55
Net effect of equity-based compensation (note 14 and 15)	13	—	(7)	—	—	6
Shares released from trust (note 14 and 15)	1	9	—	—	—	10
Dividends declared per common share – $0.240 (note 14)	—	(68)	—	—	—	(68)
	$ 14	$ (8)	$ (7)	$ 4	$ —	$ 3
Balance at March 22, 2014	$ 1,656	$ 5,263	$ 80	$ 4	$ —	$ 7,003

(i) Certain comparative figures have been restated. See note 2.

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at March 28, 2015**	As at March 22, 2014[(i)]	As at January 3, 2015[(i)]
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,013**	$ 2,537	$ 999
Short term investments (note 7)	**44**	39	21
Accounts receivable	**1,227**	617	1,209
Credit card receivables (note 8)	**2,478**	2,399	2,630
Inventories (note 9)	**4,411**	2,085	4,309
Income tax recoverable	**52**	—	—
Prepaid expenses and other assets	**214**	123	214
Assets held for sale	**14**	23	23
Total Current Assets	**$ 9,453**	$ 7,823	$ 9,405
Fixed Assets	**10,297**	8,485	10,296
Investment Properties	**186**	115	185
Intangible Assets	**9,533**	658	9,675
Goodwill	**3,325**	943	3,318
Deferred Income Tax Assets	**156**	294	193
Security Deposits (note 7)	**6**	1,697	7
Franchise Loans Receivable	**388**	363	399
Other Assets (note 10)	**312**	237	281
Total Assets	**$ 33,656**	$ 20,615	$ 33,759
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 299**	$ —	$ 162
Trade payables and other liabilities	**4,680**	3,297	4,774
Provisions	**78**	53	84
Income taxes payable	**—**	3	34
Short term debt (note 11)	**505**	605	605
Long term debt due within one year (note 12)	**445**	902	420
Associate interest	**187**	—	193
Capital securities	**225**	—	225
Total Current Liabilities	**$ 6,419**	$ 4,860	$ 6,497
Provisions	**77**	56	76
Long Term Debt (note 12)	**10,922**	7,155	11,042
Trust Unit Liability (note 17)	**784**	703	722
Deferred Income Tax Liabilities	**1,837**	36	1,853
Capital Securities	**—**	224	—
Other Liabilities (note 13)	**806**	578	782
Total Liabilities	**$ 20,845**	$ 13,612	$ 20,972
Equity			
Share Capital (note 14)	**$ 7,863**	$ 1,656	$ 7,857
Retained Earnings	**4,821**	5,263	4,810
Contributed Surplus (note 15)	**104**	80	104
Accumulated Other Comprehensive Income	**15**	4	8
Total Equity Attributable to Shareholders of the Company	**$ 12,803**	$ 7,003	$ 12,779
Non-Controlling Interests	**8**	—	8
Total Equity	**$ 12,811**	$ 7,003	$ 12,787
Total Liabilities and Equity	**$ 33,656**	$ 20,615	$ 33,759

(i) Certain comparative figures have been restated. See note 2 and note 3.

Contingent Liabilities (note 18).

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**March 28, 2015 (12 weeks)**	March 22, 2014[(i)] (12 weeks)
Operating Activities		
Net earnings	**$ 146**	$ 120
Income taxes (note 5)	**76**	41
Net interest expense and other financing charges (note 4)	**192**	115
Depreciation and amortization	**370**	195
Income taxes paid	**(135)**	(81)
Interest received	**2**	8
Change in credit card receivables (note 8)	**152**	139
Change in non-cash working capital	**(302)**	(591)
Net fixed asset and other related impairments	**3**	3
Gain on disposal of assets	**(1)**	—
Other	**14**	5
Cash Flows from (used in) Operating Activities	**$ 517**	$ (46)
Investing Activities		
Fixed asset purchases	**$ (204)**	$ (104)
Intangible asset additions	**(27)**	(13)
Change in short term investments (note 7)	**(23)**	251
Proceeds from disposal of assets	**11**	10
Change in franchise investments and other receivables	**13**	6
Change in security deposits (note 7)	**1**	4
Investment in joint venture	**(1)**	—
Other	**(41)**	—
Cash Flows (used in) from Investing Activities	**$ (271)**	$ 154
Financing Activities		
Change in bank indebtedness	**$ 137**	$ —
Change in Associate interest	**(6)**	—
Change in short term debt (note 11)	**(100)**	—
Long Term Debt (note 12)		
Issued	**255**	469
Retired	**(356)**	(126)
Interest paid	**(142)**	(119)
Dividends paid (note 14)	**—**	(68)
Share capital (note 14 and 15)		
Issued	**14**	10
Purchased and held in trust	**(24)**	—
Purchased for cancellation	**(17)**	—
Cash Flows (used in) from Financing Activities	**$ (239)**	$ 166
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 7**	$ 3
Change in cash and cash equivalents	**$ 14**	$ 277
Cash and cash equivalents, beginning of period	**999**	2,260
Cash and Cash Equivalents, End of Period	**$ 1,013**	$ 2,537

(i) Certain comparative figures have been restated. See note 2.

See accompanying notes to the unaudited interim period condensed consolidated financial statements.

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's food and pharmacy leader, the nation's largest retailer and the majority unitholder of Choice Properties Real Estate Investment Trust ("Choice Properties"). Loblaw Companies Limited provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, and financial products and services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to, in these unaudited interim condensed consolidated financial statements, as the "Company" or "Loblaw".

The Company's controlling shareholder is George Weston Limited ("Weston") which owns approximately 46% of the Company's outstanding common shares. The Company's ultimate parent is Wittington Investments, Limited. The remaining common shares are widely held.

In 2014, the Company acquired all of the outstanding shares of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") (see note 3).

The Company has three reportable operating segments: Retail, Financial Services and Choice Properties (see note 19).

Quarterly net earnings are affected by seasonality and the timing of holidays. The impact of seasonality is greatest in the fourth quarter and least in the first quarter.

Note 2. Significant Accounting Policies

The significant accounting policies and critical accounting estimates and judgments as disclosed in the Company's 2014 audited annual financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements. These unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Statement of Compliance

The unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2014 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on May 5, 2015.

