Loblaw COMPANIES LIMITED

NEWS RELEASE

Loblaw Companies Limited Reports a 68.4% Increase in Adjusted Earnings per Share(2) for the Fourth Quarter of 2014

BRAMPTON, ONTARIO February 26, 2015 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the fourth quarter of 2014 and the release of its 2014 Annual Report – Financial Review ("Annual Report"), which includes the Company's audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the fiscal year ended January 3, 2015. The Company's 2014 Annual Report will be available in the Investor Centre section of the Company's website at loblaw.ca and will be filed with SEDAR and available at sedar.com.

With the completion of the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart") in the second quarter of 2014, the fourth quarter and year-to-date results include the consolidation of Shoppers Drug Mart (from the acquisition date) and the associated acquisition-related accounting adjustments, as reported in the Retail operating segment. A summary of Shoppers Drug Mart operating results for the fourth quarter ended January 3, 2015 is included as Addendum A to this News Release.

Unless otherwise indicated, all comparisons of results for the fourth quarter of 2014 (13 weeks ended January 3, 2015) are against results for the fourth quarter of 2013 (12 weeks ended December 28, 2013) and all comparisons of results for the full year of 2014 (53 weeks ended January 3, 2015) are against the results for the full year of 2013 (52 weeks ended December 28, 2013).

"Our portfolio of businesses delivered strong performance this quarter," said Galen G. Weston, President and Executive Chairman, Loblaw Companies Limited. "Focusing on our strategic framework drove momentum and enabled us to make progress against our financial plan.

"Looking forward, we are committed to maintaining stable business performance, surfacing efficiencies, realizing synergies, and deleveraging the balance sheet," continued Mr. Weston. "While the competitive intensity in grocery remains high, and the regulatory environment in healthcare remains challenging, we believe we are well-positioned to achieve stable earnings growth."

2014 Fourth Quarter Highlights(1)

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014 (13 weeks)**	2014 (12 weeks)	2013(4,5) (12 weeks)	(13 week vs. 12 week) $ Change	(13 week vs. 12 week) % Change	(12 week vs. 12 week) $ Change	(12 week vs. 12 week) % Change
Revenue	**$ 11,413**	$ 10,624	$ 7,640	$ 3,773	49.4%	$ 2,984	39.1%
Revenue excluding Shoppers Drug Mart	***8,359***	*7,785*	*7,640*	*719*	*9.4%*	145	1.9%
EBITDA(2)	**$ 900**	$ 829	$ 492	$ 408	82.9%	$ 337	68.5%
Adjusted EBITDA(2)	**950**	879	489	461	94.3%	390	79.8%
Adjusted EBITDA(2) excluding Shoppers Drug Mart	***598***	*544*	*489*	*109*	*22.3%*	*55*	*11.2%*
Operating income	**$ 507**	$ 436	$ 296	$ 211	71.3%	$ 140	47.3%
Adjusted operating income(2)	**681**	610	293	388	132.4%	317	108.2%
Adjusted operating income(2) excluding Shoppers Drug Mart	***391***	*337*	*293*	*98*	*33.4%*	*44*	*15.0%*

See footnote legend on page 30.

Operating Highlights

The Company continues to make good progress on its strategic priorities:

- Retail segment sales increased by 50.5% compared to the fourth quarter of 2013. Same-store sales[3, 6] growth, for core grocery, was 3.3% for the quarter, excluding gas bar (0.5%) and the negative impact of a change in distribution model by a tobacco supplier (0.4%). On a comparable basis, same-store sales[3, 6] growth was 2.4% (2013 – 0.6%). Excluding the impact of Shoppers Drug Mart and the 13th week, consolidated revenue increased by 1.9% compared to the fourth quarter of 2013.
- Shoppers Drug Mart sales were $3,054 million in the fourth quarter of 2014. On a same-store[6] basis, Shoppers Drug Mart sales increased by 3.8%, with same-store[6] pharmacy sales increasing by 4.2% and same-store[6] front store sales increasing by 3.6% over the fourth quarter of 2013.
- The Company completed the conversion of substantially all of its corporate grocery locations and associated distribution centres to the new information technology ("IT") systems.
- Financial Services revenue increased by 13.2% compared to the fourth quarter of 2013.
- Choice Properties Real Estate Investment Trust's ("Choice Properties") adjusted funds from operations[2] increased by 13.8% compared to the fourth quarter of 2013. Additional information about Choice Properties is available online at www.sedar.com
- During the fourth quarter of 2014, the Company realized approximately $49 million of net synergies associated with the acquisition of Shoppers Drug Mart. The net synergies realized, year-to-date, were $101 million.
- Free cash flow[2] was $439 million for the fourth quarter of 2014.
- On closing of the acquisition of Shoppers Drug Mart, adjusted debt[2] was $11,060 million. The Company made significant progress in meeting its debt reduction target by decreasing adjusted debt[2] by $421 million in the fourth quarter of 2014 and by $1,065 million since the closing of the acquisition of Shoppers Drug Mart resulting in an outstanding adjusted debt[2] balance of $9,995 million as at January 3, 2015. The reduction in adjusted debt[2] since closing included the repayment of a $350 million medium term note ("MTN") and a repayment 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).

Consolidated Quarterly Results of Operations

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014** **(13 weeks)**	2013[4,5] (12 weeks)	$ Change	% Change	**2014** **(53 weeks)**	2013[4,5] (52 weeks)	$ Change	% Change
Revenue	**$ 11,413**	$ 7,640	$ 3,773	49.4%	**$ 42,611**	$ 32,371	$ 10,240	31.6 %
Revenue excluding Shoppers Drug Mart	***8,359***	*7,640*	*719*	*9.4%*	***33,561***	*32,371*	*1,190*	*3.7 %*
EBITDA[2]	**$ 900**	$ 492	$ 408	82.9%	**$ 2,134**	$ 2,145	$ (11)	(0.5)%
Adjusted EBITDA[2]	**950**	489	461	94.3%	**3,236**	2,106	1,130	53.7 %
Adjusted EBITDA margin[2]	**8.3%**	6.4%			**7.6%**	6.5%		
Adjusted EBITDA[2] excluding Shoppers Drug Mart	***$ 598***	*$ 489*	*$ 109*	*22.3%*	***$ 2,248***	*$ 2,106*	*$ 142*	*6.7 %*
Adjusted EBITDA margin[2] excluding Shoppers Drug Mart	***7.2%***	*6.4%*			***6.7%***	*6.5%*		
Operating income	**$ 507**	$ 296	$ 211	71.3%	**$ 662**	$ 1,321	$ (659)	(49.9)%
Adjusted operating income[2]	**681**	293	388	132.4%	**2,181**	1,282	899	70.1 %
Adjusted operating margin[2]	**6.0%**	3.8%			**5.1%**	4.0%		
Adjusted operating income[2] excluding Shoppers Drug Mart	***$ 391***	*$ 293*	*$ 98*	*33.4%*	***$ 1,397***	*$ 1,282*	*$ 115*	*9.0 %*
Adjusted operating margin[2] excluding Shoppers Drug Mart	***4.7%***	*3.8%*			***4.2%***	*4.0%*		
Net interest expense and other financing charges	**$ 169**	$ 141	$ 28	19.9%	**$ 584**	$ 468	$ 116	24.8 %
Adjusted net interest expense and other financing charges[2]	**144**	92	52	56.5%	**529**	354	175	49.4 %
Net earnings	**247**	114	133	116.7%	**53**	627	(574)	(91.5)%
Adjusted net earnings[2]	**396**	161	235	146.0%	**1,224**	696	528	75.9 %
Basic net earnings per common share[3] ($)	**0.60**	0.41	0.19	46.3%	**0.14**	2.23	(2.09)	(93.7)%
Adjusted basic net earnings per common share[2] ($)	**0.96**	0.57	0.39	68.4%	**3.22**	2.48	0.74	29.8 %

Revenue

- Revenue of $11,413 million in the fourth quarter of 2014 increased by $3,773 million compared to the fourth quarter of 2013, primarily due to Shoppers Drug Mart and the impact of the 13th week of the fourth quarter of 2014. Revenue in the 13th week of the fourth quarter of 2014 was $789 million ($574 million excluding Shoppers Drug Mart). Excluding the impact of Shoppers Drug Mart, consolidated revenue increased by $719 million, or 9.4%. Excluding the impact of Shoppers Drug Mart and the 13th week of the fourth quarter of 2014, consolidated revenue increased by $145 million, or 1.9%.

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	2014 (13 weeks)	2013[4,5] (12 weeks)	$ Change	% Change	2014 (53 weeks)	2013[4,5] (52 weeks)	$ Change	% Change
EBITDA[2]	**$ 900**	$ 492	$ 408	82.9%	**$ 2,134**	$ 2,145	$ (11)	(0.5)%
Adjustments to EBITDA[2]	**50**	(3)			**1,102**	(39)		
Adjusted EBITDA[2]	**$ 950**	$ 489	$ 461	94.3%	**$ 3,236**	$ 2,106	$ 1,130	53.7 %
Operating income	**$ 507**	$ 296	$ 211	71.3%	**$ 662**	$ 1,321	$ (659)	(49.9)%
Adjustments to EBITDA[2]	**50**	(3)			**1,102**	(39)		
Amortization of intangible assets acquired with Shoppers Drug Mart	**124**				**417**			
Adjusted operating income[2]	**$ 681**	$ 293	$ 388	132.4%	**$ 2,181**	$ 1,282	$ 899	70.1 %

EBITDA[2]

- EBITDA[2] of $900 million in the fourth quarter of 2014 increased by $408 million compared to the fourth quarter of 2013, primarily driven by Shoppers Drug Mart. The increase in EBITDA[2] was positively impacted by adjustments of $50 million including restructuring of franchise fees ($40 million) and restructuring costs incurred in 2013 ($32 million), that were not incurred in 2014. The increases were partially offset by the net loss on divestitures related to the acquisition of Shoppers Drug Mart ($7 million), the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold ($69 million), increased fixed asset and other related impairments ($43 million), the fair value adjustment on fuel and foreign currency contracts ($4 million) and the fair value adjustment on Shoppers Drug Mart's equity-based compensation liability ($2 million).

