Loblaw
COMPANIES LIMITED

NEWS RELEASE

Loblaw Companies Limited Reports a 14.9% Increase in Adjusted EPS(2) and a 139.8% Increase in Basic EPS for the Second Quarter of 2015

BRAMPTON, ONTARIO July 23, 2015 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the second quarter ended June 20, 2015. The Company's second 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.

"I am pleased with our overall performance in the second quarter, as we continued to execute well against our strategic framework," reported Galen G. Weston, President and Executive Chairman of Loblaw Companies Limited. "Looking ahead, the grocery industry remains highly competitive and healthcare reform continues to put pressure on our pharmacy business. We are well positioned to achieve earnings growth through a stable trading platform, incremental efficiencies, synergies, and a stronger balance sheet."

2015 SECOND QUARTER HIGHLIGHTS(1)

- Consolidated sales were $10,535 million, an increase of 2.2% compared to the second quarter of 2014.
- Retail segment sales were $10,318 million, an increase of 2.2% compared to the second quarter of 2014.
    - Food retail (Loblaw) same-store sales growth for the quarter was 4.2%, after excluding gas bar (1.2%) and the negative impact of a change in distribution model by a tobacco supplier (0.9%). Including these impacts, food retail same-store sales growth was 2.1% (2014 – 1.8%).
    - Drug retail (Shoppers Drug Mart) same-store sales increased by 3.8% (2014 – 2.5%), with pharmacy increasing by 3.9% (2014 – 2.5%) and front store increasing by 3.7% (2014 – 2.4%) over the second quarter of 2014.
- Retail segment gross profit was $2,711 million and adjusted gross profit(2) was $2,719 million. Adjusted gross profit percentage(2) was 26.4% compared to 26.3% in the second quarter of 2014.
- The Company incurred restructuring and other related charges of $45 million in the second quarter of 2015 as part of a restructuring plan that includes the closure of approximately 52 unprofitable retail locations over the next 12 months. The Company expects approximately $70 million to be recognized in the third quarter of 2015. On an annualized basis, the closures will decrease sales by approximately $300 million but will result in a favourable impact to operating income of approximately $35 million to $40 million.
- During the second quarter of 2015, the Company realized approximately $53 million of net synergies.
- During the second quarter of 2015, the Company continued to deliver efficiencies in food retail.
- During the second quarter of 2015, adjusted debt(2) decreased by $323 million and cumulatively since the closing of the acquisition of Shoppers Drug Mart by $1,345 million, leaving only $355 million of further reduction to achieve the Company's target. The Company's adjusted debt(2) to rolling year adjusted EBITDA(2) was 2.7x as at June 20, 2015 compared to 4.5x as at June 14, 2014.

See "News Release Endnotes" at the back of this News Release.

CONSOLIDATED RESULTS OF OPERATIONS

For the periods ended June 20, 2015 and June 14, 2014 (millions of Canadian dollars except where otherwise indicated)	**2015 (12 weeks)**	2014[3] (12 weeks)	$ Change	% Change	**2015 (24 weeks)**	2014[3] (24 weeks)	$ Change	% Change
Revenue	**$ 10,535**	$ 10,307	$ 228	2.2 %	**$ 20,583**	$ 17,599	$ 2,984	17.0%
EBITDA[2]	**$ 782**	$ (72)	$ 854	1,186.1 %	**$ 1,566**	$ 399	$ 1,167	292.5%
Adjusted EBITDA[2]	**857**	794	63	7.9 %	**1,646**	1,276	370	29.0%
Adjusted EBITDA margin[2]	**8.1%**	7.7%			**8.0%**	7.3%		
Operating income (loss)	**$ 413**	$ (456)	$ 869	190.6 %	**$ 827**	$ (180)	$ 1,007	559.4%
Adjusted operating income[2]	**612**	535	77	14.4 %	**1,155**	822	333	40.5%
Adjusted operating margin[2]	**5.8%**	5.2%			**5.6%**	4.7%		
Net earnings (loss) attributable to shareholders of the Company	**$ 185**	$ (456)	$ 641	140.6 %	**$ 331**	$ (336)	$ 667	198.5%
Adjusted net earnings attributable to shareholders of the Company[2]	**350**	297	53	17.8 %	**651**	450	201	44.7%
Basic net earnings (loss) per common share ($)	**$ 0.45**	$ (1.13)	$ 1.58	139.8 %	**$ 0.80**	$ (0.98)	1.78	181.6%
Adjusted basic net earnings per common share[2] ($)	**$ 0.85**	$ 0.74	$ 0.11	14.9 %	**$ 1.58**	$ 1.32	0.26	19.7%

Adjusted basic net earnings per common share[2] were $0.85 in the second quarter of 2015 compared to $0.74 in the second quarter of 2014. The $0.11 increase was primarily due to an improvement in the operating performance of the Retail segment.

Basic net earnings per common share for the second quarter of 2015 were $0.45 compared to basic net loss per common share of $1.13 in the second quarter of 2014 and were impacted by the following significant items:

- a favourable year-over-year impact of a charge of $622 million ($1.14 per common share) incurred in the second quarter of 2014 related to the fair value increment on the acquired inventory sold associated with the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"); and
- a favourable year-over-year impact of a $190 million ($0.35 per common share) charge associated with an inventory measurement and other conversion differences related to implementation of a perpetual inventory system in the second quarter of 2014.

For a complete list of items that impacted basic net earnings per common share, but that are excluded from adjusted basic net earnings per common share[2], see the "Non-GAAP Financial Measures" section of this News Release.

REPORTABLE OPERATING SEGMENTS

Retail Segment

For the periods ended June 20, 2015 and June 14, 2014 (millions of Canadian dollars except where otherwise indicated)	**2015 (12 weeks)**	2014[3] (12 weeks)	$ Change	% Change	**2015 (24 weeks)**	2014[3] (24 weeks)	$ Change	% Change
Sales	**$ 10,318**	$ 10,097	$ 221	2.2%	**$ 20,148**	$ 17,192	$ 2,956	17.2%
Gross profit	**2,711**	1,840	871	47.3%	**5,335**	3,443	1,892	55.0%
Adjusted gross profit[2]	**2,719**	2,652	67	2.5%	**5,343**	4,255	1,088	25.6%
EBITDA[2]	**739**	(117)	856	731.6%	**1,473**	313	1,160	370.6%
Adjusted EBITDA[2]	**814**	749	65	8.7%	**1,553**	1,189	364	30.6%
Operating income (loss)	**375**	(496)	871	175.6%	**745**	(256)	1,001	391.0%
Adjusted operating income[2]	**574**	495	79	16.0%	**1,073**	745	328	44.0%