Changes to Significant Accounting Policies

Vendor Allowances The timing of recognition of vendor allowances requires judgment to determine the point at which the Company has earned the allowance. In conjunction with the acquisition of Shoppers Drug Mart in 2014, management reviewed the timing of recognition of certain vendor allowances and has determined that it would be appropriate to align the policies of both companies. The Company implemented the change retrospectively in the second quarter of 2014, with the following impact:

Condensed Consolidated Statement of Earnings and Comprehensive Income

Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	March 22, 2014 (12 weeks)
Cost of Merchandise Inventories Sold	$ (23)
Operating Income	$ 23
Earnings Before Income Taxes	$ 23
Income taxes	6
Net Earnings	$ 17
Total Comprehensive Income	$ 17
Net Earnings per Common Share ($)	
Basic	$ 0.06
Diluted	$ 0.06

Condensed Consolidated Balance Sheet

Increase (Decrease) (millions of Canadian dollars)	March 22, 2014
Accounts receivable	$ (4)
Inventories	1
Deferred Income Tax Assets	2
Total Equity Attributable to Shareholders of the Company	$ (1)

Intangible Assets The classification of software costs requires judgment to determine whether such costs should be classified as fixed assets or intangible assets. Management has reviewed the classification of the Company's software costs, primarily related to the implementation of its new information technology ("IT") systems, and has determined that it would be appropriate to present certain costs as intangible assets. The Company implemented the change retrospectively in the first quarter of 2015, with the following impact:

Condensed Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 22, 2014	As at January 3, 2015	As at December 29, 2013
Fixed Assets	$ (549)	$ (498)	$ (590)
Intangible Assets	549	498	590

In addition, the Company reassessed and revised the useful life of its new IT systems from five to seven years. This revision represents a change in estimate resulting in a current year reduction of depreciation and amortization expense, related to these assets, of approximately $34 million compared to 2014.

Note 3. Acquisition of Shoppers Drug Mart Corporation

On March 28, 2014, the Company acquired all of the outstanding shares of Shoppers Drug Mart for total consideration of $12,273 million, comprised of approximately $6,600 million of cash and the issuance of approximately 119.5 million common shares of the Company. The Company also issued 10.5 million common shares to Weston in relation to the acquisition of Shoppers Drug Mart. In the first quarter of 2014, the Company incurred costs of $23 million related to the acquisition of Shoppers Drug Mart, of which $8 million was recorded in selling, general and administrative expenses and $15 million was recorded in net interest expense and other financing charges.

As at March 28, 2015, the Company finalized the purchase price allocation. In the first quarter of 2015, the Company revised its fair value estimate of the Optimum loyalty program liability retrospective to the date of acquisition. The result increased trade payables and other liabilities by $102 million to $1,026 million, decreased deferred income tax liabilities by $27 million to $2,225 million and increased goodwill by $75 million to $2,360 million. The finalized purchase price allocation is summarized as follows:

(millions of Canadian dollars)	
Net Assets Acquired:	
Cash and cash equivalents	$ 27
Accounts receivable	534
Inventories	3,003
Prepaid expenses and other assets	67
Fixed assets	1,792
Investment properties	16
Intangible assets	9,440
Goodwill	2,360
Deferred income tax assets	68
Other assets	7
Bank indebtedness	(295)
Trade payables and other liabilities	(1,026)
Income taxes payable	(11)
Associate interest	(174)
Provisions	(19)
Long term debt	(1,127)
Deferred income tax liabilities	(2,225)
Other liabilities	(164)
Total Net Assets Acquired	**$ 12,273**

Goodwill is attributable to synergies expected following the integration of Shoppers Drug Mart, improved competitive positioning in the retail market, and future growth of the Company's customer base as a result of the acquisition. The goodwill arising from this acquisition is not deductible for tax purposes.

Intangible assets are comprised of the following:

(millions of Canadian dollars except where otherwise indicated)

Intangible Assets:			**Estimated Useful Life**
Prescription files	$	5,005	11 years
Brands		3,390	indefinite
Optimum loyalty program		490	18 years
Other		555	5 to 10 years
Total Intangible Assets	**$**	**9,440**	

Pursuant to a Consent Agreement reached with the Competition Bureau in 2014, the Company was required to divest 16 Shoppers Drug Mart stores, two of the Company's franchise grocery stores, as well as nine of the Company's in-store pharmacy operations. In the first quarter of 2015, the Company met this requirement by completing all required divestitures with the sale of three remaining Shoppers Drug Mart stores. The Company received proceeds of $9 million and recorded a loss of $2 million in operating income related to these final divestitures.

Note 4. Net Interest Expense and Other Financing Charges

(millions of Canadian dollars)		**March 28, 2015 (12 weeks)**		March 22, 2014 (12 weeks)
Interest expense and other financing charges:				
Long term debt	**$**	**112**	$	71
Shoppers Drug Mart acquisition-related costs (note 3)		**—**		18
Borrowings related to credit card receivables		**9**		9
Trust Unit distributions		**11**		11
Post-employment and other long term employee benefits (note 16)		**3**		2
Independent funding trusts		**4**		3
Dividends on capital securities (note 14)		**3**		3
Fair value adjustment of Trust Unit Liability (note 17)		**58**		12
Capitalized interest		**(1)**		—
	$	**199**	$	129
Interest income:				
Accretion income	**$**	**(7)**	$	(6)
Short term interest income		**—**		(5)
Security deposits(i)		**—**		(3)
	$	**(7)**	$	(14)
Net interest expense and other financing charges	**$**	**192**	$	115

(i) 2014 includes interest income of $3 million related to $1,600 million of proceeds from the issuance of senior unsecured notes previously held in escrow (see note 7), which were used to partially fund the acquisition of all of the outstanding common shares of Shoppers Drug Mart (see note 3).

Note 5. Income Taxes

Income tax expense for the first quarter of 2015 was $76 million (2014 – $41 million) and the effective income tax rate was 34.2% (2014 – 25.5%). The increase in the effective tax rate was primarily attributable to an increase in non-deductible items, including the fair value adjustments on the Trust Unit Liability and a decrease in certain non-taxable amounts.

Note 6. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**March 28, 2015 (12 weeks)**	March 22, 2014 (12 weeks)
Net earnings	**$ 146**	$ 120
Weighted average common shares outstanding (note 14) (in millions)	**412.0**	281.5
Dilutive effect of equity-based compensation (in millions)	**3.6**	2.0
Dilutive effect of certain other liabilities (in millions)	**0.5**	0.8
Diluted weighted average common shares outstanding (in millions)	**416.1**	284.3
Basic net earnings per common share ($)	**$ 0.35**	$ 0.43
Diluted net earnings per common share ($)	**$ 0.35**	$ 0.42

Excluded from the computation of diluted net earnings per common share were 10,533,262 (2014 – 11,088,624) potentially dilutive instruments, as they were anti-dilutive.

