Loblaw
COMPANIES LIMITED

NEWS RELEASE

Loblaw Companies Limited Reports a 35.2% Increase in Adjusted Earnings per Share[(2)] for the First Quarter of 2015 and Announces a 2.0% Increase to Quarterly Common Share Dividend

BRAMPTON, ONTARIO May 6, 2015 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the first quarter ended March 28, 2015. The Company's first quarter 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 Company's results for the first quarter of 2015 include the consolidation of Shoppers Drug Mart and the associated acquisition-related accounting adjustments. Relevant Shoppers Drug Mart results and metrics have been included in the Retail segment section of this News Release.

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

2015 First Quarter Highlights[(1)]

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

See endnotes at the back of this News Release.

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

Revenue

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

EBITDA[2]

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

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

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

Operating Income

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

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

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

Net Interest Expense and Other Financing Charges

- Net interest expense and other financing charges were $192 million in the first quarter of 2015, an increase of $77 million compared to the first quarter of 2014. The increase in net interest expense and other financing charges included the negative impact of a higher fair value adjustment loss related to the Trust Unit Liability and accelerated amortization of deferred financing costs, partially offset by the Shoppers Drug Mart acquisition-related costs incurred in the first quarter of 2014, as set out in 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 $131 million was $43 million higher compared to the first quarter of 2014, primarily as a result of higher interest on long term debt incurred to finance the acquisition of Shoppers Drug Mart and debt issuances by Choice Properties to third parties.

Income Taxes

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

Net Earnings

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

Basic Net Earnings Per Common Share

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

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

Capital Investments

- In the first quarter of 2015, the Company invested $231 million in fixed asset purchases and intangible asset additions, including $45 million invested by Shoppers Drug Mart, compared to $117 million in the first quarter of 2014.

Free Cash Flow(2)

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

Adjusted Debt(2)

- During the first quarter of 2015, adjusted debt(2) increased by $43 million, primarily driven by normal seasonal working capital requirements. On closing of the acquisition of Shoppers Drug Mart, adjusted debt(2) was $11,060 million. Since the closing of the acquisition, the Company has made progress and remains on track to meeting its debt reduction target by decreasing adjusted debt(2) by $1,022 million, resulting in an outstanding adjusted debt(2) balance of $10,038 million as at March 28, 2015.

Retail Segment

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

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

Sales

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

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

Gross Profit

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

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

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

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

EBITDA[2]

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

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

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

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

Operating Income

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

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

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

Financial Services Segment(4)

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

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

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

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

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

Choice Properties Segment[5]

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

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

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

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

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

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

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

Declaration of Dividends

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

Acquisition of Shoppers Drug Mart Corporation

In the first quarter of 2015, the Company realized approximately $44 million of net synergies generated primarily from improved cost of goods sold and from purchasing efficiencies in goods not for resale. Since the closing of the acquisition, total net synergies achieved were $145 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).

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

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

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

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

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

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

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 Management's Discussion and Analysis in the 2014 Annual Report – Financial Review ("2014 Annual Report") and the Company's Annual Information Form (for the year ended January 3, 2015). Such risks and uncertainties include:

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

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including, without limitation, the section entitled "Risks" in the Company's Annual Information Form (for the year ended January 3, 2015). Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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: Retail segment adjusted gross profit, Retail segment adjusted gross profit percentage, EBITDA, adjusted EBITDA, adjusted EBITDA margin, adjusted operating income, adjusted operating margin, adjusted net interest expense and other financing charges, adjusted income taxes, adjusted income tax rate, adjusted net earnings, adjusted basic net earnings per common share, free cash flow, adjusted debt and with respect to Choice Properties: adjusted funds from operations. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) See reconciliations of adjusted operating income and adjusted net interest and other financing charges above.

