Shoppers Drug Mart Corporation

Condensed Consolidated Statements of Earnings
(unaudited)
(in thousands of Canadian dollars, except per share amounts)

		12 weeks ended		24 weeks ended	
	Note	**June 15, 2013**	June 16, 2012[1]	**June 15, 2013**	June 16, 2012[1]
Sales		**$ 2,538,440**	$ 2,456,694	**$ 5,023,962**	$ 4,851,135
Cost of goods sold	5	**(1,557,991)**	(1,494,110)	**(3,086,379)**	(2,969,710)
Gross profit		**980,449**	962,584	**1,937,583**	1,881,425
Operating and administrative expenses	6	**(768,467)**	(752,240)	**(1,550,831)**	(1,496,703)
Operating income		**211,982**	210,344	**386,752**	384,722
Finance expenses		**(13,404)**	(13,355)	**(26,751)**	(26,647)
Earnings before income taxes		**198,578**	196,989	**360,001**	358,075
Income taxes					
Current		**(49,241)**	(54,152)	**(104,306)**	(120,765)
Deferred		**(2,389)**	2,442	**10,706**	26,769
		(51,630)	(51,710)	**(93,600)**	(93,996)
Net earnings		**$ 146,948**	$ 145,279	**$ 266,401**	$ 264,079
Net earnings per common share					
Basic	10	**$ 0.73**	$ 0.69	**$ 1.31**	$ 1.25
Diluted	10	**$ 0.73**	$ 0.69	**$ 1.31**	$ 1.25
Weighted average common shares outstanding (millions):					
Basic	10	**201.5**	209.5	**202.7**	210.7
Diluted	10	**201.6**	209.5	**202.7**	210.7
Actual common shares outstanding (millions)		**200.6**	208.4	**200.6**	208.4

[1] In preparing its 2012 comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, *Employee Benefits*. Refer to note 3(a)(viii) for details regarding adjusted amounts.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shoppers Drug Mart Corporation

Condensed Consolidated Statements of Comprehensive Income
(unaudited)
(in thousands of Canadian dollars)

	12 weeks ended		24 weeks ended	
	June 15, 2013	June 16, 2012[1]	**June 15, 2013**	June 16, 2012[1]
Net earnings	**$ 146,948**	$ 145,279	**$ 266,401**	$ 264,079
Other comprehensive income (loss), net of tax				
Amounts that will be subsequently reclassified to earnings:				
Effective portion of changes in fair value of hedges on equity forward derivatives (net of tax of $7 and $11 (2012: $123 and $42))	**22**	(354)	**33**	(121)
Net change in fair value of hedges on equity forward derivatives transferred to earnings (net of tax of $1 and $3 (2012: $9 and $19))	**(4)**	24	**(8)**	50
Other comprehensive income, net of tax	**18**	(330)	**25**	(71)
Total comprehensive income	**$ 146,966**	$ 144,949	**$ 266,426**	$ 264,008

[1] In preparing its 2012 comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, *Employee Benefits*. Refer to note 3(a)(viii) for details regarding adjusted amounts.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shoppers Drug Mart Corporation

Condensed Consolidated Balance Sheets
(unaudited)
(in thousands of Canadian dollars)