Note 7. Cash and Cash Equivalents, Short Term Investments and Security Deposits

The components of cash and cash equivalents, short term investments and security deposits were as follows:

Cash and Cash Equivalents

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Cash	**$ 522**	$ 1,415	$ 464
Cash equivalents:			
Government treasury bills	**478**	810	463
Bankers' acceptances	**12**	302	57
Corporate commercial paper	**1**	10	15
Total cash and cash equivalents	**$ 1,013**	$ 2,537	$ 999

Short Term Investments

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Government treasury bills	**$ 30**	$ 6	$ 17
Government agencies securities	**—**	30	—
Bankers' acceptances	**12**	1	2
Corporate commercial paper	**1**	1	1
Other	**1**	1	1
Total short term investments	**$ 44**	$ 39	$ 21

Security Deposits

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Cash	**$ 6**	$ 96	$ 7
Government treasury bills(i)	**—**	1,601	—
Total security deposits	**$ 6**	$ 1,697	$ 7

(i) As at March 22, 2014, Government treasury bills included $1,600 million of proceeds from the issuance of senior unsecured notes that were held in escrow as part of the financing for the acquisition of Shoppers Drug Mart. In 2014, the Company completed the acquisition of Shoppers Drug Mart and the proceeds were released from escrow (see note 3).

As at March 28, 2015, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $144 million (March 22, 2014 – $138 million; January 3, 2015 – $141 million), of which $6 million (March 22, 2014 – $96 million; January 3, 2015 – $7 million) was deposited with major financial institutions and classified as security deposits.

Note 8. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Gross credit card receivables	**$ 2,529**	$ 2,446	$ 2,684
Allowance for credit card receivables	**(51)**	(47)	(54)
Credit card receivables	**$ 2,478**	$ 2,399	$ 2,630
Securitized to independent securitization trusts:			
Securitized to *Eagle Credit Card Trust*®	**$ 750**	$ 750	$ 750
Securitized to Other Independent Securitization Trusts	**505**	605	605

The Company, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells and repurchases credit card receivables with independent securitization trusts, including *Eagle Credit Card Trust® ("Eagle")* and Other Independent Securitization Trusts, from time to time, depending on PC Bank's financing requirements. In the first quarter of 2015, PC Bank repurchased $100 million of co-ownership interest in the securitized receivables from the Other Independent Securitization Trusts.

The associated liability of *Eagle* is recorded in long term debt (see note 12). The associated liabilities of credit card receivables securitized to the Other Independent Securitization Trusts are recorded in short term debt (see note 11).

Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability and was in compliance with this requirement as at March 28, 2015 and throughout the quarter.

Note 9. Inventories

For inventories recorded as at March 28, 2015, the Company recorded $22 million (March 22, 2014 – $12 million) as an expense for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold. There were no reversals of previously recorded write-downs of inventories during the first quarters of 2015 and 2014.

Note 10. Other Assets

(millions of Canadian dollars)	As at March 28, 2015	As at March 22, 2014	As at January 3, 2015
Sundry investments and other receivables	**$ 142**	$ 143	$ 141
Accrued benefit plan asset	**87**	48	90
Interest in joint venture	**7**	—	6
Other	**76**	46	44
Other assets	**$ 312**	$ 237	$ 281

Note 11. Short Term Debt

In the first quarter of 2015, PC Bank repurchased $100 million of co-ownership interest in the securitized receivables from the Other Independent Securitization Trusts, and recorded a corresponding decrease to short term debt. The outstanding short term debt balance of $505 million (March 22, 2014 and January 3, 2015 – $605 million) includes credit card receivables securitized to the Other Independent Securitization Trusts (see note 8).

In the first quarter of 2015, PC Bank extended the maturity date for certain Other Independent Securitization Trust agreements from the second quarter of 2016 to the second quarter of 2017, with all other terms and conditions remaining substantially the same.

As at March 28, 2015, the aggregate gross potential liability under letters of credit for the benefit of the Other Independent Securitization Trusts was $52 million (March 22, 2014 – $54 million; January 3, 2015 – $61 million), which represented 10% (March 22, 2014 – 9%; January 3, 2015 – 10%) of the securitized credit card receivables amount.

Note 12. Long Term Debt

Loblaw Companies Limited Notes In the first quarter of 2014, the Company's $100 million 6.0% medium term note matured and was repaid.

Unsecured Term Loan Facility During the first quarter of 2015, the Company repaid $207 million of the $3,500 million unsecured term loan facility obtained in connection with the financing of the acquisition of Shoppers Drug Mart, using $198 million of existing cash and $9 million from the proceeds of assets required to be divested by the Competition Bureau. The Company has repaid $2,478 million of the unsecured term loan facility since the acquisition, which included using net proceeds of $1,500 million from the sale of Choice Properties Transferor Notes to unrelated parties that resulted in a neutral impact to long term debt. As at March 28, 2015, the outstanding balance on the unsecured term loan facility was $1,022 million. The amortization of the financing costs related to the unsecured term loan facility during the first quarter 2015 was $4 million, of which $3 million was accelerated due to early repayments on the facility. The unsecured term loan facility contains certain financial covenants, with which the Company was in compliance as at March 28, 2015 and throughout the quarter.

Subsequent to the end of the first quarter of 2015, the Company obtained $250 million through an unsecured term loan bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.13%, maturing March 30, 2019. The Company used the proceeds from this loan to repay $250 million of its unsecured term loan facility.

Guaranteed Investment Certificates The following table summarizes PC Bank's Guaranteed Investment Certificates ("GICs") activity, before commissions, for the first quarters of 2015 and 2014:

(millions of Canadian dollars)	March 28, 2015 (12 weeks)	March 22, 2014 (12 weeks)
Balance, beginning of period	**$ 634**	$ 430
GICs issued	**5**	20
GICs matured	**(4)**	(7)
Balance, end of period	**$ 635**	$ 443

Independent Securitization Trust The notes issued by *Eagle* are medium term notes, which are collateralized by PC Bank's credit card receivables. The Company has arranged letters of credit on behalf of PC Bank, for the benefit of *Eagle* (see notes 8 and 17).