For the periods ended June 20, 2015 and June 14, 2014	**2015 (12 weeks)**	2014[3] (12 weeks)	**2015 (24 weeks)**	2014[3] (24 weeks)
Total Retail segment same-store sales growth	**2.5%**	1.8%	**2.4%**	N/A
Food retail same-store sales growth	**2.1%**	1.8%	**2.0%**	1.3%
Drug retail same-store sales growth	**3.8%**	2.5%	**3.4%**	1.9%
Adjusted gross profit %[2]	**26.4%**	26.3%	**26.5%**	24.7%
Adjusted EBITDA margin[2]	**7.9%**	7.4%	**7.7%**	6.9%
Adjusted operating margin[2]	**5.6%**	4.9%	**5.3%**	4.3%

Sales Retail segment sales were $10,318 million in the second quarter of 2015, an increase of $221 million compared to the second quarter of 2014. Food retail sales of $7,629 million were higher by $141 million, or 1.9%, compared to the second quarter of 2014. Drug retail sales of $2,689 million were higher by $80 million, or 3.1%. The increase in Retail segment sales was primarily due to the following factors:

- Food retail (Loblaw) same-store sales growth for the quarter was 4.2%, after excluding gas bar (1.2%) and the negative impact of a change in distribution model by a tobacco supplier (0.9%). Including these impacts, food retail same-store sales growth was 2.1% (2014 – 1.8%).
    - The Company's food retail average quarterly internal food price index was higher than (2014 – in line with) the average quarterly national food price inflation of 3.9% (2014 – 2.5%) 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;
    - Sales growth in food was strong;
    - Sales growth in pharmacy and health and beauty was moderate;
    - Sales in gas bar declined significantly, primarily driven by the decline in gas prices;
    - Sales in general merchandise, excluding apparel, were flat; and
    - Sales growth in retail apparel was moderate, while U.S. wholesale apparel sales declined.
- Drug retail (Shoppers Drug Mart) sales for the quarter were comprised of pharmacy sales of $1,274 million (2014 – $1,238 million) and front store sales of $1,415 million (2014 – $1,371 million).
    - Drug retail same-store sales growth for the quarter was 3.8% (2014 – 2.5%);
    - Same-store pharmacy sales growth was 3.9% (2014 – 2.5%);
        - the number of prescriptions dispensed increased by 4.3% (2014 – 4.1%). On a same-store basis, the number of prescriptions dispensed increased by 5.0% (2014 – 3.8%) and, year-over-year, the average prescription value decreased by 0.5% (2014 – 1.7%);
        - generic molecules comprised 64.6% of the prescriptions dispensed in the second quarter of 2015 compared to 62.8% in the second quarter of 2014; and
    - Same-store front store sales growth was 3.7% (2014 – 2.4%).

- 48 food and drug stores were opened and 29 food and drug stores were closed in the 12 months ended June 20, 2015, with an additional two franchise food retail 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 no change to square footage. Excluding the divestitures, net square footage increased by 0.3 million square feet, or 0.4%.
- In 2014, the Company restructured its fee arrangements with the franchisees of certain franchise banners. The revised arrangements are expected to result in an annual reduction of food retail segment sales and gross profit of approximately $150 million, with a corresponding decrease in selling, general and administrative expenses ("SG&A"). In the second quarter of 2015, the impact of the restructuring was a $33 million negative impact to food retail sales and gross profit, with an offsetting $33 million positive impact to SG&A.

Gross Profit Gross profit was $2,711 million in the second quarter of 2015, an increase of $871 million compared to the second quarter of 2014. The increase in gross profit was driven by higher sales, as described above, an increase in adjusted gross profit percentage(2) and the favourable year-over-year impact of charges of $622 million relating to the recognition of the fair value increment on Shoppers Drug Mart inventory sold and $190 million related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system recorded in the second quarter of 2014, partially offset by a charge related to apparel inventory in the second quarter of 2015 of $8 million.

Adjusted gross profit(2) of $2,719 million was $67 million higher compared to the second quarter of 2014, driven by higher sales and an increase in adjusted gross profit percentage(2) of 10 basis points to 26.4%. The increase in adjusted gross profit percentage(2) included a 30 basis point negative impact from the restructuring certain franchise fee arrangements. After excluding this negative impact, adjusted gross profit percentage(2) was 26.7% compared to 26.3% in the second quarter of 2014. The increase was primarily driven by the achievement of operational synergies.

Food retail adjusted gross profit percentage(2) decreased by 30 basis points compared to the second quarter of 2014. After excluding the negative impact from restructuring certain franchise fee arrangements, food retail adjusted gross profit percentage(2) increased by 20 basis points, as higher retail margins, lower transportation costs and operational synergies were partially offset by higher shrink. Drug retail adjusted gross profit percentage(2) increased by 90 basis points compared to the second quarter of 2014. The increase in Drug retail adjusted gross profit percentage(2) was primarily driven by operational synergies.

EBITDA(2) EBITDA(2) was $739 million in the second quarter of 2015, an increase of $856 million compared to the second quarter of 2014. The increase in EBITDA(2) included the favourable year-over-year impact of the items described above in gross profit. Other significant adjustments during the second quarter of 2015 included restructuring and other related costs, the unfavourable fair value adjustment on fuel and foreign currency contracts and a charge related to apparel inventory.

After excluding these adjustments, adjusted EBITDA(2) of $814 million was $65 million higher compared to the second quarter of 2014, driven by the increase in adjusted gross profit(2) described above and an increase in SG&A of $2 million. The increase in SG&A was positively impacted by the restructuring of certain franchise fee arrangements. Excluding this positive impact, SG&A increased by $35 million over the prior year and the SG&A percentage was unchanged at 18.8%. The increase in SG&A was due to higher store and store support costs, primarily driven by higher sales volumes and the impact of franchise consolidation, partially offset by lower charges related to the transition of certain food retail stores to more cost effective and efficient operating terms under collective agreements, efficiencies achieved in food retail supply chain, administration and information technology ("IT"), and positive changes in the value of the Company's investments in its franchise business.

Adjusted EBITDA margin(2) was 7.9% compared to 7.4% in the second quarter of 2014.

Operating Income Operating income was $375 million in the second quarter of 2015, an increase of $871 million compared to the second quarter of 2014. The increase in operating income included the favourable year-over-year impact of the items described above in gross profit and the decrease in amortization of intangible assets acquired with Shoppers Drug Mart of $1 million.

After excluding these adjustments, adjusted operating income(2) of $574 million was $79 million higher compared to the second quarter of 2014, driven by the increase in adjusted EBITDA(2) of $65 million and a decrease in Retail segment depreciation and amortization(2) of $14 million. The decrease in Retail segment depreciation and amortization was the result of an increase in the estimated useful life of certain IT systems, as well as lower IT and supply chain depreciation. The increase in adjusted operating income(2) included an increase in food retail operating income, partially offset by a decrease in drug retail operating income, in both cases excluding synergies.

Adjusted operating margin(2) was 5.6% compared to 4.9% in the second quarter of 2014.