	Note	June 15, 2013	December 29, 2012[1]	June 16, 2012[1]	January 1, 2012[1]
Current assets					
Cash		**$ 29,497**	$ 104,529	$ 47,971	$ 118,566
Accounts receivable		**450,429**	469,683	456,007	493,338
Inventory		**2,089,722**	2,148,484	1,991,486	2,042,302
Prepaid expenses and deposits		**65,142**	42,301	85,650	41,441
Total current assets		**2,634,790**	2,764,997	2,581,114	2,695,647
Non-current assets					
Property and equipment		**1,684,717**	1,717,993	1,753,408	1,767,543
Investment property		**15,999**	16,379	16,597	16,372
Goodwill		**2,594,240**	2,572,707	2,507,328	2,499,722
Intangible assets		**338,898**	339,972	288,236	281,737
Other assets		**20,359**	20,877	10,074	18,214
Deferred tax assets		**44,969**	38,849	21,398	21,075
Total non-current assets		**4,699,182**	4,706,777	4,597,041	4,604,663
Total assets		**$ 7,333,972**	$ 7,471,774	$ 7,178,155	$ 7,300,310
Current liabilities					
Bank indebtedness		**$ 290,724**	$ 170,927	$ 271,196	$ 172,262
Commercial paper	7	**199,982**	249,977	223,970	—
Accounts payable and accrued liabilities		**999,363**	1,206,748	955,039	1,109,444
Income taxes payable		**15,283**	17,994	15,988	26,538
Dividends payable	9	**57,084**	54,180	55,154	53,119
Current portion of long-term debt	7	**249,738**	449,798	449,529	249,971
Provisions		**12,406**	10,926	15,136	12,024
Associate interest		**161,526**	174,367	147,632	152,880
Total current liabilities		**1,986,106**	2,334,917	2,133,644	1,776,238
Long-term liabilities					
Long-term debt	7	**495,338**	247,009	246,769	695,675
Other long-term liabilities		**510,933**	521,920	534,352	526,467
Provisions		**4,099**	4,273	5,753	1,701
Deferred tax liabilities		**42,269**	45,205	11,009	37,072
Total long-term liabilities		**1,052,639**	818,407	797,883	1,260,915
Total liabilities		**3,038,745**	3,153,324	2,931,527	3,037,153
Shareholders' equity					
Share capital	9	**1,407,504**	1,431,315	1,458,561	1,486,455
Treasury shares	9	**(6,713)**	—	(5,877)	(4,735)
Contributed surplus	11	**10,674**	10,856	10,771	10,246
Accumulated other comprehensive loss		**(33,388)**	(33,413)	(30,285)	(30,214)
Retained earnings		**2,917,150**	2,909,692	2,813,458	2,801,405
Total shareholders' equity		**4,295,227**	4,318,450	4,246,628	4,263,157
Total liabilities and shareholders' equity		**$ 7,333,972**	$ 7,471,774	$ 7,178,155	$ 7,300,310

[1] In preparing its 2012 comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, *Employee Benefits*. Refer to note 3(a)(viii) for details regarding adjusted amounts.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shoppers Drug Mart Corporation

Condensed Consolidated Statements of Changes in Shareholders' Equity
(unaudited)
(in thousands of Canadian dollars)

	Note	Share Capital	Treasury Shares	Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance as at December 29, 2012[1]		**$ 1,431,315**	**$ —**	**$ 10,856**	**$ (33,413)**	**$ 2,909,692**	**$ 4,318,450**
Total comprehensive income		**—**	**—**	**—**	**25**	**266,401**	**266,426**
Dividends	9	**—**	**—**	**—**	**—**	**(114,779)**	**(114,779)**
Share repurchases	9	**(27,327)**	**(6,713)**	**—**	**—**	**(144,164)**	**(178,204)**
Share-based payments	11	**—**	**—**	**653**	**—**	**—**	**653**
Share options exercised	11	**3,516**	**—**	**(835)**	**—**	**—**	**2,681**
Balance as at June 15, 2013		**$ 1,407,504**	**$ (6,713)**	**$ 10,674**	**$ (33,388)**	**$ 2,917,150**	**$ 4,295,227**
Balance as at December 31, 2011[1]		$ 1,486,455	$ (4,735)	$ 10,246	$ (30,214)	$ 2,801,405	$ 4,263,157
Total comprehensive income		—	—	—	(71)	264,079	264,008
Dividends	9	—	—	—	—	(110,934)	(110,934)
Share repurchases	9	(27,817)	(5,877)	—	—	(137,167)	(170,861)
Treasury shares cancelled	9	(810)	4,735	—	—	(3,925)	—
Share-based payments	11	—	—	536	—	—	536
Share options exercised	12	723	—	(11)	—	—	712
Repayment of share-purchase loans		10	—	—	—	—	10
Balance as at June 16, 2012		$ 1,458,561	$ (5,877)	$ 10,771	$ (30,285)	$ 2,813,458	$ 4,246,628