As at March 28, 2015, the aggregate gross potential liability under letters of credit for the benefit of *Eagle* was $68 million (March 22, 2014 – nil; January 3, 2015 – $68 million), which represented 9% (March 22, 2014 – nil; January 3, 2015 – 9%) of the *Eagle* notes outstanding.

Independent Funding Trusts As at March 28, 2015, the independent funding trusts had drawn $496 million (March 22, 2014 – $469 million; January 3, 2015 – $498 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts in the amount of $52 million (March 22, 2014 and January 3, 2015 – $50 million), representing not less than 10% (March 22, 2014 and January 3, 2015 – 10%) of the principal amount of loans outstanding.

Committed Credit Facility In the first quarter of 2015, the Company amended its $1,000 million committed credit facility ("Credit Facility") agreement to extend the maturity date to March 31, 2020, with all other terms and conditions remaining substantially the same. As at March 28, 2015, March 22, 2014 and January 3, 2015, there were no amounts drawn under the Credit Facility. The Credit Facility contains certain financial covenants, with which the Company was in compliance as at March 28, 2015 and throughout the quarter.

Choice Properties In the first quarter 2015, Choice Properties issued $250 million aggregate principal amount of Series E senior unsecured debentures. These debentures bear interest at a rate of 2.30% per annum and mature on September 14, 2020. The offering was made under Choice Properties' Short Form Base Shelf Prospectus.

In the first quarter of 2014, Choice Properties issued $250 million principal amount of Series C senior unsecured debentures with a 7-year term and a coupon rate of 3.50% per annum and $200 million principal amount of Series D senior unsecured debentures with a 10-year term and a coupon rate of 4.29% per annum, under its Short Form Base Shelf Prospectus. The majority of the proceeds were used to repay $440 million of Transferor Notes held by Loblaw.

As at March 28, 2015, Choice Properties had no amount drawn (March 22, 2014 – nil; January 3, 2015 – $122 million) under its $500 million Choice Properties' senior unsecured committed credit facility. The facility contains certain financial covenants, with which Choice Properties was in compliance as at March 28, 2015 and throughout the quarter.

Long Term Debt due Within One Year The following table summarizes long term debt due within one year:

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Loblaw Companies Limited Notes	**$ —**	$ 350	$ —
Independent Funding Trust	**—**	469	—
Independent Securitization Trusts	**350**	—	350
Finance Lease Obligations	**50**	31	38
Guaranteed Investment Certificates	**42**	49	29
Long term debt secured by mortgage	**3**	3	3
Total long term debt due within one year	**$ 445**	$ 902	$ 420

Note 13. Other Liabilities

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Net defined benefit plan obligation	**$ 340**	$ 276	$ 311
Other long term employee benefit obligation	**116**	113	116
Equity-based compensation liability (note 15)	**8**	1	7
Fair value adjustment to acquired leases	**101**	—	104
Deferred lease obligation	**86**	38	77
Other	**155**	150	167
Other liabilities	**$ 806**	$ 578	$ 782

Note 14. Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activity in the common shares issued and outstanding during the first quarter of 2015 and 2014 was as follows:

	March 28, 2015 (12 weeks)			March 22, 2014 (12 weeks)		
(millions of Canadian dollars except where otherwise indicated)	**Number of Common Shares**		**Common Share Capital**	Number of Common Shares		Common Share Capital
Issued and outstanding, beginning of period	**412,480,891**	**$**	**7,860**	282,311,573	$	1,648
Issued for settlement of stock options	**404,198**		**17**	304,208		13
Purchased for cancellation	**(280,100)**		**(5)**	—		—
Issued and outstanding, end of period	**412,604,989**	**$**	**7,872**	282,615,781	$	1,661
Shares held in trust, beginning of period	**(555,046)**	**$**	**(3)**	(1,067,323)	$	(6)
Purchased for future settlement of RSUs and PSUs	**(376,403)**		**(7)**	—		—
Release for settlement of RSUs and PSUs (note 15)	**297,767**		**1**	236,059		1
Shares held in trust, end of period	**(633,682)**	**$**	**(9)**	(831,264)	$	(5)
Issued and outstanding, net of shares held in trust, end of period	**411,971,307**	**$**	**7,863**	281,784,517	$	1,656
Weighted average outstanding, net of shares held in trust	**411,965,622**			281,466,596		

Dividends The following table summarizes the Company's cash dividends declared for 2015 and 2014:

	March 28, 2015 (12 weeks)[i]		March 22, 2014 (12 weeks)	
Dividends declared per share ($):				
Common share	**$**	**0.245**	$	0.240
Second Preferred Share, Series A	**$**	**0.37**	$	0.37

(i) The 2015 first quarter dividends of $0.245 per share declared on common shares have a payment date of April 1, 2015. The 2015 first quarter dividends of $0.37 per share declared on Second Preferred Shares, Series A have a payment date of April 30, 2015.

For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $3 million were included as a component of net interest expense and other financing charges in the condensed consolidated statements of earnings during the first quarter of 2015 (2014 – $3 million) (see note 4).

Subsequent to the end of the first quarter of 2015, the Board declared a quarterly dividend of $0.250 per common share, an increase of approximately 2.0%, payable on July 1, 2015 to shareholders of record on June 15, 2015 and a dividend on the Second Preferred Shares, Series A of $0.37 per share payable on July 31, 2015 to shareholders of record on July 15, 2015.

Normal Course Issuer Bid The activity under the Company's Normal Course Issuer Bid ("NCIB") is summarized as follows:

(millions of Canadian dollars except where otherwise indicated)		March 28, 2015 (12 weeks)		March 22, 2014 (12 weeks)
Shares repurchased under the NCIB for cancellation (number of shares)		280,100		—
Cash consideration paid	$	17	$	—
Premium charged to Retained Earnings		12		—
Reduction in common shares		5		—
Shares repurchased under the NCIB and held in trusts (number of shares)		376,403		—
Cash consideration paid	$	24	$	—
Premium charged to Retained Earnings		17		—
Reduction in common shares		7		—

Subsequent to the end of the first quarter of 2015, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or through alternative trading systems up to 21,931,288 of the Company's common shares, representing approximately 10% of the public float. In accordance with the rules and by-laws of the TSX, the Company may purchase its common shares from time to time at the then market price of such shares.