  After excluding these adjustments, adjusted EBITDA[2] of $950 million increased by $461 million compared to the fourth quarter of 2013. The increase included $352 million of adjusted EBITDA[2] contributed by Shoppers Drug Mart, with the remainder of the increase of $109 million primarily driven by the Retail segment. The increase was positively impacted by net synergies of $49 million and the 13th week of the fourth quarter of 2014 of $71 million. Adjusted EBITDA margin[2] was 8.3% for the fourth quarter of 2014 compared to 6.4% in the same quarter in 2013. Excluding the impact of Shoppers Drug Mart, adjusted EBITDA[2] increased by $109 million, or 22.3%, compared to the fourth quarter of 2013 and adjusted EBITDA margin[2] was 7.2% compared to 6.4% in the same quarter in 2013.

Operating Income

- Operating income of $507 million in the fourth quarter of 2014 increased by $211 million compared to the fourth quarter of 2013, primarily driven by Shoppers Drug Mart. Operating income was negatively impacted by the net adjustments related to EBITDA[2] noted above of $50 million and by the amortization of intangible assets of $124 million related to the acquisition of Shoppers Drug Mart.

  After excluding these impacts to operating income, adjusted operating income[2] of $681 million increased by $388 million compared to the fourth quarter of 2013, including $290 million of adjusted operating income[2] contributed by Shoppers Drug Mart. Adjusted operating margin[2] was 6.0% compared to 3.8% in the fourth quarter of 2013. Excluding the impact of Shoppers Drug Mart, adjusted operating income[2] increased by $98 million and was positively impacted by the increase in adjusted EBITDA[2] noted above of $109 million, partially offset by an increase in depreciation and amortization[2] of $11 million.

Net Interest Expense and Other Financing Charges

- Net interest expense and other financing charges of $169 million in the fourth quarter of 2014 increased by $28 million compared to the fourth quarter of 2013. The net interest expense and other financing charges included a lower fair value adjustment related to the Trust Unit Liability for the change in the fair value of Choice Properties' Trust Units ("Units") held by unitholders other than the Company, Shoppers Drug Mart acquisition-related costs incurred in the fourth quarter of 2013 and certain other adjustments as set out in the Non-GAAP Financial Measures section of this News Release.

  After excluding these impacts to net interest expense and other financing charges, adjusted net interest expense and other financing charges[2] of $144 million increased by $52 million, primarily driven by higher interest on long term debt, primarily as a result of debt incurred to finance the acquisition of Shoppers Drug Mart.

Income Taxes

- Income tax expense for the fourth quarter of 2014 was $91 million and the effective tax rate was 26.9%. Income tax expense for the fourth quarter of 2013 was $41 million and the effective tax rate was 26.5%. The marginal increase in the effective tax rate was primarily attributable to an increase in certain non-deductible amounts. The adjusted income tax expense(2) for the fourth quarter was $141 million and the adjusted income tax rate(2) was 26.3%. The adjusted income tax expense(2) for the fourth quarter of 2013 was $40 million and the adjusted income tax rate(2) was 19.9%, which reflects an increase in certain non-taxable amounts.

Net Earnings

- Net earnings of $247 million in the fourth quarter of 2014 increased by $133 million compared to the fourth quarter of 2013, primarily driven by the increase in operating income, partially offset by the increase in net interest expense and other financing charges and by the increase in the income tax expense, described above.

  Adjusted net earnings(2) of $396 million increased by $235 million compared to the fourth quarter of 2013, primarily driven by the increase in adjusted operating income(2), primarily as a result of Shoppers Drug Mart, partially offset by the increase in adjusted net interest expense and other financing charges(2) and the increase in the adjusted income tax expense(2), described above.

Basic Net Earnings Per Common Share(3)

- Basic net earnings per common share(3) were $0.60 compared to $0.41 in the fourth quarter of 2013. Basic net earnings per common share(3) included the negative impacts of amortization of intangible assets ($0.22 per share), the recognition of a portion of the Shoppers Drug Mart acquisition-related fair value adjustments for inventory sold ($0.12 per share), the divestiture of certain stores related to the acquisition of Shoppers Drug Mart ($0.02 per share), certain other adjustments ($0.07 per share), partially offset by restructuring of franchise fees ($0.07 per share).

  Adjusted basic net earnings per common share(2) were $0.96 in the fourth quarter of 2014 compared to $0.57 in the fourth quarter of 2013. This increase was primarily due to the increase in adjusted net earnings(2) as 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.

Capital Investments

- In the fourth quarter of 2014, the Company invested $400 million (2013 – $304 million) and year-to-date $1,086 million (2013 – $877 million) in fixed asset purchases and intangible asset additions.

Free Cash Flow(2)

- For the fourth quarter of 2014, free cash flow(2) was $439 million compared to $336 million in the fourth quarter of 2013. The increase in free cash flow(2) in the fourth quarter of 2014 was primarily due to higher cash flows from operating activities, partially offset by an increase in capital investments as well as higher interest payments. For 2014, free cash flow(2) was $977 million compared to $244 million in 2013. The increase in free cash flow(2) for 2014 was primarily due to higher cash flows from operating activities, partially offset by an increase in capital investments as well as higher interest payments.

Adjusted Debt(2)

- On closing of the acquisition of Shoppers Drug Mart, adjusted debt(2) was $11,060 million. The Company made significant progress in meeting its debt reduction target by decreasing adjusted debt(2) by $421 million in the fourth quarter of 2014 and by $1,065 million since the closing of the acquisition of Shoppers Drug Mart resulting in an outstanding adjusted debt(2) balance of $9,995 million as at January 3, 2015. The reduction in adjusted debt(2) since closing included the repayment of a $350 million MTN and a repayment 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).

Retail Segment

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014** (13 weeks)	2013[4,5] (12 weeks)	$ Change	% Change	**2014** (53 weeks)	2013[4,5] (52 weeks)	$ Change	% Change
Sales	**$ 11,164**	$ 7,419	$ 3,745	50.5%	**$ 41,731**	$ 31,600	$ 10,131	32.1 %
Gross profit	**2,925**	1,625	1,300	80.0%	**9,734**	6,961	2,773	39.8 %
Adjusted gross profit[2]	**2,994**	1,625	1,369	84.2%	**10,722**	6,961	3,761	54.0 %
EBITDA[2]	**847**	443	404	91.2%	**1,950**	1,989	(39)	(2.0)%
Adjusted EBITDA[2]	**897**	440	457	103.9%	**3,038**	1,947	1,091	56.0 %
Operating income	**459**	252	207	82.1%	**497**	1,180	(683)	(57.9)%
Adjusted operating income[2]	**633**	249	384	154.2%	**2,002**	1,138	864	75.9 %

For the periods ended January 3, 2015 and December 28, 2013	**2014** (13 weeks)	2013[4,5] (12 weeks)	**2014** (53 weeks)	2013[4,5] (52 weeks)
Same-store sales[3,6] growth	**2.4%**	0.6%	**2.0%**	1.1%
Adjusted gross profit %[2]	**26.8%**	21.9%	**25.7%**	22.0%
Adjusted EBITDA margin[2]	**8.0%**	5.9%	**7.3%**	6.2%
Adjusted operating margin[2]	**5.7%**	3.4%	**4.8%**	3.6%

(i) Same-store sales[(3), (6)] growth excludes the results of Shoppers Drug Mart.

For a discussion of Shoppers Drug Mart results, please see Addendum A on page 29.

Sales

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014** (13 weeks)	2013[4] (12 weeks)	$ Change	% Change	**2014** (53 weeks)	2013[4] (52 weeks)	$ Change	% Change
Retail segment sales	**$ 11,164**	$ 7,419	$ 3,745	50.5%	**$ 41,731**	$ 31,600	$ 10,131	32.1%
Shoppers Drug Mart	**3,054**				**9,050**			
Excluding Shoppers Drug Mart	**$ 8,110**	$ 7,419	$ 691	9.3%	**$ 32,681**	$ 31,600	$ 1,081	3.4%

Retail segment sales of $11,164 million in the fourth quarter of 2014 increased by $3,745 million compared to the fourth quarter of 2013, primarily due to Shoppers Drug Mart and the impact of the 13th week of the fourth quarter of 2014. Retail segment sales in the 13th week of the fourth quarter of 2014 were $789 million ($574 million excluding Shoppers Drug Mart). Excluding the impact of Shoppers Drug Mart and the 13th week of the fourth quarter of 2014, Retail segment sales increased by $117 million, or 1.6%, due to the following factors:

- Same-store sales[3, 6] growth, for core grocery, was 3.3% for the quarter, excluding gas bar (0.5%) and the negative impact of a change in distribution model by a tobacco supplier (0.4%). On a comparable basis, same-store sales[3, 6] growth was 2.4% (2013 – 0.6%);
- On a comparable week basis:
  - Sales growth in food was strong, primarily driven by inflation;
  - Sales in drugstore were flat, with increases in health and beauty, offset by declines in pharmacy;
  - Sales in gas bar declined, primarily driven by a decline in gas prices;
  - Sales in general merchandise, excluding apparel, were flat; and
  - Sales in retail apparel were flat, while U.S. wholesale apparel sales declined significantly;
- The Company's average quarterly internal food price index was slightly higher than (2013 – lower than) the average quarterly national food price inflation of 3.5% (2013 – 0.9%) 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 Loblaw stores; and
- 22 corporate and franchise stores were opened and 12 corporate and franchise stores were closed in the last 12 months, with an additional two franchise grocery stores divested as a result of a Consent Agreement with the Competition Bureau related to the acquisition of Shoppers Drug Mart, resulting in flat square footage growth.