[1] In preparing its 2012 comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, *Employee Benefits*. Refer to note 3(a)(viii) for details regarding adjusted amounts.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shoppers Drug Mart Corporation

Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands of Canadian dollars)

		12 weeks ended		24 weeks ended	
	Note	**June 15, 2013**	June 16, 2012[1]	**June 15, 2013**	June 16, 2012[1]
Cash flows from operating activities					
Net earnings		**$ 146,948**	$ 145,279	**$ 266,401**	$ 264,079
Adjustments for:					
Depreciation and amortization		**75,720**	72,701	**150,531**	144,691
Finance expenses		**13,404**	13,355	**26,751**	26,647
Loss on sale or disposal of property and equipment		**412**	1,136	**881**	2,325
Share-based payment transactions	11	**327**	268	**653**	536
Recognition and reversal of provisions, net		**3,045**	8,246	**6,673**	11,664
Other long-term liabilities		**(25,229)**	(7,455)	**(27,761)**	(9,967)
Income tax expense		**51,630**	51,710	**93,600**	93,996
		266,257	285,240	**517,729**	533,971
Net change in non-cash working capital balances	12	**(9,343)**	68,707	**(164,044)**	(74,271)
Provisions used		**(2,553)**	(2,566)	**(5,367)**	(4,500)
Proceeds from landlord inducements		**1,955**	6,784	**6,571**	10,838
Interest paid		**(16,266)**	(16,325)	**(27,486)**	(33,234)
Income tax paid		**(58,075)**	(57,010)	**(106,910)**	(117,521)
Net cash from operating activities		**181,975**	284,830	**220,493**	315,283
Cash flows from investing activities					
Proceeds from disposition of property and equipment		**4,154**	7,473	**4,756**	7,496
Business acquisitions	4	**(532)**	(5,804)	**(24,090)**	(12,948)
Deposits		**10,953**	(27,745)	**(6,212)**	(34,398)
Acquisition and development of property and equipment		**(43,495)**	(65,525)	**(77,160)**	(109,755)
Acquisition and development of intangible assets		**(11,004)**	(13,824)	**(16,901)**	(25,366)
Other assets		**1,256**	1,300	**1,800**	788
Net cash used in investing activities		**(38,668)**	(104,125)	**(117,807)**	(174,183)
Cash flows from financing activities					
Repurchase of own shares	9	**(100,196)**	(90,655)	**(171,491)**	(169,719)
Proceeds from exercise of share options		**1,991**	712	**2,681**	712
Repayment of share-purchase loans		**—**	—	**—**	10
Bank indebtedness, net		**46,570**	25,636	**119,797**	98,897
(Repayment) issuance of commercial paper, net	7	**(92,000)**	(64,000)	**(50,000)**	224,000
Repayment of long-term debt	7	**(450,000)**	—	**(450,000)**	(250,000)
Issuance of long-term debt	7	**500,000**	—	**500,000**	—
Revolving term debt, net	7	**—**	—	**—**	(152)
Payment of transaction costs for debt refinancing	7	**(2,485)**	—	**(2,485)**	—
Repayment of financing lease obligations		**(756)**	(664)	**(1,504)**	(1,296)
Associate interest		**(3,180)**	(358)	**(12,841)**	(5,248)
Dividends paid	9	**(57,695)**	(55,780)	**(111,875)**	(108,899)
Net cash used in financing activities		**(157,751)**	(185,109)	**(177,718)**	(211,695)
Net decrease in cash		**(14,444)**	(4,404)	**(75,032)**	(70,595)
Cash, beginning of period		**43,941**	52,375	**104,529**	118,566
Cash, end of period		**$ 29,497**	$ 47,971	**$ 29,497**	$ 47,971

[1] In preparing its 2012 comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, *Employee Benefits*. Refer to note 3(a)(viii) for details regarding adjusted amounts.

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. GENERAL INFORMATION

Shoppers Drug Mart Corporation (the "Company") is a public company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The Company's registered address is 243 Consumers Road, Toronto, Ontario, M2J 4W8, Canada.