Note 15. Equity-Based Compensation

The Company's equity-based compensation expense for the first quarter of 2015, which includes Loblaw Stock Option, Restricted Share Unit ("RSU"), Performance Share Unit ("PSU"), Director Deferred Share Unit, Executive Deferred Share Unit plans, and the unit-based compensation plans of Choice Properties, was $17 million (2014 – $7 million). The expense was recognized in operating income.

The carrying amount of the Company's equity-based compensation arrangements are recorded on the condensed consolidated balance sheets as follows:

(millions of Canadian dollars)		As at March 28, 2015		As at March 22, 2014		As at January 3, 2015
Trade payables and other liabilities	$	2	$	—	$	3
Other liabilities		8		1		7
Contributed surplus		104		80		104

The following are details related to the equity-based compensation plans of the Company:

Stock Option Plan The following is a summary of the Company's stock option plan activity:

(Number of Options)	March 28, 2015 (12 weeks)	March 22, 2014 (12 weeks)
Outstanding options, beginning of period	8,364,884	10,995,995
Granted	1,515,031	—
Exercised	(404,198)	(304,208)
Forfeited/cancelled	(48,219)	(91,259)
Expired	—	(499,935)
Outstanding options, end of period	9,427,498	10,100,593

During the first quarter of 2015, the Company granted stock options with a weighted average exercise price of $63.49. There were no stock options granted in the first quarter of 2014. In addition, the Company issued common shares on the exercise of stock options with a weighted average market share price of $63.21 during the first quarter of 2015 (2014 – $44.79) and received cash consideration of $14 million (2014 – $10 million).

The fair value of stock options granted during the first quarter of 2015 was $13 million. The assumptions used to measure the fair value of options granted in 2015 under the Black-Scholes valuation model at date of grant were as follows:

	March 28, 2015 (12 weeks)
Expected dividend yield	**1.6%**
Expected share price volatility	**18.8% – 20.1%**
Risk-free interest rate	**0.8% – 1.1%**
Expected life of options	**3.9 – 6.3 years**

Estimated forfeiture rates are incorporated into the measurement of stock option plan expense. The forfeiture rate applied as at March 28, 2015 was 11.0% (March 22, 2014 – 12.0%).

Restricted Share Unit Plan The following is a summary of the Company's RSU plan activity:

(Number of Awards)	**March 28, 2015 (12 weeks)**	March 22, 2014 (12 weeks)
RSUs, beginning of period	**1,462,790**	1,084,514
Granted	**249,711**	—
Settled	**(244,807)**	(234,850)
Forfeited	**(28,834)**	(6,991)
RSUs, end of period	**1,438,860**	842,673

The fair value of RSUs granted during the first quarter of 2015 was $16 million. There were no RSUs granted in the first quarter of 2014.

Performance Share Unit Plan The following is a summary of the Company's PSU plan activity:

(Number of Awards)	**March 28, 2015 (12 weeks)**	March 22, 2014 (12 weeks)
PSUs, beginning of period	**1,019,304**	309,110
Granted	**238,757**	—
Settled	**(53,310)**	(1,209)
Forfeited	**(73,427)**	(1,673)
PSUs, end of period	**1,131,324**	306,228

The fair value of PSUs granted during the first quarter of 2015 was $15 million. There were no PSUs granted in the first quarter of 2014.

Settlement of Awards from Shares Held in Trust During the first quarter of 2015, the Company settled RSUs and PSUs totaling 297,767 (2014 – 236,059) through the trusts established for settlement of each of the RSU and PSU plans (see note 14). The settlements resulted in a $1 million (2014 – $1 million) increase to share capital and a $11 million (2014 – $9 million) increase to retained earnings.

Note 16. Post-Employment and Other Long Term Employee Benefits

The costs and actuarial losses related to the Company's post-employment and other long term employee benefits were recorded as follows:

(millions of Canadian dollars)	**March 28, 2015 (12 weeks)**	March 22, 2014 (12 weeks)
Post-employment benefit costs recognized in operating income	**$ 38**	$ 33
Other long term employee benefits costs recognized in operating income	**4**	6
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 4)	**3**	2
Actuarial losses before income taxes recognized in other comprehensive income	**21**	93

The post-employment benefit costs included the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. The other long term employee benefits costs included costs for the Company's long term disability plan. The actuarial losses recognized in first quarter of 2015 and 2014 were primarily driven by decreases in the discount rates, partially offset by higher than expected returns on assets.

Note 17. Financial Instruments

The following table presents the fair value hierarchy of financial assets and financial liabilities, excluding those classified as amortized cost that are short term in nature:

				As at March 28, 2015				As at March 22, 2014				As at January 3, 2015
(millions of Canadian dollars)	**Level 1**	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:												
Cash and cash equivalents	**$ 1,012**	**$ 1**	**$ —**	**$ 1,013**	$ 2,527	$ 10	$ —	$ 2,537	$ 984	$ 15	$ —	$ 999
Short term investments	**42**	**2**	**—**	**44**	37	2	—	39	19	2	—	21
Security deposits	**6**	**—**	**—**	**6**	1,697	—	—	1,697	7	—	—	7
Franchise loans receivable	**—**	**—**	**388**	**388**	—	—	363	363	—	—	399	399
Certain other assets	**26**	**31**	**69**	**126**	—	8	61	69	—	8	64	72
Derivatives included in prepaid expenses and other assets	**—**	**19**	**—**	**19**	—	2	—	2	—	10	—	10
Financial liabilities:												
Derivatives included in trade payables and other liabilities	**—**	**8**	**4**	**12**	—	—	4	4	—	11	4	15
Trust unit liability	**784**	**—**	**—**	**784**	703	—	—	703	722	—	—	722
Long term debt	**—**	**12,671**	**—**	**12,671**	—	8,850	—	8,850	—	12,508	—	12,508
Capital securities(i)	**231**	**—**	**—**	**231**	237	—	—	237	234	—	—	234
Certain other liabilities	**—**	**—**	**28**	**28**	—	—	10	10	—	—	28	28

(i) As at March 28, 2015 and January 3, 2015 capital securities were classified as current liabilities.

The carrying value of the Company's financial instruments approximates its fair value except for long term debt and capital securities.

There were no transfers between levels of the fair value hierarchy.

