NEWS RELEASE

Loblaw Companies Limited Reports a 23.3% Increase in Adjusted Earnings per Share[(2)]

BRAMPTON, ONTARIO November 12, 2014 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the third quarter ended October 4, 2014. The Company's third 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 third 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 third quarter ended October 4, 2014 is included as Addendum A to this News Release.

"In the third quarter we continued to advance our strategic initiatives and improve our market position," said Galen G. Weston, President and Executive Chairman, Loblaw Companies Limited. "We delivered solid performance across our portfolio of businesses, recognized efficiencies, realized significant synergies, and remained on track with our deleveraging targets.

"Although the industry and regulatory backdrop continues to be challenging, our momentum is encouraging," continued Mr. Weston. "As we look forward, we believe our performance will continue to improve, supported by stable business performance, further efficiencies, and planned synergies."

2014 Third Quarter Highlights[(1)]

- Revenue of $13,599 million increased 35.9% over the third quarter of 2013. Excluding the impact of Shoppers Drug Mart, revenue increased by 2.0% compared to the third quarter of 2013.
- Retail sales growth of 36.9% compared to the third quarter of 2013. Excluding the impact of Shoppers Drug Mart, retail sales grew by 2.2% and same-store sales[(3)] growth was 2.6%.
- Shoppers Drug Mart sales were $3,387 million in the third quarter. On a same-store basis, Shoppers Drug Mart sales increased by 2.5%, with same-store pharmacy sales increasing by 3.5% and same-store front store sales increasing by 1.6% over the third quarter of 2013.
- In the third quarter of 2014, the Company realized approximately $44 million of net synergies associated with the acquisition of Shoppers Drug Mart.
- Adjusted EBITDA[(2)] up 56.9% to $1,001 million compared to $638 million in the third quarter of 2013. Excluding the impact of Shoppers Drug Mart, adjusted EBITDA[(2)] increased $8 million compared to the third quarter of 2013.
- Adjusted operating income[(2)] up 74.2% to $669 million compared to $384 million in the third quarter of 2013. Excluding the impact of Shoppers Drug Mart, adjusted operating income[(2)] increased by $10 million, or 2.6%, compared to the third quarter of 2013.
- Adjusted basic net earnings per common share[(2)] up 23.3% to $0.90 compared to $0.73 in the third quarter of 2013.
- Basic net earnings per common share[(3)], including charges of $0.56 per common share related to certain Shoppers Drug Mart acquisition-related amounts and certain other adjustments[(i)], was $0.34 compared to basic net earnings per common share[(3)] of $0.53 in the third quarter of 2013.

See footnote legend on page 26.

(i) Basic net earnings per common share[(3)] of $0.34 in the third quarter of 2014 included the amortization of intangible assets ($0.31 per share), the negative impact of the recognition of a portion of the Shoppers Drug Mart purchase-related fair value adjustments for inventory sold ($0.19 per share) and certain other adjustments ($0.06 per share).

- Free cash flow[(2)] was $216 million for the third quarter of 2014 and $597 million year-to-date.
- During the third quarter of 2014, the Company recorded $46 million (2013 – $3 million) in 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.
- The Company continued to make progress and is on track towards its debt reduction targets, with an adjusted debt[(2)] decrease of approximately $300 million in the third quarter of 2014. In the third quarter of 2014, the Company repaid $350 million of its term loan facility, which was partially offset by draws on the $500 million senior unsecured committed credit facility ("Choice Properties Credit Facility") in the amount of $40 million.

Consolidated Quarterly Results of Operations

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014 (16 weeks)**	2013[(4,5)] (16 weeks)	$ Change	% Change	**2014 (40 weeks)**	2013[(4,5)] (40 weeks)	$ Change	% Change
Revenue	**$ 13,599**	$ 10,009	$ 3,590	35.9 %	**$ 31,198**	$ 24,731	$ 6,467	26.1 %
Revenue excluding Shoppers Drug Mart	***10,212***	*10,009*	*203*	*2.0 %*	***25,202***	*24,731*	*471*	*1.9 %*
EBITDA[(2)]	**835**	629	206	32.8 %	**1,234**	1,653	(419)	(25.3)%
Adjusted EBITDA[(2)]	**1,001**	638	363	56.9 %	**2,286**	1,617	669	41.4 %
Adjusted EBITDA margin[(2)]	**7.4%**	6.4%			**7.3%**	6.5%		
Adjusted EBITDA[(2)] excluding Shoppers Drug Mart	***$ 646***	*$ 638*	*$ 8*	*1.3 %*	***$ 1,650***	*$ 1,617*	*$ 33*	*2.0 %*
Adjusted EBITDA margin[(2)] excluding Shoppers Drug Mart	***6.3%***	*6.4%*			***6.5%***	*6.5%*		
Operating income	**$ 335**	$ 375	$ (40)	(10.7)%	**$ 155**	$ 1,025	$ (870)	(84.9)%
Adjusted operating income[(2)]	**669**	384	285	74.2 %	**1,500**	989	511	51.7 %
Adjusted operating margin[(2)]	**4.9%**	3.8%			**4.8%**	4.0%		
Adjusted operating income[(2)] excluding Shoppers Drug Mart	***$ 394***	*$ 384*	*$ 10*	*2.6 %*	***$ 1,006***	*$ 989*	*$ 17*	*1.7 %*
Adjusted operating margin[(2)] excluding Shoppers Drug Mart	***3.9%***	*3.8%*			***4.0%***	*4.0%*		
Net interest expense and other financing charges	**$ 150**	$ 171	$ (21)	(12.3)%	**$ 415**	$ 327	$ 88	26.9 %
Net earnings (loss)	**142**	150	(8)	(5.3)%	**(194)**	513	(707)	(137.8)%
Adjusted net earnings[(2)]	**371**	205	166	81.0 %	**828**	535	293	54.8 %
Basic net earnings (loss) per common share[(3)] ($)	**0.34**	0.53	(0.19)	(35.8)%	**(0.52)**	1.82	(2.34)	(128.6)%
Adjusted basic net earnings per common share[(2)] ($)	**0.90**	0.73	0.17	23.3 %	**2.24**	1.90	0.34	17.9 %

With the completion of the acquisition of Shoppers Drug Mart in the second quarter of 2014, the Company's results include the consolidation of Shoppers Drug Mart from the date of acquisition. The Shoppers Drug Mart assets were recognized in the Company's financial results at their fair value, including:

- a fair value increase to Shoppers Drug Mart's inventory on the date of acquisition of $798 million, which is being recognized in cost of merchandise inventories from the date of acquisition to the end of 2014, with a resulting negative impact on gross profit. In the third quarter of 2014, $107 million of the fair value increment was recognized from inventory sold. The remaining inventory fair value adjustment of $69 million will be recognized in the fourth quarter of 2014 as the inventory is sold; and
- a $6 billion increase for the acquisition of definite life intangible assets, which is being amortized over their estimated useful lives. In the third quarter of 2014, $168 million of related amortization was recognized in operating income. Annual amortization of approximately $550 million associated with these intangibles will be recognized over the next ten years and decreasing thereafter.

In the third quarter of 2014, the Company has also recognized a net gain of $2 million related to store and pharmacy divestitures required by the Competition Bureau as a result of the acquisition of Shoppers Drug Mart.

The Company also recorded a $4 million charge related to the accelerated amortization of deferred financing costs in net interest and other financing charges as a result of the repayment of $350 million of the term loan facility in the third quarter of 2014.

The above impacts, as well as certain other items, have been excluded from the Company's adjusted metrics in order to provide a better reflection of the Company's underlying operating performance. See Non-GAAP Financial Measures on page 12. The Company does not anticipate any significant additional costs related to the acquisition of Shoppers Drug Mart to be incurred, other than in relation to the remaining store divestitures.

The Company's third quarter 2014 results also included a charge of $7 million (2013 – $8 million) related to the transition of certain grocery stores to more cost effective and efficient operating terms under collective agreements.

Revenue

- Revenue increased by $3,590 million compared to the third quarter of 2013, primarily due to Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, consolidated revenue increased by 2.0% primarily due to an increase in the Company's Retail segment, slightly offset by a decrease in revenue in the Financial Services segment.