Since the acquisition date, Shoppers Drug Mart opened 17 new drug stores and closed 24 drug stores, including 13 drug stores divested in accordance with the Consent Agreement with the Competition Bureau related to the acquisition of Shoppers Drug Mart. As a result, net square footage increased by 0.1 million square feet, or 0.6%.

Gross Profit

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014 (13 weeks)**	2013[4,5] (12 weeks)	$ Change	% Change	**2014 (53 weeks)**	2013[4,5] (52 weeks)	$ Change	% Change
Retail gross profit	**$ 2,925**	$ 1,625	$ 1,300	80.0%	**$ 9,734**	$ 6,961	$ 2,773	39.8%
Adjustments[2]	**69**	—			**988**	—		
Adjusted Retail gross profit[2]	**$ 2,994**	$ 1,625	$ 1,369	84.2%	**$ 10,722**	$ 6,961	$ 3,761	54.0%
Adjusted gross profit %[2]	**26.8%**	21.9%			**25.7%**	22.0%		
Shoppers Drug Mart	**$ 1,221**				**$ 3,543**			
Excluding Shoppers Drug Mart	**$ 1,773**	$ 1,625	$ 148	9.1%	**$ 7,179**	$ 6,961	$ 218	3.1%
Adjusted gross profit %[2]	**21.9%**	21.9%			**22.0%**	22.0%		

In the fourth quarter of 2014, gross profit of $2,925 million increased by $1,300 million compared to 2013, primarily due to Shoppers Drug Mart and was negatively impacted by the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold ($69 million).

After excluding this adjustment[2], adjusted gross profit[2] of $2,994 million increased by $1,369 million, including $1,221 million of adjusted gross profit[2] contributed by Shoppers Drug Mart. Adjusted gross profit percentage[2] was 26.8% compared to 21.9% in the fourth quarter of 2013.

Excluding Shoppers Drug Mart, adjusted gross profit percentage[2] was 21.9%, flat compared to 2013. While flat, adjusted gross profit percentage[2] was positively impacted by synergies related to the acquisition and reductions in transportation costs, but negatively impacted by increased shrink. Excluding Shoppers Drug Mart, adjusted gross profit[2] increased by $148 million, or 9.1%, compared to 2013, driven by higher sales, including the impact of the 13th week in the fourth quarter of 2014.

EBITDA[2]

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014 (13 weeks)**	2013[4,5] (12 weeks)	$ Change	% Change	**2014 (53 weeks)**	2013[4,5] (52 weeks)	$ Change	% Change
EBITDA[2]	**$ 847**	$ 443	$ 404	91.2%	**$ 1,950**	$ 1,989	$ (39)	(2.0)%
Adjustments[2]	**50**	(3)			**1,088**	(42)		
Adjusted Retail EBITDA[2]	**$ 897**	$ 440	$ 457	103.9%	**$ 3,038**	$ 1,947	$ 1,091	56.0 %
Adjusted EBITDA margin[2]	**8.0%**	5.9%			**7.3%**	6.2%		
Shoppers Drug Mart	**$ 352**				**$ 988**			
Excluding Shoppers Drug Mart	**$ 545**	$ 440	$ 105	23.9%	**$ 2,050**	$ 1,947	$ 103	5.3 %
Adjusted EBITDA margin[2]	**6.7%**	5.9%			**6.3%**	6.2%		

EBITDA[2] of $847 million in the fourth quarter of 2014 increased by $404 million compared to the fourth quarter of 2013, primarily driven by Shoppers Drug Mart. EBITDA[2] was negatively impacted by adjustments of $50 million as set out in the Non-GAAP Financial Measures section of this News Release. The significant adjustments during the fourth quarter of 2014 included restructuring of franchise fees, the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold and net divestitures loss related to the acquisition of Shoppers Drug Mart.

After excluding these adjustments[2], adjusted EBITDA[2] of $897 million increased by $457 million compared to the fourth quarter of 2013, including $352 million of adjusted EBITDA[2] contributed by Shoppers Drug Mart.

Excluding the impact of Shoppers Drug Mart, adjusted EBITDA(2) of $545 million increased by $105 million, driven by the increase in adjusted gross profit(2) of $148 million, as described above, partially offset by the increase in selling, general and administrative expenses ("SG&A") of $43 million. The increase in SG&A was driven by the 13th week in the fourth quarter of 2014. Excluding the 13th week of the fourth quarter of 2014, SG&A decreased. This decrease was primarily driven by supply chain efficiencies, changes in the fair value of the Company's franchise investments and lower administrative and other operating costs, partially offset by higher foreign exchange losses, higher investments in the Company's franchise business and synergy related costs.

For the fourth quarter of 2014, adjusted EBITDA margin(2) was 8.0% compared to 5.9% in 2013, primarily driven by Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted EBITDA margin(2) was 6.7% compared to 5.9% in 2013.

Operating Income

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014 (13 weeks)**	2013(4,5) (12 weeks)	$ Change	% Change	**2014 (53 weeks)**	2013(4,5) (52 weeks)	$ Change	% Change
Retail operating income	**$ 459**	$ 252	$ 207	82.1%	**$ 497**	$ 1,180	$ (683)	(57.9)%
Adjustments(2)	**174**	(3)			**1,505**	(42)		
Adjusted Retail operating income(2)	**$ 633**	$ 249	$ 384	154.2%	**$ 2,002**	$ 1,138	$ 864	75.9 %
Adjusted operating margin(2)	**5.7%**	3.4%			**4.8%**	3.6%		
Shoppers Drug Mart	**$ 290**				**$ 784**			
Excluding Shoppers Drug Mart	**$ 343**	$ 249	$ 94	37.8%	**$ 1,218**	$ 1,138	$ 80	7.0 %
Adjusted operating margin(2)	**4.2%**	3.4%			**3.7%**	3.6%		

Operating income of $459 million in the fourth quarter of 2014 increased by $207 million compared to the fourth quarter of 2013, primarily driven by the acquisition-related accounting adjustments of Shoppers Drug Mart. Operating income was negatively impacted by the amortization of intangible assets related to the acquisition of $124 million and the net adjustments related to EBITDA(2) of $50 million, as noted above.

After excluding the adjustments to operating income set out in the Non-GAAP Financial Measures section, adjusted operating income(2) of $633 million increased by $384 million compared to the fourth quarter of 2013, including $290 million of adjusted operating income(2) contributed by Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted operating income(2) increased by $94 million, or 37.8%, driven by the increase in adjusted EBITDA(2) described above, partially offset by the increase in retail depreciation and amortization(2) of $11 million.

For the fourth quarter of 2014, adjusted operating margin(2) was 5.7% compared to 3.4% in 2013, primarily driven by the inclusion of Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted operating margin(2) was 4.2% compared to 3.4% in 2013.

Financial Services Segment

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	2014(i) (13 weeks)	2013 (12 weeks)	$ Change	% Change	2014(i) (53 weeks)	2013 (52 weeks)	$ Change	% Change
Revenue	**$ 231**	$ 204	$ 27	13.2%	**$ 810**	$ 739	$ 71	9.6%
Operating income	**49**	43	6	14.0%	**164**	142	22	15.5%
Earnings before income taxes	**35**	29	6	20.7%	**111**	93	18	19.4%

(millions of Canadian dollars except where otherwise indicated)	As at January 3, 2015(i)	As at December 28, 2013	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,535**	$ 2,345	$ 190	8.1%
Credit card receivables	**2,630**	2,538	92	3.6%
Allowance for credit card receivables	**54**	47	7	14.9%
Annualized yield on average quarterly gross credit card receivables(3)	**13.7%**	13.6%		
Annualized credit loss rate on average quarterly gross credit card receivables(3)	**4.4%**	4.2%		

(i) For segment presentation purposes, the results are for the period and year ended December 31, 2014, consistent with Financial Services' fiscal calendar. Any adjustments to January 3, 2015 are included in Consolidation and Eliminations. See Non-GAAP Financial Measures section of this News Release. This represents a change from the prior year whereby results were presented consistent with the Company's reporting calendar. The results for 2013 have not been restated.

Revenue for the fourth quarter of 2014 of $231 million increased by $27 million, or 13.2%, compared to the fourth quarter of 2013. This increase was primarily driven by higher interest and interchange income as a result of growth in the credit card receivables portfolio.