The level 3 financial instruments classified as fair value through profit or loss as at March 28, 2015, March 22, 2014 and January 3, 2015 consist of embedded derivatives on purchase orders placed in neither Canadian dollars, nor the functional currency of the vendor. These derivatives are valued using a market approach based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any of the inputs would result in a significantly higher (lower) fair value measurement.

The fair value of the embedded foreign currency derivatives classified as Level 3 included in trade payables and other liabilities as at March 28, 2015 was $4 million (March 22, 2014 – $4 million; January 3, 2015 – $4 million). During the first quarter of 2015, a nominal fair value gain (2014 – nominal loss) was recorded in operating income. As at March 28, 2015, a 1% increase (decrease) in foreign currency exchange rates would result in a nominal gain (loss) in fair value.

During the first quarter of 2015, the Company recognized a gain of $3 million (2014 – $7 million) in earnings before incomes taxes on financial instruments designated as fair value through profit or loss. In addition, during the first quarter of 2015, a loss of $38 million (2014 – $10 million) was recorded in earnings before income taxes related to financial instruments required to be classified as fair value through profit or loss.

The following is a discussion of the Company's other derivative instruments:

Other Derivatives The Company also maintains other financial derivatives including foreign exchange forwards, electricity forwards and fuel exchange traded futures and options. During the first quarter of 2015, the Company recognized a fair value $20 million gain (2014 – $3 million) in operating income related to these derivatives.

During the first quarter of 2015, PC Bank entered into USD foreign exchange forward agreements to hedge its exposure on certain USD payables. These agreements, which mature by the end of 2015, qualify for hedge accounting as cash flow hedges of future foreign currency transactions. Accordingly, during the first quarter of 2015, PC Bank recorded a nominal unrealized fair value gain in other comprehensive income, related to the effective portion of these USD foreign exchange forward agreements.

The following table summarizes the cumulative unrealized impact of these derivatives included in the condensed consolidated balance sheets:

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Cumulative unrealized gains recorded in prepaid expenses and other assets	**$ 19**	$ 2	$ 10
Cumulative unrealized losses recorded in trade payables and other liabilities	**8**	—	11

Subsequent to the end of the first quarter of 2015, in connection with expected funding needs in the latter half of 2015, PC Bank entered into bond forward agreements of $350 million to hedge its exposure to interest rate changes prior to obtaining financing. These agreements qualify for hedge accounting as cash flow hedges of future interest payments. Accordingly, any unrealized gain or loss on the effective portion of the bond forward agreements will be recorded in other comprehensive income.

Securities Investments In the first quarter of 2015, PC Bank purchased and designated certain long-term investments as available-for-sale financial assets, which are measured at fair value through other comprehensive income. As at March 28, 2015, the fair value of these investments of $26 million was included in other assets. During the first quarter of 2015, PC Bank, recorded a nominal fair value loss in other comprehensive income, related to these investments. These investments are considered part of the liquid securities required to be held by PC Bank to meet its Liquidity Coverage Ratio standard, which was established under the Office of the Superintendent of Financial Institutions final Guideline on Liquidity Adequacy Requirements, effective January 1, 2015.

Trust Unit Liability As at March 28, 2015, the fair value of the Trust Unit Liability of $784 million (March 22, 2014 – $703 million; January 3, 2015 – $722 million) was recorded on the condensed consolidated balance sheet. During the first quarter of 2015, the Company recorded a fair value loss of $58 million (2014 – $12 million), in net interest expense and other financing charges related to Choice Properties' Trust Units ("Units").

As at March 28, 2015, 68,179,137 Choice Properties' Units were held by unitholders other than the Company (March 22, 2014 – 66,454,951; January 3, 2015 – 67,755,010). During 2015, Choice Properties issued 424,127 Units (2014 – 340,722), to eligible unitholders under its distribution reinvestment plan. Units held by unitholders other than the Company are presented as a liability on the Company's condensed consolidated balance sheet as the Units are redeemable for cash at the option of the holder, subject to certain restrictions. As at March 28, 2015, the Company held an 82.8% (March 22, 2014 – 82.1%; January 3, 2015 – 82.9%) ownership interest in Choice Properties.

Franchise Loans Receivable and Franchise Investments in Other Assets The value of Loblaw franchise loans receivable of $388 million (March 22, 2014 – $363 million; January 3, 2015 – $399 million) was recorded on the condensed consolidated balance sheets. In 2015, the Company recorded a nominal impairment loss (2014 – $1 million) in operating income related to these loans receivable.

The value of Loblaw franchise investments was $63 million (March 22, 2014 – $60 million; January 3, 2015 – $62 million) and was recorded in other assets. During the first quarter of 2015, the Company recorded a $2 million loss (2014 – $1 million gain) in operating income related to these investments.

Note 18. Contingent Liabilities

The Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business including product liability, labour and employment, regulatory and environmental claims. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities relating to income, capital, commodity, property and other taxes and as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, tax assessments and reassessments, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the unaudited interim period condensed consolidated financial statements, but may have a material impact in future periods.

Legal Proceedings The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

Subsequent to the end of the first quarter of 2015, a class action was commenced in the Ontario Superior Court of Justice against the Company and certain subsidiaries, Weston, and others in Canada in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The class action, which has not yet been formally served on the Company, seeks approximately $2 billion in damages. The Company believes the class action is without merit and intends to vigorously defend itself against any claims arising out of any such action.

Shoppers Drug Mart has been served with an Amended Statement of Claim in a proposed class action proceeding that has been filed under the Ontario Superior Court of Justice by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of $500 million. The proposed class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Ontario Superior Court of Justice certified as a class proceeding portions of the action. While Shoppers Drug Mart continues to believe that the claim is without merit and will vigorously defend the claim, the outcome of this matter cannot be predicted with certainty.

Tax The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company in future periods.

In 2012, the Company received indication from the Canada Revenue Agency (the "CRA") that the CRA intended to proceed with reassessments of the tax treatment of the Company's wholly owned subsidiary, Glenhuron Bank Limited ("Glenhuron"). The CRA's position is that certain income earned by Glenhuron in Barbados in respect of the 2000 to 2010 taxation years should be treated, and taxed, as income in Canada.