EBITDA(2)

- EBITDA(2) increased by $206 million compared to the third quarter of 2013, primarily driven by Shoppers Drug Mart. EBITDA(2) was also positively impacted by the net gain on store and pharmacy divestitures related to the acquisition of Shoppers Drug Mart ($2 million) and negatively impacted by the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold ($107 million), increased restructuring costs ($43 million), increased fixed asset and other related impairments ($6 million) and a fair value adjustment on Shoppers Drug Mart's equity-based compensation liability ($5 million).
- Adjusted EBITDA(2) increased by $363 million compared to the third quarter of 2013, primarily driven by Shoppers Drug Mart. Adjusted EBITDA margin(2) was 7.4% for the third 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 $8 million compared to the third quarter of 2013, driven by an increase in adjusted EBITDA(2) in the Company's Retail segment. Excluding the impact of Shoppers Drug Mart, adjusted EBITDA margin(2) was 6.3% compared to 6.4% in the same quarter in 2013.

Synergies

- During the third quarter of 2014, the Company realized approximately $44 million of net synergies associated with the acquisition of Shoppers Drug Mart, primarily in cost of goods sold.

Operating Income

- Operating income decreased by $40 million compared to the third quarter of 2013, primarily driven by Shoppers Drug Mart. Operating income was negatively impacted by the amortization of intangible assets of $168 million related to the acquisition of Shoppers Drug Mart and was also impacted by the net factors related to EBITDA(2) described above.
- Adjusted operating income(2) increased by $285 million compared to the third quarter of 2013, primarily driven by Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted operating income(2) increased by $10 million and was positively impacted by an increase in adjusted EBITDA(2) in the Company's Retail segment and a decrease in depreciation and amortization(2) of $2 million.

Net Interest Expense and Other Financing Charges

- Net interest expense and other financing charges decreased by $21 million compared to the third quarter of 2013. Excluding the impacts described below, net interest expense and other financing charges increased by $63 million, driven by higher interest on long term debt, primarily as a result of debt incurred to finance the acquisition of Shoppers Drug Mart.

  In addition to the above, net interest expense and other financing charges were impacted by the following:
    - a favourable $16 million fair value adjustment related to the Trust Unit Liability for the change in the fair value of Choice Properties Real Estate Investment Trust's ("Choice Properties") Trust Units ("Units") held by unitholders other than the Company;
    - Choice Properties' initial public offering ("IPO") transaction costs of $43 million, incurred in the third quarter of 2013;
    - early debt settlement costs of $18 million, incurred in the third quarter of 2013; and
    - Shoppers Drug Mart acquisition-related costs of $11 million incurred in the third quarter of 2013.

  These impacts were partially offset by:
    - a $4 million charge related to the accelerated amortization of deferred financing costs due to the repayment in the third quarter of 2014 of $350 million of the term loan facility used to acquire Shoppers Drug Mart.

Income Taxes

- Income tax expense was $43 million for the third quarter of 2014 compared to $54 million for the third quarter of 2013. The effective tax rate for the third quarter of 2014 was 23.2% compared to 26.5% for the third quarter of 2013. The decrease in the effective tax rate was primarily attributable to a decrease in certain non-deductible items. The effective income tax rate on adjusted net earnings[(2)] was 25.8% (2013 – 26.3%). The decrease in the effective income tax rate on adjusted net earnings[(2)] was primarily attributable to a decrease in certain non-deductible items.

Net Earnings

- Net earnings decreased by $8 million compared to the third quarter of 2013, primarily driven by the decrease in operating income, largely offset by the decrease in net interest expense and other financing charges and by the decrease in income taxes as described above.
- Adjusted net earnings[(2)] increased by $166 million to $371 million compared to the third quarter of 2013, primarily driven by higher adjusted operating income[(2)], mainly as a result of Shoppers Drug Mart, partially offset by higher net interest and other financing charges after excluding certain items described above (see Non-GAAP Financial Measures beginning on page 12 of this News Release), and the increase in income tax expense on adjusted net earnings[(2)].

Basic Net Earnings Per Common Share[(3)]

- Basic net earnings per common share[(3)] of $0.34 in the third quarter of 2014 included the amortization of intangible assets ($0.31 per share), the negative impact of the recognition of a portion of the Shoppers Drug Mart purchase-related fair value adjustments for inventory sold ($0.19 per share) and certain other adjustments ($0.06 per share). This compares to basic net earnings per common share[(3)] of $0.53 in the third quarter of 2013.
- Adjusted basic net earnings per common share[(2)] was $0.90 in the third quarter of 2014 compared to $0.73 in the third 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 Investment

- In the third quarter of 2014, the Company invested $300 million (2013 – $252 million) in capital expenditures.

Free Cash Flow[(2)]

- For the third quarter of 2014, free cash flow[(2)] was $216 million compared to negative $5 million in the third quarter of 2013. The increase in free cash flow[(2)] was primarily due to higher cash flows from operating activities, net of credit card receivables, partially offset by higher interest payments. The higher cash flows from operating activities were primarily due to Shoppers Drug Mart.

Adjusted Debt[(2)]

- The Company's adjusted debt[(2)] balance increased significantly as a result of its acquisition of Shoppers Drug Mart. On closing of the acquisition, adjusted debt[(2)] increased to approximately $11,060 million. Since that date, the Company has made progress and is on track towards its debt reduction targets by decreasing adjusted debt[(2)] to $10,416 million as at the end of the third quarter of 2014, a decrease of approximately $650 million. Since closing of the acquisition, the Company has repaid $1.95 billion of its $3.5 billion term loan facility and repaid a $350 million medium term note. This was partially offset by $1.5 billion related to the sale of Choice Properties Transferor Notes by the Company to third parties, Choice Properties Credit Facility draws in the amount of $77 million and other indebtedness.

Retail Segment

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014 (16 weeks)**	2013[4,5] (16 weeks)	$ Change	% Change	**2014 (40 weeks)**	2013[4,5] (40 weeks)	$ Change	% Change
Sales	**$ 13,375**	$ 9,772	$ 3,603	36.9 %	**$ 30,567**	$ 24,181	$ 6,386	26.4 %
Gross profit	**3,366**	2,098	1,268	60.4 %	**6,809**	5,336	1,473	27.6 %
Adjusted gross profit[2]	**3,473**	2,098	1,375	65.5 %	**7,728**	5,336	2,392	44.8 %
EBITDA[2]	**790**	585	205	35.0 %	**1,103**	1,546	(443)	(28.7)%
Adjusted EBITDA[2]	**954**	591	363	61.4 %	**2,141**	1,507	634	42.1 %
Operating income	**294**	336	(42)	(12.5)%	**38**	928	(890)	(95.9)%
Adjusted operating income[2]	**626**	342	284	83.0 %	**1,369**	889	480	54.0 %

For the periods ended October 4, 2014 and October 5, 2013 (unaudited)	**2014 (16 weeks)**	2013[4,5] (16 weeks)	**2014 (40 weeks)**	2013[4,5] (40 weeks)
Same-store sales[3] growth[i]	**2.6%**	0.4%	**1.9%**	1.3%
Adjusted gross profit %[2]	**26.0%**	21.5%	**25.3%**	22.1%
Adjusted EBITDA margin[2]	**7.1%**	6.0%	**7.0%**	6.2%
Adjusted operating margin[2]	**4.7%**	3.5%	**4.5%**	3.7%

(i) Same-store sales growth excludes the results of Shoppers Drug Mart.

Except as noted, the discussion of Retail operating results below focuses on Retail segment results excluding Shoppers Drug Mart. For a discussion of Shoppers Drug Mart results, please see Addendum A on page 25.