Operating income of $49 million in the fourth quarter of 2014 increased by $6 million and earnings before income taxes of $35 million increased by $6 million, respectively, compared to the fourth quarter of 2013. These increases were primarily driven by higher revenue described above, partially offset by higher costs associated with the Financial Services loyalty program, higher credit losses from increased credit card receivable balances and higher operating costs as a result of an increase in the active customer base.

As at January 3, 2015, credit card receivables were $2,630 million, an increase of $92 million compared to December 28, 2013. 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 January 3, 2015, the allowance for credit card receivables was $54 million, an increase of $7 million compared to December 28, 2013, primarily due to the growth in the credit card receivables portfolio.

Subsequent to the end of 2014:

- The Company, through President's Choice Bank ("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; and
- PC Bank entered into USD foreign exchange forward agreements, which mature by December 2015. The notional amounts of the contracts total USD $27 million.

Choice Properties Segment

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars)	2014(i) (13 weeks)	2013(ii) (12 weeks)	$ Change	% Change	2014(i) (53 weeks)	2013(ii) (52 weeks)	$ Change	% Change
Revenue	**$ 175**	$ 165	$ 10	6.1 %	**$ 683**	$ 319	$ 364	114.1%
Operating income	**223**	186	37	19.9 %	**568**	370	198	53.5%
Adjusted operating income(2)	**223**	186	37	19.9 %	**582**	373	209	56.0%
Net interest expense and other financing charges	**137**	193	(56)	(29.0)%	**369**	303	66	21.8%
Adjusted funds from operations(2)	**74**	65	9	13.8 %	**285**	131	154	117.6%

(i) For segment presentation purposes, the results are for the periods ended December 31, 2014 , consistent with Choice Properties' fiscal calendar. Adjustments to January 3, 2015 are included in Consolidation and Eliminations. See the Non-GAAP Financial Measures section of this News Release.

(ii) For segment presentation purposes, the results are for the periods ended December 31, 2013, consistent with Choice Properties' fiscal calendar. Adjustments to December 28, 2013 are included in Consolidation and Eliminations. Based on operations beginning July 5, 2013.

Revenue for the fourth quarter of 2014 of $175 million increased by 10 million, or 6.1%, compared to 2013, and included $157 million (2013 – $148 million) generated from tenants within the Retail segment. The increase was primarily driven by revenue from properties acquired since the initial public offering ("IPO") in the third quarter of 2013.

Operating income and adjusted operating income(2) of $223 million in the fourth quarter of 2014 increased by $37 million compared to the fourth quarter of 2013 and included a $29 million year-over-year favourable fair value adjustment on investment properties. The fair value adjustment on investment properties is eliminated on consolidation.

Adjusted funds from operations(2) of $74 million in the fourth quarter of 2014 increased by $9 million compared to the fourth quarter of 2013. The increase was mainly attributable to an increase in net property income (rental revenue less property operating costs) and the decrease in sustaining property and leasing capital expenditures, normalized, partially offset by increased general and administrative expenses and interest and other financing charges.

In the fourth quarter of 2014:

- The Company sold 16 properties to Choice Properties for an aggregate price of approximately $210 million. Consideration for the properties included 10,698,143 Class B Limited Partnership units, $98 million in cash and the assumption of a $4 million mortgage by Choice Properties. In addition, Choice Properties acquired a 40% interest in a limited partnership, which acquired land from the Company, intended for development into a mixed-used property, for approximately $6 million; and
- Choice Properties acquired a 70% interest in a limited partnership, which holds land intended for future retail development, for approximately $18 million.

Subsequent to the end of 2014, Choice Properties issued $250 million aggregate principal amount of Series E senior unsecured debentures bearing interest at a rate of 2.30% per annum and maturing in 2020. The net proceeds from the issuance were used by Choice Properties to repay existing indebtedness and for general business purposes.

As of January 3, 2015, the Company's ownership interest in Choice Properties was 82.9%.

Declaration of Dividends

Subsequent to the end of the fourth quarter of 2014, the Board of Directors declared a quarterly dividend of $0.245 per common share payable on April 1, 2015 to shareholders of record on March 15, 2015 and a dividend on the Second Preferred Shares, Series A of $0.37 per share payable on April 30, 2015 to shareholders of record on April 15, 2015.

Acquisition of Shoppers Drug Mart Corporation

In the fourth quarter of 2014, the Company realized approximately $49 million of net synergies generated primarily from improved cost of goods sold and from purchasing efficiencies in goods not for resale. The net synergies realized, year-to-date, were $101 million. Loblaw continues to expect to achieve annualized synergies of $300 million in the third full year following the close of the acquisition of Shoppers Drug Mart (net of related costs).

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 and nine in-store pharmacies.

In the fourth quarter of 2014, 11 Shoppers Drug Mart stores were sold, which resulted in a divestitures loss of $14 million. During 2014, two franchise grocery stores and 13 Shoppers Drug Mart stores were sold and nine in-store pharmacies were licensed to unrelated parties, which resulted in a net divestitures loss of $12 million. The final three Shoppers Drug Mart stores were approved for sale by the Competition Bureau and were sold subsequent to the end of 2014 for estimated proceeds of $9 million.

Outlook(1)

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 which targets positive same-store sales(3), (6) and stable gross margin; surfacing efficiencies; delivering synergies as a result of its acquisition of Shoppers Drug Mart; and deleveraging the balance sheet.

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(3), (6) and stable gross margin (excluding synergies) in its 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 core grocery business by achieving reductions in supply chain, administrative functions and IT, while still investing in key areas, like eCommerce;
- Grow adjusted operating income in its core grocery business, excluding synergies;
- Experience a decline in adjusted operating income(2) in its core 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, with adjusted basic net earnings per common share(2) being moderated due to a significantly increased weighted average share count (approximately 412 million in 2015 versus approximately 380 million in 2014);
- Target a capital expenditure program of approximately $1,200 million; 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 pharmacy business from the ongoing impact of healthcare reform.

Forward-Looking Statements

This News Release 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 and opportunities. Specific forward-looking statements in this News Release 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 , future liquidity and debt reduction targets, planned capital investments, and status and impact of IT systems implementation. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the Outlook section of this News Release. 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 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 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 News Release. 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.

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted operating income, adjusted operating margin, adjusted net earnings, adjusted basic net earnings per common share, free cash flow, adjusted debt and with respect to Choice Properties: adjusted funds from operations. Beginning in the fourth quarter of 2014, the Company has introduced three new financial measures: adjusted net interest expense and other financing charges, adjusted income taxes and adjusted income tax rate. Beginning in the second quarter of 2014, the Company introduced two new financial measures: Retail segment adjusted gross profit and Retail segment adjusted gross profit percentage. 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.

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. With significant fluctuations in fuel and foreign exchange rates, commencing in the fourth quarter of 2014 the Company has excluded the fair value adjustment on fuel and foreign currency contracts in calculating adjusted operating income.

In the fourth quarter of 2014, the Company restructured its fee arrangements with the franchisees of certain franchise banners. As a result of the restructuring, the Company re-evaluated the recoverable amount of the franchise-related financial instruments and recorded a reduction in previously recorded impairment.

The Company has adjusted for Choice Properties' general and administrative costs incurred in the first half of 2014. As Choice Properties' operations commenced on July 5, 2013, there were no comparative amounts.

With the acquisition of Shoppers Drug Mart, the Company converted certain Shoppers Drug Mart cash-settled equity-based compensation awards to cash-settled awards based on the Company's common shares. The Company is exposed to market price fluctuations in its common share price as these awards are settled in cash and the associated liability is recorded at fair value at each reporting date based on the market price of the Company's common shares. The Company excludes the fair value adjustment when calculating adjusted operating income. On November 10, 2014, the Company amended these compensation awards to be settled in shares and is no longer exposed to market price fluctuations.

As of the second quarter of 2014, the Company no longer excludes net interest expense incurred in connection with the financing related to the acquisition of Shoppers Drug Mart when analyzing consolidated underlying operating performance. These amounts were excluded from adjusted net earnings and adjusted basic net earnings per common share in periods prior to the closing of the acquisition of Shoppers Drug Mart.

Beginning in 2014, the Company no longer excludes the impact of equity-settled equity-based compensation when analyzing consolidated and segment underlying operating performance. As a result, prior year adjusted EBITDA and adjusted EBITDA margin, adjusted operating income and adjusted operating margin, and adjusted net earnings and adjusted basic net earnings per common share were restated to conform with the current year's presentation.

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 The following table reconciles Retail segment adjusted gross profit to gross profit measures reported in the consolidated statements of earnings for the periods ended January 3, 2015 and December 28, 2013. 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.

(millions of Canadian dollars)	**2014 (13 weeks)**	2013[5] (12 weeks)	2014 (53 weeks)	2013[5] (52 weeks)
Retail segment gross profit	**$ 2,925**	$ 1,625	**$ 9,734**	$ 6,961
Add impact of the following:				
Recognition of fair value increment on inventory sold	**69**	—	**798**	—
Charge related to inventory measurement and other conversion differences	**—**	—	**190**	—
Retail segment adjusted gross profit	**$ 2,994**	$ 1,625	**$ 10,722**	$ 6,961

Recognition of fair value increment on inventory sold In connection with the acquisition of Shoppers Drug Mart, acquired assets and liabilities were recorded on the Company's consolidated balance sheets at their fair value. This resulted in a fair value adjustment to Shoppers Drug Mart inventory on the date of acquisition representing the difference between inventory cost and its fair value. This difference was recognized in cost of sales as the inventory was sold, with a resulting negative impact on gross profit. In the fourth quarter of 2014, $69 million (2013 – nil) and year-to-date $798 million (2013 – nil), was recognized in gross profit and operating income, representing the full amount of the fair value adjustment.