Financial Services Segment[4]

For the periods ended June 20, 2015 and June 14, 2014 (millions of Canadian dollars except where otherwise indicated)	**2015** **(12 weeks)**	2014 (12 weeks)	$ Change	% Change	**2015** **(24 weeks)**	2014 (24 weeks)	$ Change	% Change
Revenue	**$ 199**	$ 192	$ 7	3.6 %	**$ 398**	$ 372	$ 26	7.0%
Operating income	**36**	38	(2)	(5.3)%	**78**	74	4	5.4%
Earnings before income taxes	**22**	26	(4)	(15.4)%	**50**	49	1	2.0%

(millions of Canadian dollars except where otherwise indicated)	**As at June 20, 2015**	As at June 14, 2014	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,585**	$ 2,499	$ 86	3.4%
Credit card receivables	**2,647**	2,561	86	3.4%
Allowance for credit card receivables	**48**	48	—	—%
Annualized yield on average quarterly gross credit card receivables	**13.7%**	13.8%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.7%**	4.7%		

The results for the Financial Services segment are for the periods ended June 30, 2015 and June 30, 2014, consistent with the segment's fiscal calendar. Adjustments to align Financial Services' results to June 20, 2015 and June 14, 2014 are included in Consolidation and Eliminations. See the "Non-GAAP Financial Measures" and the "Segment Information" sections of this News Release.

Revenue Revenue was $199 million in the second quarter of 2015, an increase of $7 million, or 3.6%, compared to the second quarter of 2014. The increase was partially driven by higher interchange income from higher loyalty points redemptions and credit card transaction volumes, partially offset by a reduction in interchange rates by MasterCard® International Incorporated in the second quarter of 2015. The increase was also driven by higher interest income from increased credit card receivable balances and an increase in *PC* Telecom revenue from higher Mobile Shop sales.

Operating Income and Earnings Before Income Taxes Operating income was $36 million in the second quarter of 2015 and earnings before income taxes were $22 million, a decrease of $2 million and $4 million, respectively, compared to the second quarter of 2014. The decrease in operating income was primarily driven by higher costs associated with the Financial Services loyalty program, higher customer acquisition expenses, partially offset by the interchange income described above and a lower required allowance for credit card receivables. The decrease in earnings before income taxes was primarily driven by lower operating income and higher interest expenses resulting from growth in the credit card receivables portfolio.

Credit Card Receivables As at June 20, 2015, credit card receivables were $2,647 million, an increase of $86 million compared to June 14, 2014. This increase was primarily driven by a growth in the active customer base from continued investments in customer acquisitions and marketing initiatives, partially offset by higher customer payment rates. As at June 20, 2015, the allowance for credit card receivables was $48 million, flat compared to June 14, 2014.

Choice Properties Segment(4)

For the periods ended June 20, 2015 and June 14, 2014 (millions of Canadian dollars except where otherwise indicated)	**2015 (12 weeks)**	2014 (12 weeks)	$ Change	% Change	**2015 (24 weeks)**	2014 (24 weeks)	$ Change	% Change
Revenue	**$ 183**	$ 170	$ 13	7.6 %	**$ 365**	$ 337	$ 28	8.3%
Operating income	**115**	122	(7)	(5.7)%	**242**	240	2	0.8%
Net interest expense and other financing charges	**(75)**	124	(199)	(160.5)%	**264**	250	14	5.6%
Adjusted funds from operations(2)	**77**	69	8	11.6 %	**152**	138	14	10.1%

The results for the Choice Properties Real Estate Investment Trust ("Choice Properties") segment are for the periods ended June 30, 2015 and June 30, 2014, consistent with the segment's fiscal calendar. Adjustments to align Choice Properties' results to June 20, 2015 and June 14, 2014 are included in Consolidation and Eliminations. See the "Non-GAAP Financial Measures" and the "Segment Information" sections of this News Release.

Revenue Revenue was $183 million in the second quarter of 2015, an increase of $13 million, or 7.6%, compared to the second quarter of 2014, and included $165 million (2014 – $152 million) generated from tenants within the Retail segment. The increase was primarily driven by revenue from properties acquired subsequent to the second quarter of 2014, as well as an increase in the base rent of existing properties.

Operating Income Operating income was $115 million in the second quarter of 2015, a decrease of $7 million compared to the second quarter of 2014. The decrease in operating income was primarily driven by an unfavourable fair value adjustment on investment properties and higher recoverable property taxes and operating costs, partially offset by the higher revenue as described above.

Net Interest Expense and Other Financing Charges Net interest income and other financing charges were $75 million in the second quarter of 2015, compared to net interest expense and other financing charges of $124 million in the second quarter of 2014. The year-over-year decrease of $199 million in net interest expense and other financing charges was primarily driven by a favourable fair value adjustment on Class B Limited Partnership units and a non-cash finance charge incurred in 2014 related to the early repayment of the transferor notes, partially offset by higher interest expense due to the issuance of $250 million of senior unsecured debentures in the first quarter of 2015.

Adjusted Funds from Operations(2) Adjusted funds from operations(2) were $77 million in the second quarter of 2015, an increase of $8 million compared to the second quarter of 2014, primarily driven by higher net property income.

In the second quarter of 2015, Choice Properties acquired 38 investment properties from the Company for a purchase price of approximately $203 million, excluding acquisition costs, settled through the issuance of 9,237,166 Class B Limited Partnership units and $102 million in cash.

As at June 20, 2015, the Company's effective ownership interest in Choice Properties was 83.1%.

RESTRUCTURING AND OTHER RELATED COSTS

Subsequent to the end of the second quarter of 2015, the Company finalized a restructuring plan that will result in the closure of approximately 52 unprofitable retail locations across a range of banners and formats. The Company expects that the closures will take place over the next 12 months. On an annualized basis, the closures will decrease sales by approximately $300 million but will result in a favourable impact to operating income of approximately $35 million to $40 million.

The restructuring and other related costs associated with the restructuring plan are expected to total approximately $120 million. Of this amount, a charge of $45 million was recorded in the second quarter of 2015. This amount included $30 million for severance and lease termination costs and $15 million for asset impairments associated with these retail locations. The Company expects approximately $70 million to be recognized in the third quarter of 2015, with the remainder expected to be incurred as stores close.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

Net interest expense and other financing charges were $106 million in the second quarter of 2015, a decrease of $44 million compared to the second quarter of 2014. The decrease included a favourable year-over-year fair value adjustment related to the Trust Unit Liability, partially offset by lower accelerated amortization of deferred financing costs over the same period, as set out in the "Non-GAAP Financial Measures" section of this News Release.

After excluding these impacts, adjusted net interest expense and other financing charges(2) of $131 million were $3 million higher compared to the second quarter of 2014, primarily driven by an increase in Choice Properties debt and interest expenses resulting from the growth in the credit card receivables portfolio, partially offset by a reduction in interest expense due to a repayment of a portion of the Company's unsecured term loan facility and the maturity of a medium term note ("MTN"), that matured in the second quarter of 2014.