Sales

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014 (16 weeks)**	2013[4] (16 weeks)	$ Change	% Change	**2014 (40 weeks)**	2013[4] (40 weeks)	$ Change	% Change
Retail sales	**$ 13,375**	$ 9,772	$ 3,603	36.9%	**$ 30,567**	$ 24,181	$ 6,386	26.4%
Shoppers Drug Mart	**3,387**				**5,996**			
Excluding Shoppers Drug Mart	**$ 9,988**	$ 9,772	$ 216	2.2%	**$ 24,571**	$ 24,181	$ 390	1.6%

- In the third quarter of 2014, the increase in Retail sales of $3,603 million, or 36.9%, over the same period in the prior year included $3,387 million of sales related to Shoppers Drug Mart. Excluding Shoppers Drug Mart, Retail sales increased by $216 million, or 2.2%, compared to the same period in the prior year, as a result of the following factors:
  - Same-store sales[3] growth was 2.6% (2013 – 0.4%) for the quarter and growth, excluding gas bar, was 2.7% (2013 – 0.1%);
  - Sales growth in food was moderate;
  - Sales in drugstore were flat;
  - Sales growth in gas bar was moderate;
  - Sales in general merchandise, excluding apparel, were flat;
  - Sales growth in retail apparel was modest, while international wholesale apparel sales declined significantly;
  - The Company's average quarterly internal food price index was in line with (2013 – lower than) the average quarterly national food price inflation of 2.8% (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
  - 18 corporate and franchise stores were opened and 10 corporate and franchise stores were closed in the last 12 months with an additional two franchise grocery stores divested as a result of an agreement with the Competition Bureau related to the acquisition of Shoppers Drug Mart, resulting in flat square footage growth.

- From the acquisition date, Shoppers Drug Mart opened nine new drug stores and closed eight drug stores with an additional two drug stores divested as a result of an agreement with the Competition Bureau related to the Company's acquisition of Shoppers Drug Mart. As a result, net square footage increased by 0.1 million square feet, or 0.4%.

Gross Profit

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014 (16 weeks)**	2013[4,5] (16 weeks)	$ Change	% Change	**2014 (40 weeks)**	2013[4,5] (40 weeks)	$ Change	% Change
Retail gross profit	**$ 3,366**	$ 2,098	$ 1,268	60.4%	**$ 6,809**	$ 5,336	$ 1,473	27.6%
Adjustments[2]	**107**	—			**919**	—		
Adjusted Retail gross profit[2]	**$ 3,473**	$ 2,098	$ 1,375	65.5%	**$ 7,728**	$ 5,336	$ 2,392	44.8%
Adjusted gross profit %[2]	**26.0%**	21.5%			**25.3%**	22.1%		
Shoppers Drug Mart	**$ 1,323**				**$ 2,322**			
Excluding Shoppers Drug Mart	**$ 2,150**	$ 2,098	$ 52	2.5%	**$ 5,406**	$ 5,336	$ 70	1.3%
Adjusted gross profit %[2]	**21.5%**	21.5%			**22.0%**	22.1%		

- In the third quarter of 2014, gross profit increased by $1,268 million compared to the same period in 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.
- In the third quarter of 2014, adjusted gross profit[2] increased by $1,375 million and included $1,323 million of adjusted gross profit[2] related to Shoppers Drug Mart. Adjusted gross profit percentage[2] was 26.0% compared to 21.5% in the third quarter of 2013.
- Excluding Shoppers Drug Mart, adjusted gross profit percentage[2] was 21.5%, flat compared to the same period last year. While adjusted gross profit percentage[2] was flat, retail margins decreased, driven by inflationary pressures, and shrink was higher due to continued investments in fresh assortment. Synergies and lower transportation costs fully offset these decreases.
- Excluding Shoppers Drug Mart, adjusted gross profit[2] increased by $52 million, or 2.5%, compared to the same period in 2013, driven by higher sales.

EBITDA[2]

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014 (16 weeks)**	2013[4,5] (16 weeks)	$ Change	% Change	**2014 (40 weeks)**	2013[4,5] (40 weeks)	$ Change	% Change
EBITDA[2]	**$ 790**	$ 585	$ 205	35.0%	**$ 1,103**	$ 1,546	$ (443)	(28.7)%
Adjustments[2]	**164**	6			**1,038**	(39)		
Adjusted Retail EBITDA[2]	**$ 954**	$ 591	$ 363	61.4%	**$ 2,141**	$ 1,507	$ 634	42.1 %
Adjusted EBITDA margin[2]	**7.1%**	6.0%			**7.0%**	6.2%		
Shoppers Drug Mart	**355**				**636**			
Excluding Shoppers Drug Mart	**$ 599**	$ 591	$ 8	1.4%	**$ 1,505**	$ 1,507	$ (2)	(0.1)%
Adjusted EBITDA margin[2]	**6.0%**	6.0%			**6.1%**	6.2%		

- EBITDA[2] increased by $205 million compared to the third quarter of 2013 primarily due to Shoppers Drug Mart and was positively impacted by the net gain on store and pharmacy divestitures related to Shoppers Drug Mart, offset by the recognition of the $107 million fair value increment on the acquired Shoppers Drug Mart inventory sold, increased restructuring costs, increased fixed asset and other related impairments, and a fair value adjustment on Shoppers Drug Mart's equity-based compensation liability.
- Adjusted EBITDA[2] increased by $363 million compared to the third quarter of 2013 and included $355 million of adjusted EBITDA[2] related to Shoppers Drug Mart.

- Excluding the impact of Shoppers Drug Mart, adjusted EBITDA(2) increased by $8 million. The increase was primarily driven by higher adjusted gross profit(2) as discussed above, partially offset by costs related to certain of the Company's emerging businesses, synergy related costs, higher marketing investments, and an increase in other operating costs.
- For the third quarter of 2014, adjusted EBITDA margin(2) was 7.1% compared to 6.0% in the same period in 2013, primarily driven by the inclusion of Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted EBITDA margin(2) was flat at 6.0%.

Operating Income

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014 (16 weeks)**	2013(4,5) (16 weeks)	$ Change	% Change	**2014 (40 weeks)**	2013(4,5) (40 weeks)	$ Change	% Change
Retail operating income	**$ 294**	$ 336	$ (42)	(12.5)%	**$ 38**	$ 928	$ (890)	(95.9)%
Adjustments(2)	**332**	6			**1,331**	(39)		
Adjusted Retail operating income(2)	**$ 626**	$ 342	$ 284	83.0 %	**$ 1,369**	$ 889	$ 480	54.0 %
Adjusted operating margin(2)	**4.7%**	3.5%			**4.5%**	3.7%		
Shoppers Drug Mart	**275**				**494**			
Excluding Shoppers Drug Mart	**$ 351**	$ 342	$ 9	2.6 %	**$ 875**	$ 889	$ (14)	(1.6)%
Adjusted operating margin(2)	**3.5%**	3.5%			**3.6%**	3.7%		

- Operating income decreased by $42 million compared to the third quarter of 2013, primarily as a result of Shoppers Drug Mart, including the negative impact of the amortization of intangible assets recorded on the acquisition and the increase in retail depreciation and amortization, offset by the increase in EBITDA(2) described above.
- Adjusted operating income(2) increased by $284 million compared to the third quarter of 2013 and included $275 million of adjusted operating income(2) related to Shoppers Drug Mart. Excluding the impact of Shoppers Drug Mart, adjusted operating income(2) increased by $9 million, driven by the increase in adjusted EBITDA(2) described above and a decrease in retail depreciation and amortization(2) of $1 million.

Financial Services Segment

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014(i)** **(16 weeks)**	2013 (16 weeks)	$ Change	% Change	**2014(i)** **(40 weeks)**	2013 (40 weeks)	$ Change	% Change
Revenue	**$ 207**	$ 222	$ (15)	(6.8)%	**$ 579**	$ 535	$ 44	8.2%
Operating income	**41**	41	—	— %	**115**	99	16	16.2%
Earnings before income taxes	**27**	27	—	— %	**76**	64	12	18.8%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at October 4, 2014**	As at October 5, 2013	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,512**	$ 2,297	$ 215	9.4%
Credit card receivables	**2,549**	2,430	119	4.9%
Allowance for credit card receivables	**51**	45	6	13.3%
Annualized yield on average quarterly gross credit card receivables(3)	**13.8%**	13.5%		
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 ended September 30, 2014, consistent with the Financial Services' fiscal calendar. Adjustments to October 4, 2014 are included in Consolidation and Eliminations. See Non-GAAP Financial Measures beginning on page 12. 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 third quarter of 2014 decreased by 6.8% compared to the third quarter of 2013. This decrease was primarily driven by the realignment of reporting periods for the second and third quarters of 2014 to reflect the Financial Services' fiscal quarters (see footnote (i) above), partially offset by higher interest income and interchange income as a result of growth in the credit card portfolio.
- Operating income and earnings before income taxes were flat compared to the third quarter of 2013, reflecting the lower quarterly revenue described above as a result of the realignment between the second and third quarter of 2014. Despite the timing difference, lower revenue was offset by lower marketing and customer acquisition expenses and lower costs associated with the Financial Services' loyalty program.
- As at October 4, 2014, credit card receivables were $2,549 million, an increase of $119 million compared to October 5, 2013. This increase was primarily driven by growth in the active customer base as a result of continued investments in customer acquisitions and marketing initiatives. As at October 4, 2014, the allowance for credit card receivables was $51 million, an increase of $6 million compared to October 5, 2013, primarily due to growth in the credit card portfolio.