Charge related to inventory measurement and other conversion differences for the Company's corporate grocery stores As of the end of 2014, the Company had completed the conversion of substantially all of its corporate grocery locations and associated distribution centres to the new IT systems. The implementation of a perpetual inventory system, combined with visibility to integrated costing information provided by the new IT systems, enabled the Company to estimate the cost of inventory using a more precise system-generated average cost. The impact was estimated to be a $190 million (2013 – nil) decrease in the value of the inventory, which was recognized in gross profit and operating income in 2014. The Company is undertaking the conversion of its remaining grocery locations during 2015 and additional impacts may result.

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 January 3, 2015 and December 28, 2013. 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.

	2014 (13 weeks)					2013[5] (12 weeks)				
(millions of Canadian dollars)	**Retail**	**Financial Services[(i)]**	**Choice Properties[(i)]**	**Consolidation and Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties[(ii)]	Consolidation and Eliminations	Consolidated
Net earnings					**$ 247**					$ 114
Add impact of the following:										
Net interest expense and other financing charges					**169**					141
Income taxes					**91**					41
Operating income	**$ 459**	**$ 49**	**$ 223**	**$ (224)**	**$ 507**	$ 252	$ 43	$ 186	$ (185)	$ 296
Depreciation and amortization	**388**	**2**	**—**	**3**	**393**	191	2	—	3	196
EBITDA	**$ 847**	**$ 51**	**$ 223**	**$ (221)**	**$ 900**	$ 443	$ 45	$ 186	$ (182)	$ 492
Operating income	**$ 459**	**$ 49**	**$ 223**	**$ (224)**	**$ 507**	$ 252	$ 43	$ 186	$ (185)	$ 296
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**124**	**—**	**—**	**—**	**124**	—	—	—	—	—
Recognition of fair value increment on inventory sold	**69**	**—**	**—**	**—**	**69**	—	—	—	—	—
Restructuring of franchise fees	**(40)**	**—**	**—**	**—**	**(40)**	—	—	—	—	—
Shoppers Drug Mart acquisition-related costs and net divestitures loss	**14**	**—**	**—**	**—**	**14**	7	—	—	—	7
Fair value adjustment on fuel and foreign currency contracts	**4**	**—**	**—**	**—**	**4**	—	—	—	—	—
Fair value adjustment on Shoppers Drug Mart's equity-based compensation liability	**2**	**—**	**—**	**—**	**2**	—	—	—	—	—
Fixed asset and other related impairments, net of recoveries	**1**	**—**	**—**	**—**	**1**	(42)	—	—	—	(42)
Restructuring costs	**—**	**—**	**—**	**—**	**—**	32	—	—	—	32
Adjusted operating income	**$ 633**	**$ 49**	**$ 223**	**$ (224)**	**$ 681**	$ 249	$ 43	$ 186	$ (185)	$ 293
Depreciation and amortization	**388**	**2**	**—**	**3**	**393**	191	2	—	3	196
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(124)**	**—**	**—**	**—**	**(124)**	—	—	—	—	—
Adjusted EBITDA	**$ 897**	**$ 51**	**$ 223**	**$ (221)**	**$ 950**	$ 440	$ 45	$ 186	$ (182)	$ 489

(i) For segment presentation purposes, the results are for the year ended December 31, 2014, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to January 3, 2015, are included in Consolidation and Eliminations.

(ii) For segment presentation purposes, the results are for the year ended December 31, 2013, consistent with the fiscal calendar of Choice Properties. Adjustments to December 28, 2013 are included in Consolidation and Eliminations.

(millions of Canadian dollars)	2014 (53 weeks) Retail	Financial Services(i)	Choice Properties(i)	Consolidation and Eliminations	Consolidated	2013(5) (52 weeks) Retail	Financial Services	Choice Properties(ii)	Consolidation and Eliminations	Consolidated
Net earnings					**$ 53**					$ 627
Add (deduct) impact of the following:										
Net interest expense and other financing charges					**584**					468
Income taxes					**25**					226
Operating income	**$ 497**	**$ 164**	**$ 568**	**$ (567)**	**$ 662**	$1,180	$ 142	$ 370	$ (371)	$ 1,321
Depreciation and amortization	**1,453**	**7**	**—**	**12**	**1,472**	809	9	—	6	824
EBITDA	**$1,950**	**$ 171**	**$ 568**	**$ (555)**	**$ 2,134**	$1,989	$ 151	$ 370	$ (365)	$ 2,145
Operating income	**$ 497**	**$ 164**	**$ 568**	**$ (567)**	**$ 662**	$1,180	$ 142	$ 370	$ (371)	$ 1,321
Add (deduct) impact of the following:										
Recognition of fair value increment on inventory sold	**798**	**—**	**—**	**—**	**798**	—	—	—	—	—
Amortization of intangible assets acquired with Shoppers Drug Mart	**417**	**—**	**—**	**—**	**417**	—	—	—	—	—
Charge related to inventory measurement and other conversion differences	**190**	**—**	**—**	**—**	**190**	—	—	—	—	—
Shoppers Drug Mart acquisition-related costs and net divestitures loss	**72**	**—**	**—**	**—**	**72**	6	—	—	—	6
Restructuring costs	**44**	**—**	**2**	**—**	**46**	35	—	—	—	35
Restructuring of franchise fees	**(40)**	**—**	**—**	**—**	**(40)**	—	—	—	—	—
Fixed asset and other related impairments, net of recoveries	**15**	**—**	**1**	**—**	**16**	(32)	—	—	—	(32)
Choice Properties general and administrative costs	**(2)**	**—**	**11**	**—**	**9**	—	—	—	—	—
Fair value adjustment on Shoppers Drug Mart's equity-based compensation liability	**7**	**—**	**—**	**—**	**7**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**4**	**—**	**—**	**—**	**4**	—	—	—	—	—
Defined benefit plan amendments	**—**	**—**	**—**	**—**	**—**	(51)	—	—	—	(51)
Choice Properties start-up costs	**—**	**—**	**—**	**—**	**—**	—	—	3	—	3
Adjusted operating income	**$2,002**	**$ 164**	**$ 582**	**$ (567)**	**$ 2,181**	$1,138	$ 142	$ 373	$ (371)	$ 1,282
Depreciation and amortization	**1,453**	**7**	**—**	**12**	**1,472**	809	9	—	6	824
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(417)**	**—**	**—**	**—**	**(417)**	—	—	—	—	—
Adjusted EBITDA	**$3,038**	**$ 171**	**$ 582**	**$ (555)**	**$ 3,236**	$1,947	$ 151	$ 373	$ (365)	$ 2,106

(i) For segment presentation purposes, the results are for the year ended December 31, 2014, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to January 3, 2015, are included in Consolidation and Eliminations.

(ii) For segment presentation purposes, the results are for the year ended December 31, 2013, consistent with the fiscal calendar of Choice Properties. Adjustments to December 28, 2013 are included in Consolidation and Eliminations. Based on operations beginning July 5, 2013.

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 fourth quarter of 2014, $124 million and year-to-date $417 million of amortization were recognized in operating income. Annual amortization associated with the acquired intangibles will be approximately $550 million over the next ten years, and will decrease thereafter.

Shoppers Drug Mart acquisition-related costs and net divestitures loss In connection with the agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, in the fourth quarter of 2014, the Company excluded nil (2013 – $7 million) and year-to-date $60 million (2013 – $16 million) of acquisition-related costs in operating income. The Company recorded a net loss related to the completed divestitures in the fourth quarter of 2014 of $14 million and year-to-date of $12 million (grouped with acquisition-related costs). Although no further significant acquisition-related costs are anticipated, further adjustments for divestitures gain or loss will be made when the remaining three Shoppers Drug Mart stores are sold. In the third quarter of 2013, in connection with the issuance of $1,600 million of unsecured notes, the Company hedged its exposure to interest rates for the period prior to issuance. As the hedge did not qualify for hedge accounting, the resulting $10 million gain on settlement was recorded in operating income.

Restructuring costs In the fourth quarter of 2014 and year-to-date, the Company recorded a charge of nil (2013 – $32 million) and $46 million (2013 – $35 million), respectively, of restructuring and reorganization costs primarily associated with the reduction of corporate and store-support positions, the departure of certain executives and the realignment of certain of the Company’s central office functions.

Restructuring of franchise fees In the fourth quarter and year-to-date of 2014, the Company restructured its fee arrangements with the franchisees of certain franchise banners. As a result of this restructuring, the Company re-evaluated the recoverable amount of franchise-related financial instruments and recorded a reduction in previously recorded impairment of $40 million (2013 – nil).

Fixed asset and other related impairments, net of recoveries 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 fourth quarter of 2014, the Company recorded an impairment of $1 million (2013 – recovery of $42 million) and year-to-date $16 million (2013 – recovery of $32 million) related to fixed asset and other related impairments.

Choice Properties general and administrative costs During the fourth quarter of 2014, the Company recorded nil and year-to-date $9 million of general and administrative costs incurred by Choice Properties in operating income. The Company has adjusted for Choice Properties' general and administrative costs incurred in the first half of 2014. As Choice Properties' operations commenced on July 5, 2013, there were no comparative amounts.