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

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

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

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

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

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

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

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

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

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

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

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

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

Selected Financial Information

The following includes selected quarterly financial information, which is prepared by management in accordance with International Financial Reporting Standards ("IFRS") and is based on the Company's 2015 First Quarter Report to Shareholders. This financial information does not contain all interim period disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2014 Annual Report and 2015 First Quarter Report to Shareholders, which are available in the Investor Centre section of the Company's website at loblaw.ca and on sedar.com.

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**March 28, 2015 (12 weeks)**	March 22, 2014[(3)] (12 weeks)
Revenue	**$ 10,048**	$ 7,292
Cost of Merchandise Inventories Sold	**7,221**	5,505
Selling, General and Administrative Expenses	**2,413**	1,511
Operating Income	**$ 414**	$ 276
Net interest expense and other financing charges	**192**	115
Earnings Before Income Taxes	**$ 222**	$ 161
Income taxes	**76**	41
Net Earnings	**$ 146**	$ 120
Net Earnings per Common Share ($)		
Basic	**$ 0.35**	$ 0.43
Diluted	**$ 0.35**	$ 0.42
Weighted Average Common Shares Outstanding **(millions)**		
Basic	**412.0**	281.5
Diluted	**416.1**	284.3

Condensed Consolidated Balance Sheets

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

Condensed Consolidated Statements of Cash Flows

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

Segment Information

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

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

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

Information for each reportable operating segment is included below:

	March 28, 2015 (12 weeks)					March 22, 2014(3) (12 weeks)				
(millions of Canadian dollars) (unaudited)	**Retail**	**Financial Services(4)**	**Choice Properties(5)**	**Consolidation and Eliminations(i)**	**Total**	Retail	Financial Services(4)	Choice Properties(5)	Consolidation and Eliminations(i)	Total
Revenue(ii)	**$ 9,830**	**$ 199**	**$ 182**	**$ (163)**	**$ 10,048**	$ 7,095	$ 180	$ 167	$ (150)	$ 7,292
EBITDA(iii)	**$ 734**	**$ 45**	**$ 127**	**$ (122)**	**$ 784**	$ 430	$ 38	$ 118	$ (115)	$ 471
Adjusting Items(iii)	**5**	**—**	**—**	**—**	**5**	10	—	1	—	11
Adjusted EBITDA(iii)	**$ 739**	**$ 45**	**$ 127**	**$ (122)**	**$ 789**	$ 440	$ 38	$ 119	$ (115)	$ 482
Depreciation and Amortization(iv)	**240**	**3**	**—**	**3**	**246**	190	2	—	3	195
Adjusted Operating Income(iii)	**$ 499**	**$ 42**	**$ 127**	**$ (125)**	**$ 543**	$ 250	$ 36	$ 119	$ (118)	$ 287
Net interest expense and other financing charges	**$ 86**	**$ 14**	**$ 339**	**$ (247)**	**$ 192**	$ 70	$ 13	$ 126	$ (94)	$ 115

(i) Consolidation and Eliminations includes the following items:

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

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

(iii) 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.

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

2014 Annual Report and 2015 First Quarter Report to Shareholders

The Company's 2014 Annual Report and 2015 First Quarter Report to Shareholders are available in the Investor Centre section of the Company's website at loblaw.ca and sedar.com.

Investor Relations

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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. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investor Centre section of the Company's website at loblaw.ca.

Conference Call and Webcast

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

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

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

Annual Meeting of Shareholders

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

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

News Release Endnotes

(1) This News Release contains forward-looking information. See Forward-Looking Statements section 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 section of this News Release.

(3) Certain 2014 figures have been restated to conform with the current year's presentation. See Non-GAAP Financial Measures section of this News Release and Note 2 "Significant Accounting Policies" and Note 3 "Acquisition of Shoppers Drug Mart Corporation" in the Company's 2015 First Quarter Report to Shareholders.

(4) For segment presentation purposes, the results are for the period ended March 31, 2015, consistent with Financial Services' fiscal calendar. Adjustments to March 28, 2015 are included in Consolidation and Eliminations. See Non-GAAP Financial Measures 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 2014 have not been restated.

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

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