INCOME TAXES

In the second quarter of 2015, the government of Alberta announced an increase in the provincial corporate income tax rate from 10% to 12%. The increase is effective July 1, 2015, but was enacted on June 19, 2015. As a result, the Company recorded a charge of $38 million in the second quarter of 2015 and year-to-date related to the re-measurement of its deferred tax liabilities.

Income tax expense for the second quarter of 2015 was $121 million and the effective tax rate was 39.4%. Income tax recovered for the second quarter of 2014 was $150 million and the effective tax rate was 24.8%. The increase in the effective tax rate was primarily attributable to the increase in deferred tax expense as a result of the increase in the Alberta statutory corporate income tax rate enacted during the second quarter of 2015.

The adjusted income tax expense(2) for the second quarter of 2015 was $130 million and the adjusted income tax rate(2) was 27.0%. Adjusted income tax expense(2) for the second quarter of 2014 was $110 million and the adjusted income tax rate(2) was 27.0%. The current tax impact of the increase in the Alberta statutory corporate income tax rate on the adjusted income tax expense(2) was offset by a decrease in certain non-deductible items.

CAPITAL INVESTMENTS

In the second quarter of 2015, the Company invested $221 million in fixed asset purchases and intangible asset additions, compared to $239 million in the second quarter of 2014.

ADJUSTED DEBT(2)

During the second quarter of 2015, adjusted debt(2) decreased by $323 million, primarily driven by net repayments on unsecured term loan facilities, partially offset by net borrowings under Choice Properties' unsecured committed credit facility. Since the closing of the acquisition of Shoppers Drug Mart, adjusted debt(2) decreased by $1,345 million, leaving only $355 million of further reduction to achieve the Company's target. The reduction in adjusted debt(2) since closing included the net repayments on the Company's unsecured term loan facilities and the repayment of a $350 million MTN, partially offset by increases in other indebtedness. The Company's adjusted debt(2) to rolling year adjusted EBITDA(2) was 2.7x as at June 20, 2015 compared to 4.5x as at June 14, 2014.

SYNERGIES

Total net synergies achieved during the second quarter were $53 million (2014 – $8 million), generated primarily from improved cost of goods sold and from purchasing efficiencies in goods not for resale. Total net synergies achieved since the closing of the acquisition to the second quarter of 2015 were $198 million. The Company expects to achieve annualized synergies of $300 million (net of related costs) in the third year following the close of the acquisition of Shoppers Drug Mart.

ISSUANCE OF SECOND PREFERRED SHARES, SERIES B

In the second quarter of 2015, the Company issued 9.0 million 5.30% non-voting Second Preferred Shares, Series B, with a face value of $225 million for net proceeds of approximately $221 million, which entitle the holders to a fixed cumulative preferred cash dividend of $1.325 per share per annum. The Company intends to redeem its $225 million of capital securities on July 31, 2015, representing all of the outstanding Second Preferred Shares, Series A. The redemption will be funded primarily through the proceeds received from the issuance of the Second Preferred Shares, Series B.

CONSOLIDATION OF FRANCHISES

In 2015, the Company implemented a new franchise agreement ("Franchise Agreement") for its franchised retail food stores. All new franchises will be subject to the Franchise Agreement. Existing franchises will be converted to the Franchise Agreement as the existing agreements expire. Under the terms of the Franchise Agreement, the Company has determined it should consolidate the franchises, in accordance with International Financial Reporting Standards ("IFRS") 10, Consolidated Financial Statements. As at June 20, 2015, 16 franchisees were consolidated. There was no significant impact on the Company's operating income or net earnings in the unaudited interim period condensed consolidated financial statements as a result of the consolidation of the franchises.

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 slightly exceeding $200 million;
- Continue to drive net efficiencies across the food retail business by achieving reductions in supply chain, administrative functions and IT, while still investing in key areas, like eCommerce;
- Grow adjusted operating income[(2)] in its food retail business, excluding synergies, and experience a decline in adjusted operating income[(2)] in its drug retail business, excluding synergies, as a result of investments in key projects and other factors;
- Grow consolidated adjusted net earnings available to common shareholders[(2)] (including synergies) relative to 2014, however not at the same level achieved in the first half of 2015;
- Invest approximately $1,200 million in capital expenditures; and
- Achieve its deleveraging target in 2015.

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 drug retail business from the ongoing impact of healthcare reform.

DECLARATION OF DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.250 per common share, payable on October 1, 2015 to shareholders of record on September 15, 2015 and a dividend on the Second Preferred Shares, Series B of $0.41 per share payable on September 30, 2015 to shareholders of record on September 15, 2015. No dividends were declared on the Second Preferred Shares, Series A.

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, opportunities and legal and regulatory matters. 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, 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 Retail segment adjusted gross profit percentage is calculated as adjusted Retail segment gross profit divided by Retail segment sales. 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.

(millions of Canadian dollars)	**2015 (12 weeks)**	2014 (12 weeks)	**2015 (24 weeks)**	2014 (24 weeks)
Retail segment gross profit	**$ 2,711**	$ 1,840	**$ 5,335**	$ 3,443
Add impact of the following:				
Charge related to apparel inventory	**8**	—	**8**	—
Recognition of fair value increment on inventory sold	**—**	622	**—**	622
Charge related to inventory measurement and other conversion differences	**—**	190	**—**	190
Retail segment adjusted gross profit	**$ 2,719**	$ 2,652	**$ 5,343**	$ 4,255

Charge related to apparel inventory During the second quarter of 2015, the Company entered into an agreement to liquidate, in the U.S., certain older Canadian apparel inventory and recorded a charge in the second quarter of 2015 and year-to-date of $8 million (2014 – nil).

Recognition of fair value increment on inventory sold In connection with the acquisition of Shoppers Drug Mart in the second quarter of 2014, acquired assets and liabilities were recorded on the Company's 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 representing the difference between inventory cost and its fair value. This difference was recognized in cost of sales as the inventory was sold, with a resulting negative impact on gross profit. In the second quarter of 2014 and year-to-date, $622 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 As of the end of 2014, the Company had completed the conversion of substantially all of its corporate grocery locations and associated distribution centres to the new IT systems. The implementation of a perpetual inventory system, combined with visibility to integrated costing information provided by the new IT systems, enabled the Company to estimate the cost of inventory using a more precise system-generated average cost. In the second quarter of 2014 and year-to-date, a $190 million decrease in the value of the inventory was recognized in gross profit and operating income. The Company is undertaking the conversion of its remaining grocery locations during 2015 and additional impacts may result. In 2015, no additional cost has been recognized in gross profit and operating income.