Fair value adjustment on Shoppers Drug Mart’s equity-based compensation liability In the second quarter of 2014, in conjunction with the acquisition, the Company converted certain Shoppers Drug Mart cash-settled equity-based compensation awards to cash-settled awards based on the Company’s common shares. The Company is exposed to market price fluctuations in its common share price as these awards are settled in cash and the associated liability is recorded at fair value at each reporting date based on the market price of the Company’s common shares. In the fourth quarter and year-to-date of 2014, the Company recorded a loss of $2 million (2013 – nil) and a loss of $7 million (2013 – nil), respectively. On November 10, 2014, the Company amended these compensation awards to be settled in shares and is no longer exposed to market price fluctuations.

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. With significant fluctuations in fuel and foreign exchange rates, commencing in the fourth quarter of 2014, the Company has excluded the fair value adjustment on fuel and foreign currency contracts in calculating adjusted operating income. In the fourth quarter and year-to-date of 2014, the Company recorded a net fair value adjustment loss on these fuel and foreign currency contracts of $4 million (2013 – nil).

Defined benefit plan amendments In the first quarter of 2013, the Company announced amendments to certain of its defined benefit plans that impact certain employees retiring after January 1, 2015. As a result, the Company recorded a gain of $51 million in the first quarter of 2013.

Choice Properties start-up costs In connection with the IPO of Choice Properties, the Company incurred certain costs to facilitate the start-up of the new entity. For the year ended 2013, the Company recorded $3 million of Choice Properties’ start-up 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 January 3, 2015 and December 28, 2013. 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)	**2014 (13 weeks)**	2013[(4)(5)] (12 weeks)	**2014 (53 weeks)**	2013[(4)(5)] (52 weeks)
Net interest expense and other financing charges	**$ 169**	$ 141	**$ 584**	$ 468
Deduct impact of the following:				
Accelerated amortization of deferred financing costs	**(5)**	—	**(23)**	—
Fair value adjustment on Trust Unit Liability	**(20)**	(34)	**(17)**	(27)
Shoppers Drug Mart acquisition-related costs and net divestitures loss	**—**	(14)	**(15)**	(25)
Choice Properties IPO transaction costs	**—**	(1)	**—**	(44)
Early debt settlement costs	**—**	—	**—**	(18)
Adjusted net interest expense and other financing charges	**$ 144**	$ 92	**$ 529**	$ 354

Accelerated amortization of deferred financing costs In the fourth quarter of 2014, the Company recorded a $5 million charge and year-to-date a $23 million charge related to the accelerated amortization of deferred financing costs due to the repayment of $321 million and $2,271 million year-to-date of the unsecured term loan facility.

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 fourth quarter of 2014, the Company recorded a loss of $20 million (2013 – $34 million) and year-to-date a loss of $17 million (2013 – $27 million) related to the fair value adjustment on the Trust Unit Liability.

Shoppers Drug Mart acquisition-related costs and net divestitures loss In addition to the acquisition-related costs and net divestitures loss recorded in operating income noted above, during the first quarter and year-to-date of 2014, $15 million and during the fourth quarter and year-to-date of 2013, $14 million and $25 million, respectively, of additional net interest expense were incurred in connection with the financing related to the acquisition of Shoppers Drug Mart. As of the acquisition date, these costs are no longer excluded from adjusted net interest expense and other financing charges as they are now part of ongoing business operations.

Choice Properties IPO transaction costs In addition to the start-up costs recorded in operating income noted above, in the fourth quarter and year-to-date of 2013, $1 million and $44 million, respectively, of transaction costs were incurred related directly to the Choice Properties IPO.

Early debt settlement costs In the third quarter of 2013, the Company settled its remaining USD $150 million U.S. private placement note in advance of its May 29, 2015 maturity date and settled the related cross currency swap. The Company incurred early-settlement costs related to the prepayment of $18 million.

Adjusted Income Tax Expense and Adjusted Income Tax Rate The Company believes the 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)	**2014 (13 weeks)**	2013[4] (12 weeks)	**2014 (53 weeks)**	2013[4] (52 weeks)
Adjusted operating income[(i)]	**$ 681**	$ 293	**$ 2,181**	$ 1,282
Adjusted net interest and other financing charges[(i)]	**144**	92	**529**	354
Adjusted earnings before taxes	**$ 537**	$ 201	**$ 1,652**	$ 928
Income taxes	**$ 91**	$ 41	**$ 25**	$ 226
Tax impact of items included in adjusted earnings before taxes[(ii)]	**50**	(1)	**403**	6
Adjusted income taxes	**$ 141**	$ 40	**$ 428**	$ 232
Effective tax rate	**26.9%**	26.5%	**32.1%**	26.5%
Adjusted income tax rate	**26.3%**	19.9%	**25.9%**	25.0%

(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 January 3, 2015 and December 28, 2013:

	2014 (13 weeks)		2013[4] (12 weeks)		**2014 (53 weeks)**		2013[4] (52 weeks)	
(millions of Canadian dollars/Canadian dollars)	**Net Earnings**	**Basic Net Earnings Per Common Share**	Net Earnings	Basic Net Earnings Per Common Share	**Net Earnings**	**Basic Net Earnings Per Common Share**	Net Earnings	Basic Net Earnings Per Common Share
	$ 247	**$ 0.60**	$ 114	$ 0.41	**$ 53**	**$ 0.14**	$ 627	$ 2.23
Add (deduct) impact of the following:								
Recognition of fair value increment on inventory sold	**50**	**0.12**	—	—	**586**	**1.55**	—	—
Amortization of intangible assets acquired with Shoppers Drug Mart	**90**	**0.22**	—	—	**306**	**0.80**	—	—
Charge related to inventory measurement and other conversion differences	**—**	**—**	—	—	**139**	**0.37**	—	—
Shoppers Drug Mart acquisition-related costs and net divestitures loss	**9**	**0.02**	17	0.05	**73**	**0.19**	27	0.10
Restructuring costs	**—**	**—**	24	0.09	**34**	**0.09**	26	0.09
Restructuring of franchise fees	**(30)**	**(0.07)**	—	—	**(30)**	**(0.08)**	—	—
Accelerated amortization of deferred financing costs	**4**	**0.01**	—	—	**17**	**0.04**	—	—
Fair value adjustment on Trust Unit Liability[(i)]	**20**	**0.05**	34	0.12	**17**	**0.04**	27	0.10
Fixed asset and other related impairments, net of recoveries	**2**	**—**	(29)	(0.10)	**14**	**0.04**	(22)	(0.08)
Choice Properties general and administrative costs	**—**	**—**	—	—	**7**	**0.02**	—	—
Fair value adjustment on Shoppers Drug Mart's equity-based compensation liability	**1**	**—**	—	—	**5**	**0.01**	—	—
Fair value adjustment on fuel and foreign currency contracts	**3**	**0.01**	—	—	**3**	**0.01**	—	—
Defined benefit plan amendments	**—**	**—**	—	—	**—**	**—**	(37)	(0.13)
Choice Properties start-up costs and IPO transaction costs	**—**	**—**	1	—	**—**	**—**	35	0.12
Early debt settlement costs	**—**	**—**	—	—	**—**	**—**	13	0.05
Adjusted	**$ 396**	**$ 0.96**	$ 161	$ 0.57	**$ 1,224**	**$ 3.22**	$ 696	$ 2.48

(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 January 3, 2015 and December 28, 2013. In the fourth quarter of 2014, the Company refined its definition of free cash flow as cash flows from operating activities less intangible asset additions, fixed asset purchases and interest paid. 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)	**2014 (13 weeks)**	2013[(4)] (12 weeks)	**2014 (53 weeks)**	2013[(4)] (52 weeks)
Cash flows from operating activities	**$ 952**	$ 738	**$ 2,569**	$ 1,491
Less:				
Intangible asset additions	**42**	—	**90**	12
Fixed asset purchases	**358**	304	**996**	865
Interest paid	**113**	98	**506**	370
Free cash flow	**$ 439**	$ 336	**$ 977**	$ 244

Adjusted Debt The following table reconciles adjusted debt 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. The Company changed its definition of adjusted debt in the second quarter of 2014 to include capital securities to better align with management's definition for deleveraging purposes. 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)	**As at January 3, 2015**	As at March 28, 2014 (unaudited)	As at December 28, 2013[(4)]
Bank indebtedness	**$ 162**	$ 295	$ —
Short term debt	**605**	605	605
Long term debt due within one year	**420**	902	1,008
Long term debt	**11,042**	11,262	6,672
Trust Unit Liability	**722**	703	688
Capital securities	**225**	224	224
Certain other liabilities	**28**	39	39
Total debt	**$ 13,204**	$ 14,030	$ 9,236
Less:			
Independent Securitization Trust	**$ 1,355**	$ 1,355	$ 1,355
Independent Funding Trusts	**498**	469	475
Trust Unit Liability	**722**	703	688
Guaranteed Investment Certificates	**634**	443	430
Adjusted debt	**$ 9,995**	$ 11,060	$ 6,288

Choice Properties' Adjusted Funds from Operations The following table reconciles Choice Properties' adjusted funds from operations to GAAP measures for the periods ended January 3, 2015 and December 28, 2013. 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)	**2014(i) (13 weeks)**	2013(ii) (12 weeks)	**2014(i) (53 weeks)**	2013(ii) (52 weeks)
Net income	**$ 87**	$ (6)	**$ 200**	$ 67
Fair value adjustments on Class B Limited Partnership units	**51**	112	**(12)**	147
Fair value adjustments on investment properties	**(98)**	(69)	**(82)**	(144)
Fair value adjustments on unit-based compensation	**—**	—	**(1)**	—
Distributions on Class B Limited Partnership units	**50**	46	**191**	89
Amortization of tenant improvement allowances	**—**	—	**1**	—
Funds from Operations	**$ 90**	$ 83	**$ 297**	$ 159
Restructuring	**—**	—	**2**	—
Business start-up costs	**—**	—	**—**	3
Straight-line rental revenue	**(9)**	(8)	**(35)**	(16)
Amortization of finance charges	**—**	1	**50**	1
Unit-based compensation expense	**—**	—	**2**	—
Sustaining property and leasing capital expenditures, normalized(iii)	**(7)**	(11)	**(31)**	(16)
Adjusted Funds from Operations	**$ 74**	$ 65	**$ 285**	$ 131

(i) For segment presentation purposes, the results are for the periods ended December 31, 2014 , consistent with Choice Properties' fiscal calendar. Adjustments to January 3, 2015 are included in Consolidation and Eliminations.