Choice Properties Segment

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars)	**2014[(i)]** **(16 weeks)**	2013[(ii)] (16 weeks)	$ Change	% Change	**2014[(i)]** **(40 weeks)**	2013[(ii)] (40 weeks)	$ Change	% Change
Revenue	**$ 171**	$ 154	$ 17	11.0 %	**$ 508**	$ 154	$ 354	229.9%
Operating income	**105**	184	(79)	(42.9)%	**345**	184	161	87.5%
Net interest expense and other financing charges	**(18)**	110	(128)	(116.4)%	**232**	110	122	110.9%

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014[(i)]** **(16 weeks)**	2013[(ii)] (16 weeks)	$ Change	% Change	**2014[(i)]** **(40 weeks)**	2013[(ii)] (40 weeks)	$ Change	% Change
Net operating income[(2)]	**$ 119**	$ 108	$ 11	10.2%	**$ 353**	$ 108	$ 245	226.9%
Funds from operations[(2)]	**86**	76	10	13.2%	**207**	76	131	172.4%
Adjusted funds from operations[(2)]	**73**	66	7	10.6%	**211**	66	145	219.7%
Adjusted funds from operations per unit - diluted[(2)] ($)	**0.19**	0.18			**0.56**	0.18		
Adjusted funds from operations payout ratio[(2)]	**86.0%**	85.0%			**87.4%**	85.0%		

(i) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Choice Properties' fiscal calendar. Adjustments to October 4, 2014 are included in Consolidation and Eliminations. See Non-GAAP Financial Measures beginning on page 12.

(ii) Based on operations beginning July 5, 2013.

- Revenue for the third quarter of 2014 increased by 11.0% compared to the third quarter of 2013, and included $154 million (2013 – $139 million) generated from tenants within the Retail segment. The increase was primarily driven by revenue from properties acquired since the IPO and the inclusion of a full quarter of operations in 2014 compared to a partial quarter included in 2013.
- Operating income decreased by $79 million compared to the third quarter of 2013 and was negatively impacted by a $91 million year-over-year unfavourable fair value adjustment on investment properties. The fair value adjustment on investment properties is eliminated on consolidation.
- Net operating income[(2)] increased by $11 million compared to the third quarter of 2013. The increase in net operating income[(2)] was primarily driven by operating results from properties acquired since the IPO and a full quarter of operations in 2014.
- Funds from operations[(2)] increased by $10 million compared to the third quarter of 2013. The increase was mainly attributable to an increase in net property income, partially offset by increased interest and other financing charges.
- Adjusted funds from operations[(2)] increased by $7 million compared to the third quarter of 2013. The increase was mainly attributable to the factors impacting funds from operations[(2)] above, partially offset by the increase in sustaining property and leasing capital expenditures, normalized[(2)].
- Subsequent to the end of the quarter, the Company sold 16 properties to Choice Properties for an aggregate price of approximately $212 million. Consideration for the properties included 10,698,143 Class B Limited Partnership units, $96 million in cash and the assumption of a $4 million mortgage by Choice Properties. As of November 11, 2014, the Company's ownership interest in Choice Properties was 82.9%.
- Subsequent to the end of the quarter, the Company exercised its option to acquire a warehouse from an unrelated party and entered into a commitment to sell the warehouse to Choice Properties for approximately $82 million. The transaction is expected to close in the first quarter of 2015.

Declaration of Dividends

Subsequent to the end of the third quarter of 2014, the Board of Directors declared a quarterly dividend on Loblaw common shares of $0.245 payable on December 30, 2014 to shareholders of record on December 15, 2014 and a dividend on the Second Preferred Shares, Series A of $0.37 per share payable on January 31, 2015 to shareholders of record on January 15, 2015.

Acquisition of Shoppers Drug Mart Corporation

Loblaw expects 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). First year synergies are being generated primarily from improved cost of goods sold and from purchasing efficiencies in goods not for resale. In the third quarter of 2014, the Company realized approximately $44 million of net synergies associated with the acquisition of Shoppers Drug Mart.

Pursuant to a Consent Agreement reached with the Competition Bureau in the first quarter of 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 third quarter of 2014, two franchise grocery stores and two Shoppers Drug Mart stores were sold, and the nine in-store pharmacies were licensed to unrelated parties. This resulted in a net gain of $2 million which was recorded in operating income. Subsequent to the end of the third quarter of 2014, the Competition Bureau approved the sale of an additional ten Shoppers Drug Mart stores of which four sales have been completed.

Outlook[1]

In the third quarter of 2014, the Company continued to execute on its strategy and delivered solid financial and operational performance in a very competitive trading environment that saw supermarket square footage growth moderate and greater predictability in regulatory drug reform. The Company expects these industry and business trends to continue for the balance of the year. As a result, for 2014 the Company expects its business divisions to achieve financial and operational performance, on an adjusted basis and excluding synergies, in line with 2013 performance trends. The Company also remains on track to achieve $100 million in net synergies in the first twelve months following the acquisition of Shoppers Drug Mart.

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 and events, targeted synergies expected following the acquisition of Shoppers Drug Mart, future liquidity, planned capital expenditures, amount of pension plan contributions, status and impact of information technology ("IT") systems implementation and future plans. These specific forward-looking statements are contained throughout this News Release including, without limitation, in the Outlook section and the Consolidated Results of Operations section. Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" 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 2014 is based on certain assumptions including assumptions about revenue growth, anticipated cost savings and operating efficiencies, and competitive square footage growth. 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 the Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") on pages 28 to 35 of the 2013 Annual Report – Financial Review ("2013 Annual Report"), the Enterprise Risks and Risk Management section of the MD&A included in the Company's 2014 Third Quarter Report to Shareholders and the Company's Updated and Restated Annual Information Form (for the year ended December 28, 2013; updated June 2, 2014). Such risks and uncertainties include:

- failure by the Company to realize the anticipated strategic benefits or synergies expected following the acquisition of Shoppers Drug Mart;
- 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;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- changes in the Company's estimate of inventory cost as a result of its IT system upgrade;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- public health events including those related to food and drug safety;
- 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; and
- 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.

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. Information on risks and uncertainties related to Shoppers Drug Mart are disclosed in the Information Statement filed by the Company on August 20, 2013, the Shoppers Drug Mart 2013 annual MD&A filed by Shoppers Drug Mart on February 20, 2014 and the Company's Updated and Restated Annual Information Form (for the year ended December 28, 2013; updated June 2, 2014). 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: net operating income, funds from operations, adjusted funds from operations, adjusted funds from operations per unit - diluted and adjusted funds from operations payout ratio. Beginning in the second quarter of 2014, the Company has 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.

As of the third quarter of 2014, the Company no longer excludes Choice Properties’ general and administrative costs.

With the acquisition of Shoppers Drug Mart, the Company converted certain Shoppers Drug Mart cash-settled equity-based compensation awards to 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.

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.

As of the first quarter of 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 unaudited interim period condensed consolidated statements of earnings for the 16 and 40 week periods ended October 4, 2014 and October 5, 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 sales.

(millions of Canadian dollars) (unaudited)	**2014 (16 weeks)**	2013[(5)] (16 weeks)	**2014 (40 weeks)**	2013[(5)] (40 weeks)
Retail segment gross profit	**$ 3,366**	$ 2,098	**$ 6,809**	$ 5,336
Add impact of the following:				
Recognition of fair value increment on inventory sold	**107**	—	**729**	—
Charge related to inventory measurement and other conversion differences	**—**	—	**190**	—
Retail segment adjusted gross profit	**$ 3,473**	$ 2,098	**$ 7,728**	$ 5,336

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 unaudited interim period condensed consolidated balance sheets at their fair value. This resulted in a fair value adjustment to Shoppers Drug Mart inventory on the date of acquisition of $798 million representing the difference between inventory cost and its fair value. This difference is being recognized in cost of sales as the inventory is sold, with a resulting negative impact on gross profit. In the third quarter of 2014, $107 million and year-to-date $729 million, was recognized in gross profit and operating income.