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 (loss), which is reconciled to GAAP net earnings measures reported in the condensed consolidated statements of earnings for the periods ended June 20, 2015 and June 14, 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)	**Retail**	**Financial Services**	**Choice Properties[4]**	**Consolidation and Eliminations**	**Consolidated**	Retail	Financial Services	Choice Properties[4]	Consolidation and Eliminations	Consolidated
Net earnings (loss) attributable to shareholders of the Company					**$ 185**					$ (456)
Add (deduct) impact of the following:										
Non-Controlling Interests					**1**					—
Net interest expense and other financing charges					**106**					150
Income taxes					**121**					(150)
Operating income (loss)	**$ 375**	**$ 36**	**$ 115**	**$ (113)**	**$ 413**	$ (496)	$ 38	$ 122	$ (120)	$ (456)
Depreciation and amortization	**364**	**2**	**—**	**3**	**369**	379	2	—	3	384
EBITDA	**$ 739**	**$ 38**	**$ 115**	**$ (110)**	**$ 782**	$ (117)	$ 40	$ 122	$ (117)	$ (72)
Operating income (loss)	**$ 375**	**$ 36**	**$ 115**	**$ (113)**	**$ 413**	$ (496)	$ 38	$ 122	$ (120)	$ (456)
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	**124**	**—**	**—**	**—**	**124**	125	—	—	—	125
Restructuring and other related costs	**54**	**—**	**—**	**—**	**54**	—	—	—	—	—
Fair value adjustment on fuel and foreign currency contracts	**9**	**—**	**—**	**—**	**9**	—	—	—	—	—
Charge related to apparel inventory	**8**	**—**	**—**	**—**	**8**	—	—	—	—	—
Net fixed asset and other related impairments	**4**	**—**	**—**	**—**	**4**	2	—	—	—	2
Recognition of fair value increment on inventory sold	**—**	**—**	**—**	**—**	**—**	622	—	—	—	622
Charge related to inventory measurement and other conversion differences	**—**	**—**	**—**	**—**	**—**	190	—	—	—	190
Shoppers Drug Mart acquisition-related costs and divestitures loss	**—**	**—**	**—**	**—**	**—**	52	—	—	—	52
Adjusted operating income	**$ 574**	**$ 36**	**$ 115**	**$ (113)**	**$ 612**	$ 495	$ 38	$ 122	$ (120)	$ 535
Depreciation and amortization	**364**	**2**	**—**	**3**	**369**	379	2	—	3	384
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	**(124)**	**—**	**—**	**—**	**(124)**	(125)	—	—	—	(125)
Adjusted EBITDA	**$ 814**	**$ 38**	**$ 115**	**$ (110)**	**$ 857**	$ 749	$ 40	$ 122	$ (117)	$ 794

(millions of Canadian dollars)	2015 (24 weeks) Retail	Financial Services	Choice Properties(4)	Consolidation and Eliminations	Consolidated	2014(3) (24 weeks) Retail	Financial Services	Choice Properties(4)	Consolidation and Eliminations	Consolidated
Net earnings (loss) attributable to shareholders of the Company					$ 331					$ (336)
Add (deduct) impact of the following:										
Non-Controlling Interests					1					—
Net interest expense and other financing charges					298					265
Income taxes					197					(109)
Operating income (loss)	$ 745	$ 78	$ 242	$ (238)	$ 827	$ (256)	$ 74	$ 240	$ (238)	$ (180)
Depreciation and amortization	728	5	—	6	739	569	4	—	6	579
EBITDA	$1,473	$ 83	$ 242	$ (232)	$ 1,566	$ 313	$ 78	$ 240	$ (232)	$ 399
Operating income (loss)	$ 745	$ 78	$ 242	$ (238)	$ 827	$ (256)	$ 74	$ 240	$ (238)	$ (180)
Add (deduct) impact of the following:										
Amortization of intangible assets acquired with Shoppers Drug Mart	248	—	—	—	248	125	—	—	—	125
Restructuring and other related costs	66	—	—	—	66	—	—	—	—	—
Charge related to apparel inventory	8	—	—	—	8	—	—	—	—	—
Net fixed asset and other related impairments	7	—	—	—	7	4	—	1	—	5
Fair value adjustment on fuel and foreign currency contracts	(3)	—	—	—	(3)	—	—	—	—	—
Shoppers Drug Mart acquisition-related costs and divestitures loss	2	—	—	—	2	60	—	—	—	60
Recognition of fair value increment on inventory sold	—	—	—	—	—	622	—	—	—	622
Charge related to inventory measurement and other conversion differences	—	—	—	—	—	190	—	—	—	190
Adjusted operating income	$1,073	$ 78	$ 242	$ (238)	$ 1,155	$ 745	$ 74	$ 241	$ (238)	$ 822
Depreciation and amortization	728	5	—	6	739	569	4	—	6	579
Less: Amortization of intangible assets acquired with Shoppers Drug Mart	(248)	—	—	—	(248)	(125)	—	—	—	(125)
Adjusted EBITDA	$1,553	$ 83	$ 242	$ (232)	$ 1,646	$1,189	$ 78	$ 241	$ (232)	$ 1,276

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 second quarter of 2015, $124 million (2014 – $125 million) and year-to-date of $248 million (2014 – $125 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.

Restructuring and other related costs In the second quarter of 2015, the Company recorded restructuring and other related charges of $54 million (2014 – nil). Of this amount, $45 million related to a restructuring plan to close 52 unprofitable retail locations across a range of banners and formats, which included $30 million for severance and lease termination costs and $15 million for asset impairments associated with these retail locations. The additional $9 million of restructuring charges related to store support restructuring activities. The year-to-date charge of $66 million (2014 – nil) also included store support restructuring activities in the Joe Fresh and Shoppers Home Health Care businesses that were incurred in the first quarter of 2015.

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 second quarter of 2015, the Company recorded a $4 million (2014 – $2 million) and year-to-date $7 million (2014 – $5 million) related to net fixed asset and other related impairments.

Fair value adjustment on fuel and foreign currency contracts The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations. In accordance with the Company's commodity risk management policy, the Company enters into exchange traded futures contracts and forward contracts to minimize cost volatility relating to fuel prices and the U.S. dollar exchange rate. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company's derivative instruments accounting policy, changes in the fair value of these instruments, which include realized and unrealized gains and losses, are recorded in operating income. In the second quarter of 2015, the Company recorded a net fair value loss on fuel and foreign currency contracts of $9 million (2014 – nil) and a year-to-date gain of $3 million (2014 – nil). Despite the impact of accounting for these commodity and foreign currency derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price and exchange rate fluctuations in the underlying commodities and U.S. dollar commitments.

Shoppers Drug Mart acquisition-related costs and divestitures loss In the first quarter of 2015, the Company completed all divestitures required by the Competition Bureau resulting in a divestitures loss of $2 million. No additional divestitures loss was recorded in the second quarter of 2015 (2014 – nil). In connection with the agreement to acquire all of the outstanding common shares of Shoppers Drug Mart, in the second quarter of 2014, the Company incurred $52 million of acquisition-related costs and $60 million year-to-date.