(ii) For segment presentation purposes, the results are for the year ended December 31, 2013, consistent with the fiscal calendar of Choice Properties. Adjustments to December 28, 2013 are included in Consolidation and Eliminations. Based on operations beginning July 5, 2013.

(iii) 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.

Selected Financial Information

The following includes selected quarterly and annual financial information, which is prepared by management in accordance with International Financial Reporting Standards ("IFRS") and is based on the Company's audited annual consolidated financial statements for the year ended January 3, 2015. This financial information does not contain all disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2014 Annual Report which is available in the Investor Centre section of the Company's website at loblaw.ca and on sedar.com.

Consolidated Statements of Earnings

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars except where otherwise indicated)	**2014 (13 weeks) (unaudited)**	2013[1] (12 weeks) (unaudited)	**2014 (53 weeks) (audited)**	2013[1] (52 weeks) (audited)
Revenue	**$ 11,413**	$ 7,640	**$ 42,611**	$ 32,371
Cost of Merchandise Inventories Sold	**8,260**	5,813	**32,063**	24,701
Selling, General and Administrative Expenses	**2,646**	1,531	**9,886**	6,349
Operating Income	**$ 507**	$ 296	**$ 662**	$ 1,321
Net interest expense and other financing charges	**169**	141	**584**	468
Earnings Before Income Taxes	**$ 338**	$ 155	**$ 78**	$ 853
Income taxes	**91**	41	**25**	226
Net Earnings	**$ 247**	$ 114	**$ 53**	$ 627
Net Earnings per Common Share ($)				
Basic	**$ 0.60**	$ 0.41	**$ 0.14**	$ 2.23
Diluted	**$ 0.59**	$ 0.40	**$ 0.14**	$ 2.21
Weighted Average Common Shares Outstanding (millions)				
Basic	**412.0**	281.1	**380.5**	281.1
Diluted	**416.5**	284.4	**384.4**	284.1

Consolidated Balance Sheets

(millions of Canadian dollars)	As at January 3, 2015	As at December 28, 2013[5]
Assets		
Current Assets		
Cash and cash equivalents	**$ 999**	$ 2,260
Short term investments	**21**	290
Accounts receivable	**1,209**	579
Credit card receivables	**2,630**	2,538
Inventories	**4,309**	2,097
Prepaid expenses and other assets	**214**	75
Assets held for sale	**23**	22
Total Current Assets	**$ 9,405**	$ 7,861
Fixed Assets	**10,794**	9,105
Investment Properties	**185**	99
Intangible Assets	**9,177**	111
Goodwill	**3,243**	943
Deferred Income Taxes Assets	**193**	261
Security Deposits	**7**	1,701
Franchise Loans Receivable	**399**	375
Other Assets	**281**	285
Total Assets	**$ 33,684**	$ 20,741
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 162**	$ —
Trade payables and other liabilities	**4,672**	3,797
Provisions	**84**	66
Income taxes payable	**34**	37
Short term debt	**605**	605
Long term debt due within one year	**420**	1,008
Associate interest	**193**	—
Capital securities	**225**	—
Total Current Liabilities	**$ 6,395**	$ 5,513
Provisions	**76**	56
Long Term Debt	**11,042**	6,672
Trust Unit Liability	**722**	688
Deferred Income Taxes Liabilities	**1,880**	34
Capital Securities	**—**	224
Other Liabilities	**782**	554
Total Liabilities	**$ 20,897**	$ 13,741
Equity		
Share Capital	**$ 7,857**	$ 1,642
Retained Earnings	**4,810**	5,271
Contributed Surplus	**104**	87
Accumulated Other Comprehensive Income	**8**	—
Total Equity Attributable to Shareholders of the Company	**$ 12,779**	$ 7,000
Non-Controlling Interests	**8**	—
Total Equity	**$ 12,787**	$ 7,000
Total Liabilities and Equity	**$ 33,684**	$ 20,741

Consolidated Statements of Cash Flows

For the periods ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars)	**2014** **(13 weeks)** **(unaudited)**	2013[5] (12 weeks) (unaudited)	**2014** **(53 weeks)** **(audited)**	2013[5] (52 weeks) (audited)
Operating Activities				
Net earnings	**$ 247**	$ 114	**$ 53**	$ 627
Income taxes	**91**	41	**25**	226
Net interest expense and other financing charges	**169**	141	**584**	468
Depreciation and amortization	**393**	196	**1,472**	824
Income taxes paid	**(66)**	(65)	**(293)**	(272)
Interest received	**3**	6	**29**	49
Settlement of equity forward contracts	**—**	—	**—**	(16)
Settlement of cross currency swaps	**—**	76	**—**	94
Change in credit card receivables	**(81)**	(108)	**(92)**	(233)
Change in non-cash working capital	**116**	361	**(321)**	(224)
Fixed asset and other related impairments (recoveries)	**1**	(42)	**16**	(32)
Loss (gain) on disposal of assets	**10**	2	**3**	(1)
Recognition of fair value increment on inventory sold	**69**	—	**798**	—
Charge related to inventory measurement and other conversion differences	**—**	—	**190**	—
Gain on defined benefit plan amendments	**—**	—	**—**	(51)
Other	**—**	16	**105**	32
Cash Flows from Operating Activities	**$ 952**	$ 738	**$ 2,569**	$ 1,491
Investing Activities				
Acquisition of Shoppers Drug Mart, net of cash acquired	**$ —**	$ —	**$ (6,619)**	$ —
Fixed asset purchases	**(358)**	(304)	**(996)**	(865)
Change in short term investments	**28**	595	**269**	451
Proceeds from disposal of assets	**53**	3	**129**	26
Change in franchise investments and other receivables	**(4)**	(22)	**(25)**	5
Change in security deposits	**(1)**	199	**1,694**	(1,444)
Intangible asset additions	**(42)**	—	**(90)**	(12)
Investment in a joint venture	**(6)**	—	**(6)**	—
Other	**(33)**	—	**(40)**	—
Cash Flows (used in) from Investing Activities	**$ (363)**	$ 471	**$ (5,684)**	$ (1,839)
Financing Activities				
Change in bank indebtedness	**$ (161)**	$ —	**$ (133)**	$ —
Change in Associate Interest	**16**	—	**19**	—
Change in short term debt	**—**	(300)	**—**	(300)
Long Term Debt				
Issued	**125**	483	**5,865**	2,770
Retired	**(341)**	(469)	**(3,336)**	(871)
Deferred debt financing costs	**1**	(10)	**(28)**	(21)
Issuance of Trust Units	**1**	—	**1**	660
Trust Unit issue costs	**—**	(1)	**—**	(44)
Interest paid	**(113)**	(98)	**(506)**	(370)
Dividends paid	**(101)**	—	**(496)**	(259)
Common Shares				
Issued	**19**	8	**629**	75
Purchased and held in trust	**—**	—	**—**	(46)
Purchased for cancellation	**(29)**	—	**(178)**	(73)
Contributions from non-controlling interests	**8**	—	**8**	—
Cash Flows (used in) from Financing Activities	**$ (575)**	$ (387)	**$ 1,845**	$ 1,521
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 5**	$ —	**$ 9**	$ 8
Change in cash and cash equivalents	**$ 19**	$ 822	**$ (1,261)**	$ 1,181
Cash and cash equivalents, beginning of period	**980**	1,438	**2,260**	1,079
Cash and Cash Equivalents, End of Period	**$ 999**	$ 2,260	**$ 999**	$ 2,260

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:

					January 3, 2015 (13 weeks)					December 28, 2013(4)(5) (12 weeks)
(millions of Canadian dollars) (unaudited)	**Retail**	**Financial Services(i)**	**Choice Properties(i)**	**Consolidation and Eliminations(ii)**	**Total**	Retail	Financial Services	Choice Properties	Consolidation and Eliminations(ii)	Total
Revenue(iii)	**$ 11,164**	**$ 231**	**$ 175**	**$ (157)**	**$ 11,413**	$ 7,419	$ 204	$ 165	$ (148)	$ 7,640
EBITDA(iv)	**$ 847**	**$ 51**	**$ 223**	**$ (221)**	**$ 900**	$ 443	$ 45	$ 186	$ (182)	$ 492
Adjusting Items(iv)	**50**	**—**	**—**	**—**	**50**	(3)	—	—	—	(3)
Adjusted EBITDA(iv)	**$ 897**	**$ 51**	**$ 223**	**$ (221)**	**$ 950**	$ 440	$ 45	$ 186	$ (182)	$ 489
Depreciation and Amortization(v)	**264**	**2**	**—**	**3**	**269**	191	2	—	3	196
Adjusted Operating Income(iv)	**$ 633**	**$ 49**	**$ 223**	**$ (224)**	**$ 681**	$ 249	$ 43	$ 186	$ (185)	$ 293
Net interest expense and other financing charges	**$ 100**	**$ 14**	**$ 137**	**$ (82)**	**$ 169**	$ 76	$ 14	$ 193	$ (142)	$ 141

(i) For segment presentation purposes, the results are for the periods ended December 31, 2014, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to January 3, 2015, are included in Consolidation and Eliminations.