Subsequent to the end of the first quarter of 2015, the Company received reassessments from the CRA and the Ontario Ministry of Finance for the 2000 to 2010 taxation years totaling $341 million including interest and penalties. The Company believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. The Company strongly disagrees with the CRA's position and has filed Notices of Objection. No amount for any reassessments has been provided for in the Company's unaudited interim period condensed consolidated financial statements.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements and leases, in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representation and warranty or with future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. Given the nature of such indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 19. Segment Information

The Company has three reportable operating segments with all material operations carried out in Canada:

- The Retail segment consists primarily of retail food and Associate-owned drug stores, and also includes in-store pharmacies and other health and beauty products, gas bars and apparel and other general merchandise. This segment is comprised of several operating segments, which have been aggregated primarily due to similarities in the nature of products and services offered for sale in the retail operations and the customer base;
- The Financial Services segment provides credit card services, loyalty programs, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services; and
- The Choice Properties segment owns and leases income-producing commercial properties. The Choice Properties segment information presented below reflects the accounting policies of Choice Properties, which may differ from those of the consolidated Company. Differences in policies are eliminated in Consolidation and Eliminations.

The Company's chief operating decision maker evaluates segment performance on the basis of adjusted EBITDA(2) and adjusted operating income(2), as reported to internal management, on a periodic basis.

Information for each reportable operating segment is included below:

	March 28, 2015 (12 weeks)					March 22, 2014(i) (12 weeks)				
(millions of Canadian dollars)	**Retail**	**Financial Services(ii)**	**Choice Properties(ii)**	**Consolidation and Eliminations(iii)**	**Total**	Retail	Financial Services	Choice Properties	Consolidation and Eliminations(iii)	Total
Revenue(iv)	**$ 9,830**	**$ 199**	**$ 182**	**$ (163)**	**$ 10,048**	$ 7,095	$ 180	$ 167	$ (150)	$ 7,292
EBITDA(v)	**$ 734**	**$ 45**	**$ 127**	**$ (122)**	**$ 784**	$ 430	$ 38	$ 118	$ (115)	$ 471
Adjustments(vi)	**5**	**—**	**—**	**—**	**5**	10	—	1	—	11
Adjusted EBITDA(vi)	**$ 739**	**$ 45**	**$ 127**	**$ (122)**	**$ 789**	$ 440	$ 38	$ 119	$ (115)	$ 482
Depreciation and Amortization(vii)	**240**	**3**	**—**	**3**	**246**	190	2	—	3	195
Adjusted Operating Income(vi)	**$ 499**	**$ 42**	**$ 127**	**$ (125)**	**$ 543**	$ 250	$ 36	$ 119	$ (118)	$ 287
Net interest expense and other financing charges	**$ 86**	**$ 14**	**$ 339**	**$ (247)**	**$ 192**	$ 70	$ 13	$ 126	$ (94)	$ 115

(i) Certain 2014 figures have been restated to conform with the current year's presentation. See Note 2 "Significant Accounting Policies" – Changes to Significant Accounting Policies and Note 3 "Acquisition of Shoppers Drug Mart Corporation".

(ii) For segment presentation purposes, the results are for the quarter ended March 31, 2015, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to March 28, 2015 are included in Consolidation and Eliminations.

(iii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $123 million (2014 – $115 million) of rental revenue and $40 million (2014 – $35 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Operating income includes the elimination of the $123 million (2014 – $115 million) impact of rental revenue described above; the elimination of a $1 million loss (2014 – nil) recognized by Choice Properties related to the fair value adjustments on investment properties, which are classified as Fixed Assets or Investment Properties by the Company and measured at cost; and the recognition of $3 million (2014 – $3 million) of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value.
- Net interest expense and other financing charges includes the elimination of $62 million (2014 – $69 million) of interest expense included in Choice Properties related to debt owing to the Company and a $254 million fair value loss (2014 – $48 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company. Net interest and other financing charges also includes Unit distributions to external unitholders of $11 million (2014 – $11 million), which excludes distributions paid to the Company and a $58 million fair value loss (2014 – $12 million) on the Company's Trust Unit Liability.

(iv) Included in Financial Services revenue is $92 million (2014 – $89 million) of interest income.

(v) Total EBITDA(2) is equal to Operating Income of $414 million (2014 – $276 million) plus Depreciation and Amortization of $370 million (2014 – $195 million).

(vi) Certain items are excluded from operating income and EBITDA(2) to derive adjusted operating income(2) and adjusted EBITDA(2), respectively. Adjusted operating income(2) and adjusted EBITDA(2) are used internally by management when analyzing segment underlying performance. Adjustments include: Amortization of intangible assets acquired with Shoppers Drug Mart; Shoppers Drug Mart acquisition-related costs and divestitures loss; Restructuring costs; Net fixed asset and other related impairments; and Fair value adjustments on fuel and foreign currency contracts.

(vii) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $124 million (2014 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart.

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014	As at January 3, 2015
Total Assets			
Retail	**$ 29,977**	$ 17,335	$ 30,048
Financial Services(i)	**3,025**	2,736	3,094
Choice Properties(i)	**8,159**	7,407	8,192
Consolidation and Eliminations(ii)	**(7,505)**	(6,863)	(7,575)
Total	**$ 33,656**	$ 20,615	$ 33,759

(i) For segment presentation purposes, the results are for the quarter ended March 31, 2015, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to March 28, 2015 are included in Consolidation and Eliminations.

(ii) Consolidation and Eliminations includes the elimination of certain investment properties held by Choice Properties measured at fair value, which are presented in the consolidated results as fixed assets and investment properties measured at cost.

(millions of Canadian dollars)	**As at March 28, 2015**	As at March 22, 2014
Additions to Fixed Assets and Intangible Assets		
Retail	**$ 205**	$ 87
Financial Services(i)	**2**	5
Choice Properties(i)	**111**	25
Consolidation and Eliminations(ii)	**(87)**	—
Total	**$ 231**	$ 117

(i) For segment presentation purposes, the results are for the quarter ended March 31, 2015, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to March 28, 2015 are included in Consolidation and Eliminations.

(ii) Consolidations and Eliminations includes the elimination of $88 million (2014 – nil) of investment properties acquired by Choice Properties from the Retail segment.