Adjusted Net Interest Expense and Other Financing Charges The following table reconciles adjusted net interest expense and other financing charges to net interest expense and other financing charges in the condensed consolidated statements of earnings for the periods ended June 20, 2015 and June 14, 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)	**2015 (12 weeks)**	2014 (12 weeks)	**2015 (24 weeks)**	2014 (24 weeks)
Net interest expense and other financing charges	**$ 106**	$ 150	**$ 298**	$ 265
Add (deduct) impact of the following:				
Fair value adjustment on Trust Unit Liability	**33**	(8)	**(25)**	(20)
Accelerated amortization of deferred financing costs	**(8)**	(14)	**(11)**	(14)
Shoppers Drug Mart acquisition-related costs and divestitures loss	**—**	—	**—**	(15)
Adjusted net interest expense and other financing charges	**$ 131**	$ 128	**$ 262**	$ 216

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 each period. In the second quarter of 2015, the Company recorded a gain of $33 million (2014 – loss of $8 million) and year-to-date a loss of $25 million (2014 – $20 million) related to the fair value adjustment on the Trust Unit Liability.

Accelerated amortization of deferred financing costs In the second quarter of 2015, the Company recorded a charge of $8 million (2014 – $14 million) and year-to-date $11 million (2014 – $14 million) related to the accelerated amortization of deferred financing costs due to the repayment of $662 million (2014 – $1,600 million) and year-to-date of $869 million (2014 – $1,600 million) of the Company's 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 was incurred in connection with the financing related to the acquisition of Shoppers Drug Mart. As of the acquisition date, these costs are no longer excluded from adjusted net interest expense and other financing charges as they are part of ongoing operations.

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

(millions of Canadian dollars)		**2015 (12 weeks)**		2014 (12 weeks)		**2015 (24 weeks)**		2014 (24 weeks)
Adjusted operating income(i)	**$**	**612**	$	535	**$**	**1,155**	$	822
Adjusted net interest expense and other financing charges(i)		**131**		128		**262**		216
Adjusted earnings before taxes	**$**	**481**	$	407	**$**	**893**	$	606
Income taxes	**$**	**121**	$	(150)	**$**	**197**	$	(109)
Add (deduct) impact of the following:								
Tax impact of items included in adjusted earnings before taxes(ii)		**47**		260		**82**		265
Provincial statutory corporate income tax rate change		**(38)**		—		**(38)**		—
Adjusted income taxes	**$**	**130**	$	110	**$**	**241**	$	156
Effective tax rate		**39.4%**		24.8%		**37.2%**		24.5%
Adjusted income tax rate		**27.0%**		27.0%		**27.0%**		25.7%

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

(ii) See the EBITDA, adjusted EBITDA and adjusted operating income table and the adjusted net interest expense 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.

Provincial statutory corporate income tax rate change In the second quarter of 2015, the government of Alberta announced an increase in the provincial corporate income tax rate from 10% to 12%. The increase is effective July 1, 2015, but was enacted on June 19, 2015. As a result, the Company recorded a charge of $38 million related to the re-measurement of its deferred tax liabilities.

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 June 20, 2015 and June 14, 2014:

	2015 (12 weeks)		2014 (12 weeks)		**2015 (24 weeks)**		2014 (24 weeks)	
(millions of Canadian dollars/Canadian dollars)	**Net Earnings Available to Common Shareholders of the Company**	**Basic Net Earnings Per Common Share**	Net Earnings (Loss) Available to Common Shareholders of the Company	Basic Net Earnings (Loss) Per Common Share	**Net Earnings Available to Common Shareholders of the Company**	**Basic Net Earnings Per Common Share**	Net Earnings (Loss) Available to Common Shareholders of the Company	Basic Net Earnings (Loss) Per Common Share
	$ 185	**$ 0.45**	$ (456)	$ (1.13)	**$ 331**	**$ 0.80**	$ (336)	$ (0.98)
Add (deduct) impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart	**91**	**0.23**	92	0.23	**182**	**0.45**	92	0.27
Restructuring and other related costs	**47**	**0.11**	—	—	**56**	**0.14**	—	—
Provincial statutory corporate income tax rate change	**38**	**0.09**	—	—	**38**	**0.09**	—	—
Fair value adjustment on Trust Unit Liability[(i)]	**(33)**	**(0.08)**	8	0.02	**25**	**0.06**	20	0.06
Accelerated amortization of deferred financing costs	**6**	**0.01**	10	0.02	**8**	**0.02**	10	0.03
Charge related to apparel inventory	**6**	**0.01**	—	—	**6**	**0.01**	—	—
Net fixed asset and other related impairments	**3**	**0.01**	2	—	**5**	**0.01**	4	0.01
Fair value adjustment on fuel and foreign currency contracts	**7**	**0.02**	—	—	**(2)**	**—**	—	—
Shoppers Drug Mart acquisition-related costs and divestitures loss	**—**	**—**	45	0.11	**2**	**—**	64	0.19
Recognition of fair value increment on inventory sold	**—**	**—**	457	1.14	**—**	**—**	457	1.33
Charge related to inventory measurement and other conversion differences	**—**	**—**	139	0.35	**—**	**—**	139	0.41
Adjusted	**$ 350**	**$ 0.85**	$ 297	$ 0.74	**$ 651**	**$ 1.58**	$ 450	$ 1.32

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

Adjusted Debt The following table reconciles adjusted debt, used in the adjusted debt to rolling year adjusted EBITDA ratio, to GAAP measures reported as at the periods 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)	**As at June 20, 2015**	As at June 14, 2014	As at January 3, 2015	As at March 28, 2014
Bank indebtedness	**$ 275**	$ 335	$ 162	$ 295
Short term debt	**505**	605	605	605
Long term debt due within one year	**1,009**	74	420	902
Long term debt	**10,053**	11,797	11,042	11,262
Trust Unit Liability	**756**	715	722	703
Capital securities	**225**	224	225	224
Certain other liabilities	**28**	34	28	39
Total debt	**$ 12,851**	$ 13,784	$ 13,204	$ 14,030
Less:				
Independent Securitization Trusts	**$ 1,255**	$ 1,355	$ 1,355	$ 1,355
Independent Funding Trusts	**504**	476	498	469
Trust Unit Liability	**756**	715	722	703
Guaranteed Investment Certificates	**621**	528	634	443
Adjusted debt	**$ 9,715**	$ 10,710	$ 9,995	$ 11,060

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

Choice Properties' Adjusted Funds from Operations[(4)] The following table reconciles Choice Properties' adjusted funds from operations to GAAP measures for the periods ended June 20, 2015 and June 14, 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)	**2015 (12 weeks)**	2014 (12 weeks)	**2015 (24 weeks)**	2014 (24 weeks)
Net income (loss)	**$ 189**	$ (2)	**$ (22)**	$ (10)
Fair value adjustment on Class B Limited Partnership units	**(160)**	(11)	**94**	37
Fair value adjustment on investment properties	**16**	—	**17**	—
Distributions on Class B Limited Partnership units	**50**	47	**100**	93
Amortization of tenant improvement allowances	**—**	—	**—**	1
Internal expenses for leasing	**1**	—	**1**	—
Funds from Operations	**$ 96**	$ 34	**$ 190**	$ 121
Straight-line rental revenue	**$ (9)**	$ (8)	**(18)**	(17)
Amortization of finance charges	**(1)**	52	**(1)**	51
Unit-based compensation expense	**1**	1	**1**	1
Sustaining property and leasing capital expenditures, normalized[(i)]	**(10)**	(10)	**(20)**	(18)
Adjusted Funds from Operations	**$ 77**	$ 69	**$ 152**	$ 138