(ii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $121 million (2013 – $114 million) of rental revenue and $36 million (2013 – $34 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Operating income includes the elimination of the $121 million (2013 – $114 million) impact of rental revenue described above; the elimination of a $98 million gain (2013 – $68 million) 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; the recognition of $3 million (2013 – $3 million) of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value; and the elimination of $2 million (2013 – nil) of intercompany charges.
- Net interest expense and other financing charges includes the elimination of $62 million (2013 – $76 million) of interest expense included in Choice Properties related to debt owing to the Company; Unit distributions to external unitholders of $11 million (2013 – $11 million), which excludes distributions paid to the Company, and Choice Properties Unit issuance costs of nil (2013 – $1 million), which are reflected as a reduction of equity in Choice Properties, and presented as interest expense for the consolidated Company; the elimination of a $51 million fair value loss (2013 – $112 million) recognized by Choice Properties on Class B Limited Partnership units held by the Company; and a $20 million fair value loss (2013 – $34 million) on the Company's Trust Unit Liability.

(iii) Included in Financial Services revenue is $90 million (2013 – $87 million) of interest income.

(iv) 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.

(v) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $124 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart.

				January 3, 2015 (53 weeks)					December 28, 2013(4)(5) (52 weeks)
(millions of Canadian dollars) (audited)	**Retail**	**Financial Services(i)**	**Choice Properties(i)**	**Consolidation and Eliminations(ii)**	**Total**	Retail	Financial Services	Choice Properties	Consolidation and Eliminations(ii)	Total
Revenue(iii)	**$41,731**	**$ 810**	**$ 683**	**$ (613)**	**$ 42,611**	$31,600	$ 739	$ 319	$ (287)	$ 32,371
EBITDA(iv)	**$ 1,950**	**$ 171**	**$ 568**	**$ (555)**	**$ 2,134**	$ 1,989	$ 151	$ 370	$ (365)	$ 2,145
Adjusting Items(iv)	**1,088**	**—**	**14**	**—**	**1,102**	(42)	—	3	—	(39)
Adjusted EBITDA(iv)	**$ 3,038**	**$ 171**	**$ 582**	**$ (555)**	**$ 3,236**	$ 1,947	$ 151	$ 373	$ (365)	$ 2,106
Depreciation and Amortization(v)	**1,036**	**7**	**—**	**12**	**1,055**	809	9	—	6	824
Adjusted Operating Income(iv)	**$ 2,002**	**$ 164**	**$ 582**	**$ (567)**	**$ 2,181**	$ 1,138	$ 142	$ 373	$ (371)	$ 1,282
Net interest expense and other financing charges	**$ 386**	**$ 53**	**$ 369**	**$ (224)**	**$ 584**	$ 315	$ 49	$ 303	$ (199)	$ 468

(i) For segment presentation purposes, the results are for the year ended December 31, 2014, consistent with the fiscal calendars of both Financial Services and Choice Properties. Adjustments to January 3, 2015, are included in Consolidation and Eliminations.

(ii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $471 million (2013 – $221 million) of rental revenue and $142 million (2013 – $66 million) of cost recovery recognized by Choice Properties, received from the Retail segment.
- Operating income includes the elimination of the $471 million (2013 – $221 million) impact of rental revenue described above; the elimination of a $82 million gain (2013 – $144 million) 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; the recognition of $12 million (2013 – $6 million) of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value; and the elimination of $2 million (2013 – nil) intercompany charges.
- Net interest expense and other financing charges includes the elimination of $297 million (2013 – $144 million) of interest expense included in Choice Properties related to debt owing to the Company; Unit distributions to external unitholders of $44 million (2013 – $21 million), which excludes distributions paid to the Company, and Choice Properties Unit issuance costs of nil (2013 – $44 million), which are reflected as a reduction of equity in Choice Properties, and presented as interest expense for the consolidated Company; the elimination of a $12 million fair value gain (2013 – $147 million loss) recognized by Choice Properties on Class B Limited Partnership units held by the Company; and a $17 million fair value loss (2013 – $27 million) on the Company's Trust Unit Liability.

(iii) Included in Financial Services revenue is $356 million (2013 – $325 million) of interest income.

(iv) 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.

(v) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $417 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart.

Addendum A – Shoppers Drug Mart Results

Shoppers Drug Mart results are included in the Company's consolidated results beginning on the date of acquisition. As a result, in the first four quarters following the acquisition, the Company's prior year comparative figures do not include Shoppers Drug Mart. To provide some context and assist readers in their understanding of the Company's underlying performance for the fourth quarter of 2014, the Company has provided a brief discussion of Shoppers Drug Mart comparative operating results below, recognizing that over time such comparative financial information will become less relevant.

Below is a summary of Shoppers Drug Mart operating results for the 13 week period ended January 3, 2015 and the 12 week period ended December 28, 2013. The 2014 adjusted measures below exclude acquisition related items outlined in the Non-GAAP Financial Measures section of this News Release.

For the years ended January 3, 2015 and December 28, 2013 (millions of Canadian dollars)	**2014** **(13 weeks)**	2013(i) (12 weeks)	$ Change	% Change
Sales	**$ 3,054**	$ 2,747	$ 307	11.2%
Adjusted gross profit	**1,221**	1,068	153	14.3%
Adjusted EBITDA	**352**	309	43	13.9%
Adjusted operating income	**290**	248	42	16.9%

(i) Prior period figures have been restated to reflect the impact of certain purchase-related adjustments and policy alignments.

The following provides an overview of Shoppers Drug Mart's operating performance for the quarters ended January 3, 2015 compared to December 28, 2013:

- Sales of $3,054 million increased by $307 million compared to the fourth quarter of 2013, driven by sales gains in the front of the store, continued strength in prescription count growth and the impact of the 13th week. Excluding the impact of the 13th week, sales increased by $92 million, or 3.4%. On a same-store(6) basis, sales increased 3.8% during the quarter.
- Pharmacy sales were $1,372 million during the fourth quarter of 2014, an increase of 11.5% compared to the fourth quarter of 2013, or 3.1% excluding the 13th week, as growth in the number of prescriptions filled at retail was partially offset by a further reduction in average prescription value. On a same-store(6) basis, pharmacy sales increased 4.2% in the quarter. During the fourth quarter of 2014, the number of prescriptions dispensed at retail increased 13.8% compared to the same period of the prior year and was up 6.0% on a same-store(6) basis. Year-over-year, average prescription value at retail declined a further 1.7% during the fourth quarter of 2014, largely the result of further reductions in generic prescription reimbursement rates due to ongoing drug system reform initiatives, along with increasing generic prescription utilization rates. Generic molecules comprised 64.1% of the prescriptions dispensed in the fourth quarter of 2014 compared to 62.4% in the same period of the prior year.
- Front store sales were $1,682 million, an increase of 10.9% compared to the same period of the prior year, or 3.5% excluding the 13th week, led by strong growth in over the counter products, cosmetics and food and confection. On a same-store(6) basis, front store sales increased 3.6% during the fourth quarter of 2014.
- During the fourth quarter of 2014, eight new drug stores were opened, four of which were acquired, three drug stores were closed and 11 drug stores were divested. Year-over-year, retail net square footage increased by 0.6%.

Adjusted EBITDA for the fourth quarter of 2014 was $352 million compared to adjusted EBITDA of $309 million in the same period of the prior year primarily driven by synergies achieved in the quarter. Year-over-year, gross profit dollars increased by 14.3% in the fourth quarter of 2014, primarily due to increased sales, including the impact of the extra selling week. SG&A, excluding depreciation and amortization, increased by 14.5% compared to the same period last year, driven largely by higher store-level expenses, primarily occupancy and labour, and the impact of the 13th week.

2014 Annual Audited Consolidated Financial Statements and MD&A

The Company's 2014 Annual Report is available in the Investor Centre section of the Company's website at loblaw.ca and sedar.com.

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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.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 26, 2015 at 11:00 a.m. (EST).

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: 5669765. 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.

Footnote Legend

(1) This News Release contains forward-looking information. See Forward-Looking Statements on page 12 of this News Release for a discussion of material factors that could cause actual results to differ materially from the forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.

(2) See Non-GAAP Financial Measures beginning on page 14 of this News Release.

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

(4) Certain 2013 non-GAAP financial measures have been restated to conform with the current year's presentation. See Non-GAAP Financial Measures beginning on page 14 of this News Release.

(5) Certain 2013 figures have been amended. See note 2 of the Company's 2014 Annual Report.

(6) Results are presented on a comparable number of weeks basis.