The Company is a licensor of 1,242 Shoppers Drug Mart®/Pharmaprix® full-service retail drug stores across Canada. The Shoppers Drug Mart®/Pharmaprix® stores are licensed to corporations owned by pharmacists ("Associates"). The Company also licenses or owns 57 Shoppers Simply Pharmacy®/Pharmaprix Simplement Santé® medical clinic pharmacies and six Murale™ beauty stores. In addition, the Company owns and operates 62 Shoppers Home Health Care® stores. In addition to its store network, the Company owns Shoppers Drug Mart Specialty Health Network Inc., a provider of specialty drug distribution, pharmacy and comprehensive patient support services, and MediSystem Technologies Inc., a provider of pharmaceutical products and services to long-term care facilities.

The majority of the Company's sales are generated from the Shoppers Drug Mart®/Pharmaprix® full-service retail drug stores and the majority of the Company's assets are used in the operations of these stores. As such, the Company presents one operating segment in its consolidated financial statement disclosures. The revenue generated by Shoppers Simply Pharmacy ®/Pharmaprix Simplement Santé®, MediSystem Technologies Inc., and Shoppers Drug Mart Specialty Health Network Inc. is included with prescription sales of the Company's retail drug stores. The revenue generated by Shoppers Home Health Care® and Murale™ is included with the front store sales of the Company's retail drug stores.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies that were described in Note 3 to the Company's annual consolidated financial statements as at and for the 52 weeks ended December 29, 2012, except as described in Note 3(a) to these condensed consolidated financial statements.

These condensed consolidated financial statements should be read in conjunction with the Company's 2012 annual consolidated financial statements.

These condensed consolidated financial statements were authorized for issuance by the Board of Directors of the Company on July 17, 2013.

Certain comparative amounts have been reclassified within operating activities in the condensed consolidated statements of cash flows for the 12 and 24 weeks ended June 16, 2012, to conform to current period presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) New Accounting Standards and Interpretations

The Company adopted the following new standards in preparing these condensed consolidated financial statements:

(i) Fair Value Measurement

The IASB issued a new standard, IFRS 13, "Fair Value Measurement" ("IFRS 13"), which provides a standard definition of fair value, sets out a framework for measuring fair value and provides for specific disclosures about fair value measurements. IFRS 13 applies to all International Financial Reporting Standards that require or permit fair value measurements or disclosures. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and is to be applied prospectively. The Company determined that the adoption of IFRS 13 had no impact on its results of operations and financial position. The adoption of IFRS 13 has resulted in additional disclosures in Note 8 to these condensed consolidated financial statements.

(ii) Consolidated Financial Statements

The IASB issued a new standard, IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), which establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 establishes control as the basis for consolidation and defines the principle of control. An investor controls an investee if the investor has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 was issued as part of the IASB's broader project on interests in all types of entities. This project also resulted in the issuance of additional standards as described in (iii) to (vi) below. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 10 did not have an impact on the Company's results of operations, financial position and disclosures.

(iii) Joint Arrangements

The IASB issued a new standard, IFRS 11, "Joint Arrangements" ("IFRS 11"), which establishes the principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures" and SIC Interpretation 13, "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". The standard defines a joint arrangement as an arrangement where two or more parties have joint control, with joint control being defined as the contractually agreed sharing of control where decisions about relevant activities require unanimous consent of the parties sharing control. The standard classifies joint arrangements as either joint operations or joint investments and the classification determines the accounting treatment. IFRS 11 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 11 did not have an impact on the Company's results of operations, financial position and disclosures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Disclosure of Interests in Other Entities

The IASB issued a new standard, IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"), which integrates and provides consistent disclosure requirements for all interests in other entities such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IFRS 12 did not have an impact on the Company's results of operations, financial position and disclosures.

(v) Separate Financial Statements

The IASB issued a revised standard, IAS 27, "Separate Financial Statements" ("IAS 27"), which contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. IAS 27 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IAS 27 did not have an impact on the Company's results of operations, financial position and disclosures.

(vi) Investments in Associates and Joint Ventures

The IASB issued a revised standard, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28"), which prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of IAS 28 did not have an impact on the Company's results of operations, financial position and disclosures.