Charge related to inventory measurement and other conversion differences for the Company's corporate grocery stores With the upgrade of its IT infrastructure, the Company will implement the system in substantially all of its corporate grocery stores by the end of 2014. 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. By the end of the second quarter of 2014, sufficient corporate grocery stores had been converted to enable the Company to record the impact of the inventory measurement and other conversion differences associated with implementation of a perpetual inventory system. The impact was estimated to be a $190 million decrease in the value of the inventory, which was recognized in gross profit and operating income in the second quarter of 2014 and year-to-date.

EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Income and Adjusted Operating Margin The following tables reconcile earnings (loss) 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 unaudited interim period condensed consolidated statements of earnings for the 16 and 40 week periods ended October 4, 2014 and October 5, 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 investment 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 (16 weeks)					2013[i] (16 weeks)
(millions of Canadian dollars) (unaudited)	Retail	Financial Services[ii]	Choice Properties[ii]	Consolidation and Eliminations	Consolidated	Retail	Financial Services	Choice Properties[iii]	Consolidation and Eliminations	Consolidated
Net earnings					$ 142					$ 150
Add impact of the following:										
Net interest expense and other financing charges					150					171
Income taxes					43					54
Operating income	$ 294	$ 41	$ 105	$ (105)	$ 335	$ 336	$ 41	$ 184	$ (186)	$ 375
Depreciation and amortization	496	1	—	3	500	249	2	—	3	254
EBITDA	$ 790	$ 42	$ 105	$ (102)	$ 835	$ 585	$ 43	$ 184	$ (183)	$ 629
Operating income	$ 294	$ 41	$ 105	$ (105)	$ 335	$ 336	$ 41	$ 184	$ (186)	$ 375
Add (deduct) impact of the following:										
Recognition of fair value increment on inventory sold	107	—	—	—	107	—	—	—	—	—
Amortization of intangible assets acquired with Shoppers Drug Mart[iv]	168	—	—	—	168	—	—	—	—	—
Restructuring costs	44	—	2	—	46	3	—	—	—	3
Fixed asset and other related impairments	10	—	—	—	10	4	—	—	—	4
Acquisition of Shoppers Drug Mart related costs, net of divestitures gain	(2)	—	—	—	(2)	(1)	—	—	—	(1)
Fair value adjustment on Shoppers Drug Mart's equity-based compensation liability	5	—	—	—	5	—	—	—	—	—
Choice Properties start-up costs and IPO transaction costs	—	—	—	—	—	—	—	3	—	3
Adjusted operating income	$ 626	$ 41	$ 107	$ (105)	$ 669	$ 342	$ 41	$ 187	$ (186)	$ 384
Depreciation and amortization[iv]	328	1	—	3	332	249	2	—	3	254
Adjusted EBITDA	$ 954	$ 42	$ 107	$ (102)	$ 1,001	$ 591	$ 43	$ 187	$ (183)	$ 638

(i) Certain 2013 figures have been amended. See note 2 of the Company's unaudited interim period condensed consolidated financial statements included in the 2014 Third Quarter Report to Shareholders.

(ii) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Financial Services' and Choice Properties' fiscal calendars. Adjustments to October 4, 2014 are included in Consolidation and Eliminations.

(iii) Based on operations beginning July 5, 2013.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA excludes $168 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart.

(millions of Canadian dollars) (unaudited)	2014 (40 weeks) Retail	Financial Services[ii]	Choice Properties[ii]	Consolidation and Eliminations	Consolidated	2013[i] (40 weeks) Retail	Financial Services	Choice Properties[iii]	Consolidation and Eliminations	Consolidated
Net (loss) earnings					$ (194)					$ 513
Add (deduct) impact of the following:										
Net interest expense and other financing charges					415					327
Income taxes					(66)					185
Operating income	$ 38	$ 115	$ 345	$ (343)	$ 155	$ 928	$ 99	$ 184	$ (186)	$ 1,025
Depreciation and amortization	1,065	5	—	9	1,079	618	7	—	3	628
EBITDA	$1,103	$ 120	$ 345	$ (334)	$ 1,234	$1,546	$ 106	$ 184	$ (183)	$ 1,653
Operating income	$ 38	$ 115	$ 345	$ (343)	$ 155	$ 928	$ 99	$ 184	$ (186)	$ 1,025
Add (deduct) impact of the following:										
Recognition of fair value increment on inventory sold	729	—	—	—	729	—	—	—	—	—
Charge related to inventory measurement and other conversion differences	190	—	—	—	190	—	—	—	—	—
Amortization of intangible assets acquired with Shoppers Drug Mart[iv]	293	—	—	—	293	—	—	—	—	—
Acquisition of Shoppers Drug Mart related costs, net of divestitures gain	58	—	—	—	58	(1)	—	—	—	(1)
Restructuring costs	44	—	2	—	46	3	—	—	—	3
Fixed asset and other related impairments	14	—	1	—	15	10	—	—	—	10
Fair value adjustment on Shoppers Drug Mart's equity-based compensation liability	5	—	—	—	5	—	—	—	—	—
Choice Properties general and administrative costs	(2)	—	11	—	9	—	—	—	—	—
Defined benefit plan amendments	—	—	—	—	—	(51)	—	—	—	(51)
Choice Properties start-up costs	—	—	—	—	—	—	—	3	—	3
Adjusted operating income	$1,369	$ 115	$ 359	$ (343)	$ 1,500	$ 889	$ 99	$ 187	$ (186)	$ 989
Depreciation and amortization[iv]	772	5	—	9	786	618	7	—	3	628
Adjusted EBITDA	$2,141	$ 120	$ 359	$ (334)	$ 2,286	$1,507	$ 106	$ 187	$ (183)	$ 1,617

(i) Certain 2013 figures have been amended. See note 2 of the Company's unaudited interim period condensed consolidated financial statements included in the 2014 Third Quarter Report to Shareholders.

(ii) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Financial Services' and Choice Properties' fiscal calendars. Adjustments to October 4, 2014 are included in Consolidation and Eliminations.

(iii) Based on operations beginning July 5, 2013.

(iv) Depreciation and amortization for the calculation of adjusted EBITDA excludes $293 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart.

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in the second quarter of 2014 included approximately $6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. During the third quarter of 2014, $168 million and year-to-date $293 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.

Acquisition of Shoppers Drug Mart related costs, net of divestitures gain In connection with the agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, in the third quarter of 2014, the Company excluded nil (2013 – $9 million) and year-to-date $60 million (2013 – $9 million) of acquisition-related costs in operating income. The net gain related to the completed divestitures in the third quarter of 2014 and year-to-date of $2 million partially offset these costs. Although no significant additional costs related to the acquisition are anticipated, further adjustments for divestitures gain or loss will be made when the remaining Shoppers Drug Mart stores are sold. In the third quarter of 2013, in connection with the issuance of $1.6 billion 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 third quarter of 2014 and year-to-date, the Company recorded a charge of $46 million (2013 – $3 million) of restructuring costs primarily associated with the reduction of corporate and store-support positions.

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 third quarter of 2014, the Company recorded a charge of $10 million (2013 – $4 million) and year-to-date $15 million (2013 – $10 million) related to fixed asset and other related impairments.

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 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 third quarter and year-to-date of 2014, the Company recorded a loss of $5 million (2013 – nil).

Choice Properties general and administrative costs During the third 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.

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. During the third quarter and year-to-date of 2013, the Company recorded $3 million of Choice Properties' start-up costs in operating income.