(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 unaudited quarterly financial information, which is prepared by management in accordance with IFRS and is based on the Company's 2015 Second 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 Second 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)	**June 20, 2015 (12 weeks)**	June 14, 2014[3] (12 weeks)	**June 20, 2015 (24 weeks)**	June 14, 2014[3] (24 weeks)
Revenue	**$ 10,535**	$ 10,307	**$ 20,583**	$ 17,599
Cost of Merchandise Inventories Sold	**7,620**	8,271	**14,841**	13,776
Selling, General and Administrative Expenses	**2,502**	2,492	**4,915**	4,003
Operating Income (Loss)	**$ 413**	$ (456)	**$ 827**	$ (180)
Net interest expense and other financing charges	**106**	150	**298**	265
Earnings (Loss) Before Income Taxes	**$ 307**	$ (606)	**$ 529**	$ (445)
Income taxes	**121**	(150)	**197**	(109)
Net Earnings (Loss)	**$ 186**	$ (456)	**$ 332**	$ (336)
Attributable to:				
Shareholders of the Company	**$ 185**	$ (456)	$ 331	$ (336)
Non-Controlling Interests	**1**	—	1	—
Net Earnings (Loss)	**$ 186**	$ (456)	$ 332	$ (336)
Net Earnings (Loss) per Common Share ($)				
Basic	**$ 0.45**	$ (1.13)	**$ 0.80**	$ (0.98)
Diluted	**$ 0.44**	$ (1.13)	**$ 0.79**	$ (0.98)
Weighted Average Common Shares Outstanding (millions)				
Basic	**412.0**	403.0	**412.0**	342.2
Diluted	**416.7**	403.0	**416.7**	342.2

CONDENSED CONSOLIDATED BALANCE SHEETS

(millions of Canadian dollars)	As at June 20, 2015	As at June 14, 2014[3]	As at January 3, 2015[3]
Assets			
Current Assets			
Cash and cash equivalents	**$ 1,285**	$ 1,179	$ 999
Short term investments	**52**	47	21
Accounts receivable	**1,191**	1,021	1,209
Credit card receivables	**2,647**	2,561	2,630
Inventories	**4,349**	4,297	4,309
Income tax recoverable	**31**	24	—
Prepaid expenses and other assets	**245**	226	214
Assets held for sale	**24**	44	23
Total Current Assets	**$ 9,824**	$ 9,399	$ 9,405
Fixed Assets	**10,275**	10,257	10,296
Investment Properties	**177**	148	185
Intangible Assets	**9,403**	9,953	9,675
Goodwill	**3,327**	3,310	3,318
Deferred Income Tax Assets	**150**	298	193
Security Deposits	**7**	97	7
Franchise Loans Receivable	**384**	380	399
Other Assets	**317**	249	281
Total Assets	**$ 33,864**	$ 34,091	$ 33,759
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 275**	$ 335	$ 162
Trade payables and other liabilities	**4,924**	4,678	4,774
Provisions	**72**	55	84
Income taxes payable	**—**	—	34
Short term debt	**505**	605	605
Long term debt due within one year	**1,009**	74	420
Associate interest	**184**	170	193
Capital securities	**225**	—	225
Total Current Liabilities	**$ 7,194**	$ 5,917	$ 6,497
Provisions	**85**	65	76
Long Term Debt	**10,053**	11,797	11,042
Trust Unit Liability	**756**	715	722
Deferred Income Tax Liabilities	**1,863**	2,007	1,853
Capital Securities	**—**	224	—
Other Liabilities	**810**	763	782
Total Liabilities	**$ 20,761**	$ 21,488	$ 20,972
Equity			
Preferred Share Capital	**$ 221**	$ —	$ —
Common Share Capital	**7,866**	7,816	7,857
Retained Earnings	**4,881**	4,694	4,810
Contributed Surplus	**114**	92	104
Accumulated Other Comprehensive Income	**12**	1	8
Total Equity Attributable to Shareholders of the Company	**$ 13,094**	$ 12,603	$ 12,779
Non-Controlling Interests	**9**	—	8
Total Equity	**$ 13,103**	$ 12,603	$ 12,787
Total Liabilities and Equity	**$ 33,864**	$ 34,091	$ 33,759

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars)	**June 20, 2015 (12 weeks)**	June 14, 2014[3] (12 weeks)	**June 20, 2015 (24 weeks)**	June 14, 2014[3] (24 weeks)
Operating Activities				
Net earnings (loss)	**$ 186**	$ (456)	**$ 332**	$ (336)
Income taxes	**121**	(150)	**197**	(109)
Net interest expense and other financing charges	**106**	150	**298**	265
Depreciation and amortization	**369**	384	**739**	579
Income taxes paid	**(71)**	(88)	**(206)**	(169)
Interest received	**1**	13	**3**	21
Change in credit card receivables	**(169)**	(162)	**(17)**	(23)
Change in non-cash working capital	**321**	395	**19**	(196)
Net fixed asset and other related impairments	**20**	2	**23**	5
(Gain) loss on disposal of assets	**(1)**	4	**(2)**	4
Recognition of fair value increment on inventory sold	**—**	622	**—**	622
Charge related to inventory measurement and other conversion differences	**—**	190	**—**	190
Other	**47**	55	**61**	60
Cash Flows from Operating Activities	**$ 930**	$ 959	**$ 1,447**	$ 913
Investing Activities				
Fixed asset purchases	**$ (178)**	$ (201)	**(382)**	(305)
Intangible asset additions	**(43)**	(38)	**(70)**	(51)
Acquisition of Shoppers Drug Mart, net of cash acquired	**—**	(6,619)	**—**	(6,619)
Change in short term investments	**(8)**	(8)	**(31)**	243
Proceeds from disposal of assets	**15**	2	**26**	12
Change in franchise investments and other receivables	**(22)**	(19)	**(9)**	(13)
Change in security deposits	**(1)**	1,600	**—**	1,604
Investment in joint venture	**(1)**	—	**(2)**	—
Other	**(3)**	(3)	**(44)**	(3)
Cash Flows used in Investing Activities	**$ (241)**	$ (5,286)	**$ (512)**	$ (5,132)
Financing Activities				
Change in bank indebtedness	**$ (24)**	$ 40	**$ 113**	$ 40
Change in Associate interest	**(3)**	(4)	**(9)**	(4)
Change in short term debt	**—**	—	**(100)**	—
Long Term Debt				
Issued	**259**	5,165	**514**	5,634
Retired	**(612)**	(2,474)	**(968)**	(2,600)
Deferred debt financing costs	**—**	(29)	**—**	(29)
Interest paid	**(120)**	(98)	**(262)**	(217)
Dividends paid	**(101)**	(125)	**(101)**	(193)
Common Share Capital				
Issued	**14**	554	**28**	564
Purchased and held in trust	**(11)**	—	**(35)**	—
Purchased and cancelled	**(38)**	(59)	**(55)**	(59)
Preferred Share Capital				
Issued	**221**	—	**221**	—
Cash Flows (used in) from Financing Activities	**$ (415)**	$ 2,970	**$ (654)**	$ 3,136
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ (2)**	$ (1)	**$ 5**	$ 2
Change in cash and cash equivalents	**$ 272**	$ (1,358)	**$ 286**	$ (1,081)
Cash and cash equivalents, beginning of period	**1,013**	2,537	**999**	2,260
Cash and Cash Equivalents, End of Period	**$ 1,285**	$ 1,179	**$ 1,285**	$ 1,179