(vii) Presentation of Financial Statements - Other Comprehensive Income

The IASB issued an amendment to IAS 1, "Presentation of Financial Statements" (the "IAS 1 amendment"), to improve consistency and clarity of the presentation of items of other comprehensive income. A requirement has been added to present items in other comprehensive income grouped on the basis of whether they will or will not be subsequently reclassified to earnings in order to more clearly show the effects the items of other comprehensive income may have on future earnings. The IAS 1 amendment is effective for annual periods beginning on or after July 1, 2012 and must be applied retrospectively. As a result of the adoption of the IAS 1 amendment, the Company has modified its presentation of other comprehensive income in these condensed consolidated financial statements.

(in thousands of Canadian dollars, except per share data)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) Post-Employment Benefits

The IASB issued amendments to IAS 19, "Employee Benefits" ("IAS 19 (Amended 2011)"), which eliminates the option to defer the recognition of actuarial gains and losses through the "corridor" approach, replaces the expected return on plan assets calculation with a discount rate methodology in calculating pension expense for defined benefit plans, revises the presentation of changes in assets and liabilities arising from defined benefit plans and enhances the disclosures for defined benefit plans. IAS 19 (Amended 2011) is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively.

As a result of adopting IAS 19 (Amended 2011), primarily the replacement of the expected return on plan assets with a discount rate methodology in calculating pension expense, the following are the impacts on the Company's net earnings and comprehensive income for the 12 and 24 weeks ended June 16, 2012 and the 52 weeks ended December 29, 2012 and its financial position as at December 29, 2012, June 16, 2012 and January 1, 2012:

Net earnings and total comprehensive income impacts		12 Weeks Ended June 16, 2012		24 Weeks Ended June 16, 2012		52 Weeks Ended December 29, 2012
Increase in operating and administrative expenses	$	(585)	$	(1,170)	$	(2,684)
Decrease in income tax expense		153		306		701
Decrease in net earnings		(432)		(864)		(1,983)
Decrease in other comprehensive loss		—		—		2,419
Tax impact of decrease in other comprehensive loss		—		—		(640)
Decrease in total comprehensive income	$	(432)	$	(864)	$	(204)
Decrease in basic and diluted net earnings per common share	$	(0.01)	$	(0.01)	$	(0.01)
Basic and diluted net earnings per common share, as restated	$	0.69	$	1.25	$	2.91

Balance sheet impacts		December 29, 2012		June 16, 2012		January 1, 2012
Decrease in other assets	$	1,947	$	—	$	—
Increase in other long-term liabilities		4,597		7,449		6,279
Decrease in deferred tax liabilities		1,667		1,912		1,606
Decrease in retained earnings		6,656		5,537		4,673
Decrease in accumulated other comprehensive loss		1,779		—		—

Certain additional information with respect to the net defined benefit liability and significant actuarial assumptions associated with the Company's pension and other post-employment benefit plans, as restated for the impact of IAS 19 (Amended 2011), for the financial year ended December 29, 2012 is as follows:

(in thousands of Canadian dollars, except per share data)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

	As at and for the 52 weeks ended December 29, 2012			
	Registered pension plans	Non-registered pension plans	Other post-employment benefit plans	Total
Fair value of plan assets				
Fair value of plan assets, beginning of the financial year	$ 72,276	$ 30,061	$ —	$ 102,337
Interest income	3,192	1,237	—	4,429
Actuarial gains (losses)	1,653	(149)	—	1,504
Company contributions	7,978	6,260	610	14,848
Plan participants' contributions	1,356	—	—	1,356
Benefits paid	(3,088)	(1,959)	(610)	(5,657)
Administrative costs	(152)	—	—	(152)
Fair value of plan assets, end of the financial year	**$ 83,215**	**$ 35,450**	**$ —**	**$ 118,665**
Present value of the defined benefit obligation				
Defined benefit obligation, beginning of the financial year	$ 103,704	$ 36,636	$ 6,380	$ 146,720
Current service cost	7,301	1,511	341	9,153
Interest cost	4,443	1,509	267	6,219
Plan participants' contributions	1,356	—	—	1,356
Actuarial losses due to financial assumption changes	5,448	2,541	220	8,209
Actuarial experience gains	(1,250)	(450)	—	(1,700)
Benefits paid	(3,088)	(1,959)	(610)	(5,657)
Termination benefits	1,520	260	—	1,780
Present value of the defined benefit obligations, end of the financial year	**$ 119,434**	**$ 40,048**	**$ 6,598**	**$ 166,080**
Net defined benefit liability	**$ 36,219**	**$ 4,598**	**$ 6,598**	**$ 47,415**