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 16 and 40 week periods ended October 4, 2014 and October 5, 2013:

(millions of Canadian dollars/Canadian dollars) (unaudited)	**2014 (16 weeks)**		2013(5) (16 weeks)		**2014 (40 weeks)**		2013(5) (40 weeks)	
Net earnings (loss)/basic net earnings (loss) per common share	**$ 142**	**$ 0.34**	$ 150	$ 0.53	**$ (194)**	**$ (0.52)**	$ 513	$ 1.82
Add (deduct) impact of the following:								
Recognition of fair value increment on inventory sold	**79**	**0.19**	—	—	**536**	**1.45**	—	—
Amortization of intangible assets acquired with Shoppers Drug Mart(i)	**124**	**0.31**	—	—	**216**	**0.58**	—	—
Charge related to inventory measurement and other conversion differences	**—**	**—**	—	—	**139**	**0.38**	—	—
Acquisition of Shoppers Drug Mart related costs, net of divestitures gain	**—**	**—**	10	0.04	**64**	**0.17**	10	0.04
Fair value adjustment on Trust Unit Liability	**(23)**	**(0.06)**	(7)	(0.02)	**(3)**	**(0.01)**	(7)	(0.02)
Fixed asset and other related impairments	**8**	**0.02**	3	0.01	**12**	**0.03**	7	0.02
Restructuring costs	**34**	**0.08**	2	—	**34**	**0.09**	2	—
Accelerated amortization of deferred financing costs	**3**	**0.01**	—	—	**13**	**0.04**	—	—
Fair value adjustment on Shoppers Drug Mart's equity-based compensation liability	**4**	**0.01**	—	—	**4**	**0.01**	—	—
Choice Properties general and administrative costs	**—**	**—**	—	—	**7**	**0.02**	—	—
Defined benefit plan amendments	**—**	**—**	—	—	**—**	**—**	(37)	(0.13)
Choice Properties start-up costs and IPO transaction costs	**—**	**—**	34	0.12	**—**	**—**	34	0.12
Early debt settlement costs	**—**	**—**	13	0.05	**—**	**—**	13	0.05
Adjusted net earnings/adjusted basic net earnings per common share	**$ 371**	**$ 0.90**	$ 205	$ 0.73	**$ 828**	**$ 2.24**	$ 535	$ 1.90

Acquisition of Shoppers Drug Mart related costs, net of divestitures gain In addition to the acquisition-related costs, net of divestitures gain recorded in operating income noted above, during the first quarter of 2014, $15 million and during the third quarter of 2013, $11 million of additional net interest expense on a pre-tax basis were incurred in connection with the financing related to the acquisition of Shoppers Drug Mart. These financing charges were recorded in net interest expense and other financing charges. As of the acquisition date, these costs are no longer excluded from adjusted net earnings and adjusted basic net earnings per common share as they are now part of ongoing business operations.

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 unaudited interim period condensed 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 third quarter of 2014, the Company recorded a gain of $23 million (2013 – $7 million) and year-to-date a gain of $3 million (2013 – $7 million) in net interest expense and other financing charges related to the fair value adjustment on the Trust Unit Liability. Gains or losses related to the fair value adjustment on Trust Unit Liability are not subject to tax.

Accelerated amortization of deferred financing costs In the third quarter of 2014, the Company recorded a $4 million charge and year-to-date an $18 million charge related to the accelerated amortization of deferred financing costs due to the repayment of $350 million and $1.95 billion year-to-date of the term loan facility on a pre-tax basis.

Choice Properties IPO transaction costs In addition to the start-up costs recorded in operating income noted above, in the third quarter and year-to-date of 2013, transaction costs of $43 million on a pre-tax basis were incurred related directly to the Choice Properties IPO. These transaction costs were recorded in net interest and other financing charges.

Early debt settlement costs In the third quarter of 2013, the Company settled its remaining USD $150 million private placement note in advance of its May 29, 2015 maturity date and related cross currency swap. The Company incurred early-settlement costs related to the prepayment of $18 million on a pre-tax basis, which were recorded in net interest expense and other financing charges.

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the 16 and 40 week periods ended October 4, 2014 and October 5, 2013. The Company believes that free cash flow is the appropriate measure in assessing the Company's cash available for additional financing and investing activities.

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2014** **(16 weeks)**	2013 (16 weeks)	$ Change	% Change	**2014** **(40 weeks)**	2013 (40 weeks)	$ Change	% Change
Free cash flow[(2)]	**$ 216**	$ (5)	$ 221	4,420.0%	**$ 597**	$ 45	$ 552	1,226.7%

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) (unaudited)	**As at October 4, 2014**	As at October 5, 2013	As at March 28, 2014	As at December 28, 2013
Bank indebtedness	**$ 323**	$ —	$ 295	$ —
Short term debt	**605**	905	605	605
Long term debt due within one year	**71**	982	902	1,008
Long term debt	**11,549**	6,648	11,262	6,672
Trust Unit Liability	**697**	653	703	688
Capital securities	**224**	223	224	224
Certain other liabilities	**49**	39	39	39
Total debt	**$ 13,518**	$ 9,450	$ 14,030	$ 9,236
Less:				
Independent Securitization Trusts in short term debt	**605**	905	605	605
Independent Securitization Trusts in long term debt	**750**	600	750	750
Independent Funding Trusts	**487**	460	469	475
Trust Unit Liability	**697**	653	703	688
Guaranteed Investment Certificates	**563**	365	443	430
Adjusted debt	**$ 10,416**	$ 6,467	$ 11,060	$ 6,288

Adjusted debt to rolling year adjusted EBITDA is calculated as adjusted debt divided by cumulative adjusted EBITDA for the latest four quarters.

Choice Properties Net Operating Income The following table reconciles Choice Properties' net operating income to GAAP measures for the 16 and 40 week periods ended October 4, 2014 and October 5, 2013. The Company believes net operating income is useful in measuring Choice Properties operating performance and the performance of the real estate properties.

(millions of Canadian dollars) (unaudited)	**2014[i] (16 weeks)**	2013[ii] (16 weeks)	**2014[i] (40 weeks)**	2013[ii] (40 weeks)
Rental revenue	**$ 171**	$ 154	**$ 508**	$ 154
Reverse – Straight-line rental revenue	**(9)**	(8)	**(26)**	(8)
	162	146	**482**	146
Property Operating Costs	**(43)**	(38)	**(129)**	(38)
Net Operating Income	**$ 119**	$ 108	**$ 353**	$ 108

(i) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Choice Properties' fiscal calendar. Adjustments to October 4, 2014 are included in Consolidation and Eliminations.

(ii) Based on operations beginning July 5, 2013.

Choice Properties Funds from Operations, Adjusted Funds from Operations, Adjusted Funds from Operations per Unit - Diluted and Adjusted Funds from Operations Payout Ratio The following table reconciles Choice Properties' funds from operations and adjusted funds from operations to GAAP measures for the 16 and 40 week periods ended October 4, 2014 and October 5, 2013. The Company believes funds from operations is useful in measuring Choice Properties operating performance and the performance of the real estate properties, and that 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)	**2014[i] (16 weeks)**	2013[ii] (16 weeks)	**2014[i] (40 weeks)**	2013[ii] (40 weeks)
Net income	**$ 123**	$ 74	**$ 113**	$ 74
Fair value adjustments on Class B Limited Partnership units	**(100)**	35	**(63)**	35
Fair value adjustments on investment properties	**16**	(76)	**16**	(76)
Fair value adjustments on unit-based compensation	**(1)**	—	**(1)**	—
Distributions on Class B Limited Partnership units	**48**	43	**141**	43
Amortization of tenant improvement allowances	**—**	—	**1**	—
Funds from Operations	**$ 86**	$ 76	**$ 207**	$ 76
Restructuring	**2**	—	**2**	—
Business start-up costs	**—**	3	**—**	3
Straight-line rental revenue	**(9)**	(8)	**(26)**	(8)
Amortization of finance charges	**(1)**	—	**50**	—
Unit-based compensation expense	**1**	—	**2**	—
Sustaining property and leasing capital expenditures, normalized[iii]	**(6)**	(5)	**(24)**	(5)
Adjusted Funds from Operations	**$ 73**	$ 66	**$ 211**	$ 66

(i) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Choice Properties' fiscal calendar. Adjustments to October 4, 2014 are included in Consolidation and Eliminations.

(ii) Based on operations beginning July 5, 2013.

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

Adjusted funds from operations per unit - diluted is calculated as adjusted funds from operations divided by Choice Properties' diluted weighted average units outstanding, which were 384.7 million (2013 – 359.3 million) in the third quarter of 2014 and 378.6 million (2013 – 359.3 million) year-to-date.

Adjusted funds from operations payout ratio is calculated as Choice Properties' distribution per unit, which was $0.162501 (2013 – $0.156416) in the third quarter of 2014 and $0.487503 year-to-date (2013 – $0.156416), divided by adjusted funds from operations per unit - diluted.