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:

	June 20, 2015 (12 weeks)					June 14, 2014(3) (12 weeks)				
(millions of Canadian dollars)	**Retail**	**Financial Services(4)**	**Choice Properties(4)**	**Consolidation and Eliminations(i)**	**Total**	Retail	Financial Services(4)	Choice Properties(4)	Consolidation and Eliminations(i)	Total
Revenue(ii)	**$ 10,318**	**$ 199**	**$ 183**	**$ (165)**	**$ 10,535**	$ 10,097	$ 192	$ 170	$ (152)	$ 10,307
EBITDA(iii)	**$ 739**	**$ 38**	**$ 115**	**$ (110)**	**$ 782**	$ (117)	$ 40	$ 122	$ (117)	$ (72)
Adjusting Items(iii)	**75**	**—**	**—**	**—**	**75**	866	—	—	—	866
Adjusted EBITDA(iii)	**$ 814**	**$ 38**	**$ 115**	**$ (110)**	**$ 857**	$ 749	$ 40	$ 122	$ (117)	$ 794
Depreciation and Amortization(iv)	**240**	**2**	**—**	**3**	**245**	254	2	—	3	259
Adjusted Operating Income(iii)	**$ 574**	**$ 36**	**$ 115**	**$ (113)**	**$ 612**	$ 495	$ 38	$ 122	$ (120)	$ 535
Net interest expense and other financing charges	**$ 91**	**$ 14**	**$ (75)**	**$ 76**	**$ 106**	$ 97	$ 12	$ 124	$ (83)	$ 150

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $124 million (2014 – $117 million) of rental revenue and $41 million (2014 – $35 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Operating income includes the elimination of the $124 million (2014 – $117 million) impact of rental revenue described above; the elimination of a $16 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; the recognition of $3 million (2014 – $3 million) of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value; and the elimination of $2 million (2014 – nil) intercompany charges.
- Net interest expense and other financing charges includes the elimination of $62 million (2014 – $105 million) of interest expense included in Choice Properties related to debt owing to the Company and a $160 million fair value gain (2014 – gain of $11 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, a $33 million fair value gain (2014 – loss of $8 million) on the Company's Trust Unit Liability and, in 2014, the elimination of $8 million of Choice Properties interest expense incurred to June 30, 2014.

(ii) Included in Financial Services revenue is $89 million (2014 – $86 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 – $125 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

	June 20, 2015 (24 weeks)					June 14, 2014(3) (24 weeks)				
(millions of Canadian dollars)	**Retail**	**Financial Services(4)**	**Choice Properties(4)**	**Consolidation and Eliminations(i)**	**Total**	Retail	Financial Services(4)	Choice Properties(4)	Consolidation and Eliminations(i)	Total
Revenue(ii)	**$ 20,148**	**$ 398**	**$ 365**	**$ (328)**	**$ 20,583**	$17,192	$ 372	$ 337	$ (302)	$ 17,599
EBITDA(iii)	**$ 1,473**	**$ 83**	**$ 242**	**$ (232)**	**$ 1,566**	$ 313	$ 78	$ 240	$ (232)	$ 399
Adjusting Items(iii)	**80**	**—**	**—**	**—**	**80**	876	—	1	—	877
Adjusted EBITDA(iii)	**$ 1,553**	**$ 83**	**$ 242**	**$ (232)**	**$ 1,646**	$ 1,189	$ 78	$ 241	$ (232)	$ 1,276
Depreciation and Amortization(iv)	**480**	**5**	**—**	**6**	**491**	444	4	—	6	454
Adjusted Operating Income(iii)	**$ 1,073**	**$ 78**	**$ 242**	**$ (238)**	**$ 1,155**	$ 745	$ 74	$ 241	$ (238)	$ 822
Net interest expense and other financing charges	**$ 177**	**$ 28**	**$ 264**	**$ (171)**	**$ 298**	$ 167	$ 25	$ 250	$ (177)	$ 265

(i) Consolidation and Eliminations includes the following items:

- Revenue includes the elimination of $247 million (2014 – $232 million) of rental revenue and $81 million (2014 – $70 million) of cost recovery recognized by Choice Properties, generated from the Retail segment.
- Operating income includes the elimination of the $247 million (2014 – $232 million) impact of rental revenue described above; the elimination of a $17 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; the recognition of $6 million (2014 – $6 million) of depreciation expense for certain investment properties recorded by Choice Properties and measured at fair value; and the elimination of $2 million (2014 – nil) intercompany charges.
- Net interest expense and other financing charges includes the elimination of $124 million (2014 – $174 million) of interest expense included in Choice Properties related to debt owing to the Company and a $94 million fair value loss (2014 – loss of $37 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 $22 million (2014 – $22 million), which excludes distributions paid to the Company, a $25 million fair value loss (2014 – loss of $20 million) on the Company's Trust Unit Liability and, in 2014, the elimination of $8 million of Choice Properties interest expense incurred to June 30, 2014.

(ii) Included in Financial Services revenue is $181 million (2014 – $175 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 $248 million (2014 – $125 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

CORPORATE PROFILE

2014 Annual Report and 2015 Second Quarter Report to Shareholders

The Company's 2014 Annual Report and 2015 Second 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 July 23, 2015 at 11:00 a.m. (ET).

To access via tele-conference please dial (416) 260-0113. The playback will be made available two hours after the event at (647) 436-0148, access code: 2383515. 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.

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 4 "Acquisition of Shoppers Drug Mart Corporation" in the Company's 2015 Second Quarter Report to Shareholders.

(4) The results for the Financial Services and Choice Properties segments are for the periods ended June 30, 2015 and June 30, 2014, consistent with the segments' fiscal calendars. Adjustments to align Financial Services' and Choice Properties' results to June 20, 2015 and June 14, 2014 are included in Consolidation and Eliminations. See the "Non-GAAP Financial Measures" and the "Segment Information" sections of this News Release.