The net defined benefit liability is presented in other long-term liabilities in these condensed consolidated financial statements. Interest income on plan assets is a component of employee benefits expense and is presented in operating and administrative expenses.

The significant actuarial assumptions adopted are as follows:

	2012		
	Registered pension plans	Non-registered pension plans	Other benefit plans
Defined benefit obligations, end of the financial year			
Discount rates	4.00 %	3.75 %	3.85 %
Rate of compensation increase	4.00 %	4.00 %	4.00 %
Net benefit expense for the financial year			
Discount rates	4.25 %	4.25 %	4.15 %
Rate of compensation increase	4.00 %	4.00 %	4.00 %

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(ix) Financial Instruments - Disclosures

The IASB issued an amendment to IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7 amendment"), which clarifies the requirements for offsetting financial instruments and requires new disclosures on the effect of offsetting arrangements on an entity's financial position. The IFRS 7 amendment is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The adoption of the IFRS 7 amendment did not have an impact on the Company's consolidated results of operations and financial position. The Company is assessing the impact of the IFRS 7 amendment on its annual disclosures.

(b) New Accounting Standards and Interpretations not yet Adopted

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending December 28, 2013, and accordingly, have not been applied in preparing these condensed consolidated financial statements:

(i) Financial Instruments

The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase of this project. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. IFRS 9 requires a single impairment method to be used, replacing multiple impairment methods in IAS 39. For financial liabilities measured at fair value, fair value changes due to changes in an entity's credit risk are presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and must be applied retrospectively. The Company is assessing the impact of IFRS 9 on its results of operations, financial position and disclosures.

(ii) Financial Instruments - Asset and Liability Offsetting

The IASB has issued an amendment to IAS 32, "Financial Instruments: Presentation" ("IAS 32"), which provides further guidance on the requirements for offsetting financial instruments. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The Company is assessing the impact of the amendment to IAS 32 on its results of operations, financial position and disclosures.

(in thousands of Canadian dollars, except per share data)

4. BUSINESS ACQUISITIONS

In the normal course of business, the Company acquires the assets or shares of pharmacies. The following table summarizes the consideration paid for these acquisitions, and the amounts recognized for the assets acquired and liabilities assumed at the acquisition date.

		24 weeks ended June 15, 2013
Fair value of net assets acquired as at acquisition date		
Accounts and other receivables	$	594
Inventory		1,668
Prepaid expenses		27
Property and equipment		219
Prescription files		5,290
Customer relationships		5,000
Accounts payable and accrued liabilities		(903)
Deferred tax liabilities		(1,641)
Net assets acquired		**10,254**
Goodwill		**21,576**
Total purchase price		31,830
Less: Deposits made in prior periods		(7,200)
Less: Holdbacks on acquisitions		(540)
Total cash paid	**$**	**24,090**

The total cost of these acquisitions during the 24 weeks ended June 15, 2013 was $31,830 (2012: $12,948). The goodwill acquired represents the benefits the Company expects to receive from the acquisitions. For acquisitions during the 24 weeks ended June 15, 2013, the Company expects that $14,951 (2012: $2,809) of acquired goodwill will be deductible for tax purposes.

The values of assets acquired and liabilities assumed have been determined at the acquisition date using fair values. In determining the fair value of prescription files acquired, the Company applied a pre-tax discount rate of 9.0% (2012: 9.0%) to the estimated expected future cash flows.