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 2014 Third 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 2013 Annual Report and 2014 Third Quarter Report to Shareholders, which are available in the Investor Centre section of the Company's website at loblaw.ca.

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 4, 2014 (16 weeks)**	October 5, 2013[5] (16 weeks)	**October 4, 2014 (40 weeks)**	October 5, 2013[5] (40 weeks)
Revenue	**$ 13,599**	$ 10,009	**$ 31,198**	$ 24,731
Cost of Merchandise Inventories Sold	**10,027**	7,692	**23,803**	18,888
Selling, General and Administrative Expenses	**3,237**	1,942	**7,240**	4,818
Operating Income	**$ 335**	$ 375	**$ 155**	$ 1,025
Net interest expense and other financing charges	**150**	171	**415**	327
Earnings (Loss) Before Income Taxes	**$ 185**	$ 204	**$ (260)**	$ 698
Income taxes	**43**	54	**(66)**	185
Net Earnings (Loss)	**$ 142**	$ 150	**$ (194)**	$ 513
Net Earnings (Loss) per Common Share ($)				
Basic	**$ 0.34**	$ 0.53	**$ (0.52)**	$ 1.82
Diluted	**$ 0.34**	$ 0.53	**$ (0.52)**	$ 1.81
Weighted Average Common Shares Outstanding (millions)				
Basic	**412.5**	281.2	**370.3**	281.1
Diluted	**416.7**	284.4	**370.3**	284.1

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at October 4, 2014**	As at October 5, 2013(5)	As at December 28, 2013(5)
Assets			
Current Assets			
Cash and cash equivalents	**$ 980**	$ 1,438	$ 2,260
Short term investments	**49**	883	290
Accounts receivable	**1,187**	553	579
Credit card receivables	**2,549**	2,430	2,538
Inventories	**4,461**	2,103	2,097
Prepaid expenses and other assets	**216**	152	75
Assets held for sale	**79**	22	22
Total Current Assets	**$ 9,521**	$ 7,581	$ 7,861
Fixed Assets	**10,742**	8,940	9,105
Investment Properties	**146**	96	99
Intangible Assets	**9,266**	114	111
Goodwill	**3,211**	943	943
Deferred Income Taxes Assets	**272**	252	261
Security Deposits	**6**	1,899	1,701
Franchise Loans Receivable	**388**	362	375
Other Assets	**209**	268	285
Total Assets	**$ 33,761**	$ 20,455	$ 20,741
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 323**	$ —	$ —
Trade payables and other liabilities	**4,623**	3,383	3,797
Provisions	**85**	45	66
Income taxes payable	**8**	54	37
Short term debt	**605**	905	605
Long term debt due within one year	**71**	982	1,008
Associate interest	**177**	—	—
Capital securities	**224**	—	—
Total Current Liabilities	**$ 6,116**	$ 5,369	$ 5,513
Provisions	**67**	62	56
Long Term Debt	**11,549**	6,648	6,672
Trust Unit Liability	**697**	653	688
Deferred Income Taxes Liabilities	**1,955**	22	34
Capital Securities	**—**	223	224
Other Liabilities	**802**	576	554
Total Liabilities	**$ 21,186**	$ 13,553	$ 13,741
Shareholders' Equity			
Common Shares	**$ 7,844**	$ 1,633	$ 1,642
Retained Earnings	**4,641**	5,199	5,271
Contributed Surplus	**86**	70	87
Accumulated Other Comprehensive Income	**4**	—	—
Total Shareholders' Equity	**$ 12,575**	$ 6,902	$ 7,000
Total Liabilities and Shareholders' Equity	**$ 33,761**	$ 20,455	$ 20,741

Condensed Consolidated Statements of Cash Flows

(millions of Canadian dollars) (unaudited)	**October 4, 2014 (16 weeks)**	October 5, 2013[5] (16 weeks)	**October 4, 2014 (40 weeks)**	October 5, 2013[5] (40 weeks)
Operating Activities				
Net earnings (loss)	**$ 142**	$ 150	**$ (194)**	$ 513
Income taxes	**43**	54	**(66)**	185
Net interest expense and other financing charges	**150**	171	**415**	327
Depreciation and amortization	**500**	254	**1,079**	628
Income taxes paid	**(58)**	(79)	**(227)**	(207)
Interest received	**5**	16	**26**	43
Settlement of equity forward contracts	**—**	—	**—**	(16)
Settlement of cross currency swaps	**—**	10	**—**	18
Change in credit card receivables	**12**	(151)	**(11)**	(125)
Change in non-cash working capital	**(241)**	(241)	**(437)**	(585)
Fixed asset and other related impairments	**10**	4	**15**	10
Loss (gain) on disposal of assets	**(11)**	(2)	**(7)**	(3)
Recognition of fair value increment on inventory sold	**107**	—	**729**	—
Charge related to inventory measurement and other conversion differences	**—**	—	**190**	—
Gain on defined benefit plan amendments	**—**	—	**—**	(51)
Other	**45**	24	**105**	16
Cash Flows from Operating Activities	**$ 704**	$ 210	**$ 1,617**	$ 753
Investing Activities				
Acquisition of Shoppers Drug Mart Corporation, net of cash acquired	**—**	—	**(6,619)**	—
Fixed asset purchases	**(300)**	(252)	**(638)**	(561)
Change in short term investments	**(2)**	(29)	**241**	(144)
Proceeds from fixed asset sales	**64**	12	**76**	23
Change in franchise investments and other receivables	**(8)**	2	**(21)**	27
Change in security deposits	**91**	(1,673)	**1,695**	(1,643)
Intangible asset additions	**(30)**	(3)	**(48)**	(12)
Other	**(4)**	—	**(7)**	—
Cash Flows used in Investing Activities	**$ (189)**	$ (1,943)	**$ (5,321)**	$ (2,310)
Financing Activities				
Change in bank indebtedness	**(12)**	—	**28**	—
Change in Associate Interest	**7**	—	**3**	—
Long Term Debt				
Issued	**106**	2,277	**5,740**	2,287
Retired	**(395)**	(178)	**(2,995)**	(402)
Deferred debt financing costs	**—**	(11)	**(29)**	(11)
Issuance of Trust Units	**—**	660	**—**	660
Trust Unit issue costs	**—**	(43)	**—**	(43)
Interest paid	**(176)**	(114)	**(393)**	(272)
Dividends paid	**(202)**	(135)	**(395)**	(259)
Common Shares				
Issued	**46**	12	**610**	67
Purchased and held in trust	**—**	—	**—**	(46)
Purchased for cancellation	**(90)**	(73)	**(149)**	(73)
Cash Flows (used in) from Financing Activities	**$ (716)**	$ 2,395	**$ 2,420**	$ 1,908
Effect of foreign currency exchange rate changes on cash and cash equivalents	**2**	5	**4**	8
Change in cash and cash equivalents	**$ (199)**	$ 667	**$ (1,280)**	$ 359
Cash and cash equivalents, beginning of period	**1,179**	771	**2,260**	1,079
Cash and Cash Equivalents, End of Period	**$ 980**	$ 1,438	**$ 980**	$ 1,438

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;
- The Financial Services segment provides credit card services, a retail loyalty program, 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:

					October 4, 2014 (16 weeks)					October 5, 2013(i) (16 weeks)
(millions of Canadian dollars) (unaudited)	**Retail**	**Financial Services(ii)**	**Choice Properties(ii)**	**Consolidation and Eliminations(iii)**	**Total**	Retail	Financial Services(ii)	Choice Properties	Consolidation and Eliminations	Total
Revenue(iv)	**$13,375**	**$ 207**	**$ 171**	**$ (154)**	**$ 13,599**	$ 9,772	$ 222	$ 154	$ (139)	$ 10,009
EBITDA(v)	**$ 790**	**$ 42**	**$ 105**	**$ (102)**	**$ 835**	$ 585	$ 43	$ 184	$ (183)	$ 629
Adjusting Items(v)	**164**	**—**	**2**	**—**	**166**	6	—	3	—	9
Adjusted EBITDA(v)	**$ 954**	**$ 42**	**$ 107**	**$ (102)**	**$ 1,001**	$ 591	$ 43	$ 187	$ (183)	$ 638
Depreciation and Amortization(vi)	**328**	**1**	**—**	**3**	**332**	249	2	—	3	254
Adjusted Operating Income(v)	**$ 626**	**$ 41**	**$ 107**	**$ (105)**	**$ 669**	$ 342	$ 41	$ 187	$ (186)	$ 384
Net interest expense and other financing charges	**$ 119**	**$ 14**	**$ (18)**	**$ 35**	**$ 150**	$ 104	$ 14	$ 110	$ (57)	$ 171

(i) Certain 2013 figures have been amended. See note 2 of the Company's unaudited interim period condensed consolidated financial statements included in the 2014 Third Quarter Report to Shareholders.