Financial Summary(1)

As at or for the periods ended March 28, 2015 and March 22, 2014 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2015 (12 weeks)	2014 (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 10,048**	$ 7,292
Revenue growth	**37.8%**	1.2%
Operating income	**$ 414**	$ 276
Adjusted operating income(2)	**543**	287
Adjusted operating margin(2)	**5.4%**	3.9%
EBITDA(2)	**$ 784**	$ 471
Adjusted EBITDA(2)	**789**	482
Adjusted EBITDA margin(2)	**7.9%**	6.6%
Net interest expense and other financing charges	**$ 192**	$ 115
Adjusted net interest expense and other financing charges(2)	**131**	88
Net earnings	**146**	120
Adjusted net earnings(2)	**301**	153
Adjusted debt(2) to rolling year adjusted EBITDA(2)	**2.8x**	3.1x
Rolling year adjusted return on equity(3)	**13.8%**	10.3%
Rolling year adjusted return on capital(3)	**11.4%**	10.3%
Consolidated Financial Position and Cash Flows		
Adjusted debt(2)	**$ 10,038**	$ 6,658
Cash and cash equivalents, short term investments and security deposits	**1,063**	4,273
Cash flows from (used in) operating activities	**517**	(46)
Capital investments	**231**	117
Free cash flow(2)	**144**	(282)
Consolidated Per Common Share ($)		
Basic net earnings	**$ 0.35**	$ 0.43
Adjusted basic net earnings(2)	**$ 0.73**	$ 0.54
Retail Results of Operations		
Sales	**$ 9,830**	$ 7,095
Gross profit	**2,624**	1,603
Adjusted gross profit(2)	**2,624**	1,603
Operating income	**370**	240
Adjusted operating income(2)	**499**	250
Adjusted EBITDA(2)	**739**	440
Retail Operating Statistics		
Food retail same-store sales growth	**2.0%**	0.9%
Shoppers Drug Mart same-store sales growth	**3.1%**	1.4%
Total retail same-store sales growth	**2.3%**	0.9%
Adjusted gross profit percentage(2)	**26.7%**	22.6%
Adjusted operating margin(2)	**5.1%**	3.5%
Adjusted EBITDA margin(2)	**7.5%**	6.2%
Total retail square footage (in millions)	**70**	51.9
Number of corporate stores	**613**	558
Number of franchise stores	**524**	508
Number of Associate-owned drug stores	**1,307**	—
Financial Services Results of Operations(4)		
Revenue	**$ 199**	$ 180
Operating income	**42**	36
Earnings before income taxes	**28**	23
Financial Services Operating Measures and Statistics(4)		
Average quarterly net credit card receivables	**$ 2,554**	$ 2,469
Credit card receivables	**2,478**	2,399
Allowance for credit card receivables	**51**	47
Annualized yield on average quarterly gross credit card receivables	**14.2%**	14.2%
Annualized credit loss rate on average quarterly gross credit card receivables	**4.8%**	4.5%
Choice Properties Results of Operations and Measures(5)		
Revenue	**$ 182**	$ 167
Operating income	**127**	118
Net interest expense and other financing charges	**339**	126
Adjusted funds from operations(2)	**75**	69

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Financial Results and Financial Summary Endnotes

(1) For financial definitions and ratios refer to the Glossary of Terms on page 119 of the Company's 2014 Annual Report.

(2) See Section 12 "Non-GAAP Financial Measures" of the Company's Management's Discussion and Analysis.

(3) See the preface of the Company's Management's Discussion and Analysis for a definition of terms.

(4) For segment presentation purposes, the results are for the period ended March 31, 2015, consistent with Financial Services' fiscal calendar. Adjustments to March 28, 2015 are included in Consolidation and Eliminations. See Section 12 "Non-GAAP Financial Measures". This represents a change from the prior year whereby results were presented consistent with the Company's reporting calendar. The results for 2014 have not been restated.

(5) For segment presentation purposes, the results are for the period ended March 31, 2015, consistent with Choice Properties' fiscal calendar. Adjustments to March 28, 2015 are included in Consolidation and Eliminations. See Section 12 "Non-GAAP Financial Measures".

Corporate Profile

The Company is Canada's food and pharmacy leader, the nation's largest retailer, and the majority unitholder of Choice Properties Real Estate Investment Trust. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, banking, and wireless mobile products and services. With more than 2,300 corporate, franchised and Associate-owned locations, Loblaw, its franchisees, and Associate-owners employ approximately 192,000 full and part-time employees, making it one of Canada's largest private sector employers.

Loblaw's purpose – *Live Life Well* – puts first the needs and well-being of Canadians who make one billion transactions annually in the Company's stores. Loblaw is positioned to meet and exceed those needs in many ways: convenient locations; more than 1,050 grocery stores that span the value spectrum from discount to specialty; full-service pharmacies at more than 1,250 Shoppers Drug Mart Corporation and Pharmaprix locations and more than 500 Loblaw banner store locations; *PC Financial* no-fee banking; affordable *Joe Fresh* fashion and family apparel; and three of Canada's top consumer brands – *President's Choice*®, *noname*® and *Life Brand*®. Through the *PC Plus*™ and *Shoppers Optimum*® loyalty programs, more than one in every three Canadians are rewarded for shopping with the Company.

Trademarks

Loblaw Companies Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of Loblaw Companies Limited or the licensor and where used in this report, are in italics.

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.	Toll free: 1-800-564-6253
100 University Avenue	(Canada and U.S)
Toronto, Canada	Fax: (416) 263-9394
M5J 2Y1	Toll free fax: 1-888-453-0330
	International direct dial: (514) 982-7555

To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Sophia Bisoukis	Kevin Groh
Investor Relations	Vice President, Corporate Affairs and Communication
(905) 861-2436	(905) 861-2437
investor@loblaw.ca	pr@loblaw.ca

Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investor Centre section of the Company's website at loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 6, 2015 at 11:00 a.m. (ET).

To access via tele-conference please dial (416) 204-9269. The playback will be made available two hours after the event at (647) 436-0148, access code: 3653238. To access via audio webcast, please visit loblaw.ca, go to Investor Centre and click on webcast. Pre-registration will be available.

Full details about the conference call and webcast are available on the Loblaw Companies Limited website at loblaw.ca.

Annual Meeting of Shareholders

The 2015 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Thursday, May 7, 2015 at 11:00 a.m. (ET) at the Mattamy Athletic Centre, 50 Carlton Street, Toronto, Canada M5B 1J2.

To access via tele-conference, please dial (416) 204-9269. The playback will be available two hours after the event at (647) 436-0148, access code: 5675238. To access via audio webcast please visit the Investor Centre section of loblaw.ca. Pre-registration will be available.

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Loblaw

COMPANIES LIMITED