The results of operations of the acquired pharmacies have been included in the Company's results of operations from the dates of acquisition. These acquisitions have added approximately $8,000 (2012: $1,500) to the Company's sales since acquisition. If these acquisitions had occurred on January 1, 2013, the Company estimates that sales for the period would have increased by approximately $10,500 (2012: $5,000).

(in thousands of Canadian dollars, except per share data)

5. COST OF GOODS SOLD

During the 12 and 24 weeks ended June 15, 2013, the Company recorded $12,626 and $24,510 (2012: $11,018 and $23,543) as an expense for the write-down of inventory, as a result of net realizable value being lower than cost, in cost of goods sold in the condensed consolidated statements of earnings.

During the 12 and 24 weeks ended June 15, 2013 and June 16, 2012, the Company did not reverse any significant inventory write-downs recognized in previous periods.

6. OPERATING AND ADMINISTRATIVE EXPENSES

(a) Employee Benefits Expense

Employee benefits expense is as follows:

	12 weeks ended		24 weeks ended	
	June 15, 2013	June 16, 2012[1]	**June 15, 2013**	June 16, 2012[1]
Wages and salaries	**$ 344,031**	$ 330,236	**$ 686,399**	$ 657,832
Statutory deductions	**44,511**	40,589	**92,656**	84,746
Expenses related to pension and benefits	**2,725**	2,561	**5,450**	5,122
Share-based payment transactions	**2,422**	1,899	**4,902**	3,710
	$ 393,689	$ 375,285	**$ 789,407**	$ 751,410

[1] In preparing its 2012 comparative information, the Company has adjusted amounts reported previously in the condensed consolidated financial statements as a result of the retrospective application of the amendments to IAS 19, *Employee Benefits*. Refer to note 3(a)(viii) for details regarding adjusted amounts.

(b) Depreciation and Amortization Expense

The components of the Company's depreciation and amortization expense are as follows:

	12 weeks ended		24 weeks ended	
	June 15, 2013	June 16, 2012	**June 15, 2013**	June 16, 2012
Property and equipment	**$ 60,348**	$ 60,180	**$ 120,138**	$ 120,028
Investment property	**76**	82	**153**	150
Intangible assets	**15,206**	12,336	**30,015**	24,292
Loss on disposal	**254**	982	**$ 565**	2,009
	$ 75,884	$ 73,580	**$ 150,871**	$ 146,479

Depreciation and amortization expense includes net gains and losses on the disposition of property and equipment, investment property and intangible assets and any impairment losses recognized by the Company but excludes the amortization of certain intangibles and other long-term liabilities, which is included in operating and administrative expenses. During the 12 and 24 weeks ended June 15, 2013 and June 16, 2012, the Company did not recognize any impairment losses on property and equipment or intangible assets.

7. DEBT

On January 6, 2012, the Company filed with the securities regulators in each of the provinces of Canada, a final short form base shelf prospectus (the "2012 Prospectus") for the issuance of up to $1,000,000 of medium-term notes. Subject to the requirements of applicable law, medium term notes can be issued under the Prospectus for up to 25 months from the date of the final receipt. No incremental debt was incurred by the Company as a result of this filing.

On January 20, 2012, $250,000 of three-year medium-term notes were repaid in full, along with all accrued and unpaid interest owing on the final semi-annual interest payment. The repayment was financed with a combination of available cash and commercial paper issued under the Company's commercial paper program. The net debt position of the Company remained substantially unchanged as a result of this refinancing activity.

On October 26, 2012, the Company's existing $725,000 revolving term credit facility that was to mature on December 10, 2015, was amended to extend the maturity date by one year to December 10, 2016. The credit facility is available for general corporate purposes, including backstopping the Company's commercial paper program.

On November 16, 2012, the Company amended its commercial paper program, increasing the amount available under the program from $500,000 to $600,000. The commercial paper program retained its rating of R-1(low) from DBRS Limited following this increase. No incremental debt was incurred by the Company as a result of this amendment.