(ii) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Financial Services' and Choice Properties' fiscal calendars. Adjustments to October 4, 2014 are included in Consolidation and Eliminations.

(iii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $118 million (2013 – $107 million) of rental revenue and $36 million (2013 – $32 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Operating income includes the elimination of the $118 million (2013 – $107 million) impact of rental revenue described above; the elimination of a $16 million loss (2013 – $76 million gain) 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 (2013 – $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 $61 million (2013 – $68 million) of interest expense included in Choice Properties related to debt owing to the Company; Unit distributions to external unitholders of $11 million (2013 – $10 million), which excludes distributions paid to the Company, and Choice Properties Unit issuance costs of $43 million incurred in 2013, which are reflected as a reduction of equity in Choice Properties, and presented as interest expense for the consolidated Company; the elimination of a $100 million fair value gain (2013 – $35 million loss) recognized by Choice Properties on Class B Limited Partnership units held by the Company; the reversal of elimination of $8 million of Choice Properties interest expense incurred to June 30, 2014; and a $23 million fair value gain (2013 – $7 million) on the Company's Trust Unit Liability.

(iv) Included in Financial Services revenue is $91 million (2013 – $97 million) of interest income.

(v) 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.

(vi) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $168 million (2013 – nil) of amortization of intangible assets acquired with Shoppers Drug Mart.

(millions of Canadian dollars) (unaudited)	Retail	Financial Services(ii)	Choice Properties(ii)	Consolidation and Eliminations(iii)	Total	Retail	Financial Services(ii)	Choice Properties	Consolidation and Eliminations	Total
					October 4, 2014 (40 weeks)					October 5, 2013(i) (40 weeks)
Revenue(iv)	**$ 30,567**	**$ 579**	**$ 508**	**$ (456)**	**$ 31,198**	$ 24,181	$ 535	$ 154	$ (139)	$ 24,731
EBITDA(v)	**$ 1,103**	**$ 120**	**$ 345**	**$ (334)**	**$ 1,234**	$ 1,546	$ 106	$ 184	$ (183)	$ 1,653
Adjusting Items(v)	**1,038**	**—**	**14**	**—**	**1,052**	(39)	—	3	—	(36)
Adjusted EBITDA(v)	**$ 2,141**	**$ 120**	**$ 359**	**$ (334)**	**$ 2,286**	$ 1,507	$ 106	$ 187	$ (183)	$ 1,617
Depreciation and Amortization(vi)	**772**	**5**	**—**	**9**	**786**	618	7	—	3	628
Adjusted Operating Income(v)	**$ 1,369**	**$ 115**	**$ 359**	**$ (343)**	**$ 1,500**	$ 889	$ 99	$ 187	$ (186)	$ 989
Net interest expense and other financing charges	**$ 286**	**$ 39**	**$ 232**	**$ (142)**	**$ 415**	$ 239	$ 35	$ 110	$ (57)	$ 327

(i) Certain 2013 figures have been amended. See note 2 of the Company's unaudited interim period condensed consolidated financial statements included in the 2014 Third Quarter Report to Shareholders.

(ii) For segment presentation purposes, the results are for the period ended September 30, 2014, consistent with Financial Services' and Choice Properties' fiscal calendars. Adjustments to October 4, 2014 are included in Consolidation and Eliminations.

(iii) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $350 million (2013 – $107 million) of rental revenue and $106 million (2013 – $32 million) of cost recovery recognized by Choice Properties, received from the Retail segment.
- Operating income includes the elimination of the $350 million (2013 – $107 million) impact of rental revenue described above; the elimination of a $16 million loss (2013 – $76 million gain) 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 $9 million (2013 – $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 $235 million (2013 – $68 million) of interest expense included in Choice Properties related to debt owing to the Company; Unit distributions to external unitholders of $33 million (2013 – $10 million), which excludes distributions paid to the Company, and Choice Properties Unit issuance costs of $43 million incurred in 2013, which are reflected as a reduction of equity in Choice Properties, and presented as interest expense for the consolidated Company; the elimination of a $63 million fair value gain (2013 – $35 million loss) recognized by Choice Properties on Class B Limited Partnership units held by the Company; and a $3 million fair value gain (2013 – $7 million) on the Company's Trust Unit Liability.

(iv) Included in Financial Services revenue is $266 million (2013 – $238 million) of interest income.

(v) 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.

(vi) Depreciation and amortization for the calculation of adjusted EBITDA(2) excludes $293 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 third 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 16 week periods ended October 4, 2014 and October 5, 2013. The 2014 adjusted measures below exclude acquisition-related items outlined in the Non-GAAP section of this News Release.

For the periods ended October 4, 2014 and October 5, 2013 (unaudited) (millions of Canadian dollars)		**2014 (16 weeks)**		2013[(i)] (16 weeks)		$ Change	% Change
Sales	**$**	**3,387**	$	3,287	$	100	3.0%
Adjusted gross profit		**1,323**		1,259		64	5.1%
Adjusted EBITDA		**355**		328		27	8.2%
Adjusted operating income		**275**		241		34	14.1%

(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 quarter ended October 4, 2014 compared to the quarter ended October 5, 2013.

- Sales were $3.4 billion, an increase of 3.0% over the same period in the prior year, driven by sales gains in the front of the store and continued strength in prescription count growth. On a same-store basis, sales increased 2.5% during the quarter.
- Pharmacy sales were $1.6 billion during the third quarter of 2014, an increase of 3.7% compared to the same period in the prior year, 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 basis, pharmacy sales increased 3.5% in the quarter. During the third quarter of 2014, the number of prescriptions dispensed at retail increased 4.6% compared to the same period of the prior year and was up 4.4% on a same-store basis. Year-over-year, average prescription value at retail declined a further 0.5% during the third 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 63.1% of the prescriptions dispensed in the third quarter of 2014 compared to 61.6% in the same period of the prior year.
- Front store sales were $1.8 billion, an increase of 2.4% compared to the same period of the prior year, led by strong growth in food and cosmetics. On a same-store basis, front store sales increased 1.6% during the third quarter of 2014.
- During the third quarter of 2014, seven new drug stores were opened, three drug stores were closed and two drug stores were divested. Year-over-year, retail selling square footage increased 2.0%.

Adjusted EBITDA for the third quarter of 2014 was $355 million compared to adjusted EBITDA of $328 million in the same period of the prior year driven primarily by synergies achieved in the quarter. Year-over-year, gross profit dollars increased by 5.1% in the third quarter of 2014, primarily due to increased sales. Selling, general and administrative expenses, excluding depreciation and amortization, increased by 4.0% compared to the same period last year, driven largely by higher store-level expenses, primarily occupancy and labour.

2013 Annual Report and 2014 Third Quarter Report to Shareholders

The Company's 2013 Annual Report and 2014 Third Quarter Report to Shareholders are available in the Investor Centre section of the Company's website at loblaw.ca or at sedar.com.

Investor Relations

Investor inquiries, contact:	Media inquiries, contact:
Dennis Fong	Kevin Groh
Investor Relations	Vice President, Corporate Affairs and Communication
(905) 861-2489	(905) 861-2437
investor@loblaw.ca	pr@loblaw.ca

Additional financial information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 12, 2014 at 11:00 a.m. (EST).

To access via tele-conference please dial (416) 642-5212. The playback will be made available two hours after the event at (647) 436-0148, access code: 9205518. 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 11 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 12 of this News Release.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 109 of the 2013 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 12 of this News Release.

(5) Certain 2013 figures have been amended. See note 2 of the Company's unaudited interim period condensed consolidated financial statements included in the 2014 Third Quarter Report to Shareholders.