On May 21, 2013, the Company issued $225,000 aggregate principal amount of three-year, medium-term notes maturing May 24, 2016, which bear interest at a fixed rate of 2.01% per annum (the "Series 5 Notes"), and $275,000 aggregate principal amount of five-year, medium-term notes maturing May 24, 2018, which bear interest at a fixed rate of 2.36% per annum (the "Series 6 Notes"). The Series 5 Notes and Series 6 Notes were issued pursuant to the 2012 Prospectus, as supplemented by pricing supplements dated May 15, 2013. The 2012 Prospectus and pricing supplements were filed by the Company with Canadian securities regulators in all of the provinces of Canada. At the time of issuance, the Series 5 Notes and Series 6 Notes were assigned ratings of A (low) from DBRS Limited and BBB+ from Standard & Poor's Rating Services (Canada). The net proceeds from the issuance of the Series 5 Notes and Series 6 Notes were used to refinance existing indebtedness, including repayment of all amounts outstanding under the Company's Series 2 $450,000 aggregate principal amount of 4.99% medium-term notes due June 3, 2013. As a result of applying the net proceeds to refinance existing indebtedness, the net debt position of the Company remained substantially unchanged.

(in thousands of Canadian dollars, except per share data)

7. DEBT (continued)

The following table provides a summary of the Company's long-term debt:

	Face Value	Maturity	June 15, 2013	December 29, 2012	June 16, 2012	January 1, 2012
Medium-term notes						
Series 2 Notes - 4.99%	$ 450,000	June 2013	**$ —**	$ 449,798	$ 449,529	$ 449,298
Series 3 Notes - 4.80%	250,000	January 2012	**—**	—	—	249,971
Series 4 Notes - 5.19%	250,000	January 2014	**249,738**	249,531	249,289	249,081
Series 5 Notes - 2.01%	225,000	May 2016	**224,051**	—	—	—
Series 6 Notes - 2.36%	275,000	May 2018	**273,509**	—	—	—
			747,298	699,329	698,818	948,350
Less: current portion of long-term debt			**(249,738)**	(449,798)	(449,529)	(249,971)
			497,560	249,531	249,289	698,379
Revolving term facility	725,000	December 2016	**—**	—	—	152
Less: financing costs			**(2,222)**	(2,522)	(2,520)	(2,856)
			(2,222)	(2,522)	(2,520)	(2,704)
Total long-term debt			**$ 495,338**	$ 247,009	$ 246,769	$ 695,675

Minimum Repayments

Future minimum required repayments of long-term debt are as follows:

Medium-term notes	
2014 - Series 4	250,000
2016 - Series 5	225,000
2018 - Series 6	275,000
	$ 750,000

(in thousands of Canadian dollars, except per share data)

8. FINANCIAL INSTRUMENTS

Equity Forward Derivative

The Company entered into a cash-settled equity forward agreement to limit its exposure to future price changes in the Company's share price for the Company's RSUs granted in 2011. The agreement will mature in December 2013. A percentage of the equity forward derivative, related to unearned RSUs, has been designated as a hedge. The earnings or expense arising from the use of this instrument is recognized in operating and administrative expenses in the condensed consolidated financial statements in the period in which it occurs.

Based on the market values of the equity forward agreement, the Company recognized the derivative balances at fair value as follows:

	June 15, 2013	December 29, 2012	June 16, 2012	January 1, 2012
Other assets	**$ 436**	$ 85	$ —	$ —
Accounts payable and accrued liabilities	**—**	—	(1,168)	(794)
Other long-term liabilities	**—**	—	(426)	(122)
Total asset (liability) recognized	**$ 436**	$ 85	$ (1,594)	$ (916)

During the 12 and 24 weeks ended June 15, 2013 and June 16, 2012, the Company assessed that the percentage of the equity forward derivative in place related to unearned units under the RSU Plan was an effective hedge for its exposure to future changes in the market price of its common shares in respect of the unearned units.

Fair Value of Financial Instruments

The fair value of of the equity forward derivative is classified within Level 2 of the fair value hierarchy and is determined based on current market rates and on information received from the Company's counterparties to the agreement. The primary valuation input for the equity forward derivative is the Company's common share price.

Cash, accounts receivable, deposits, bank indebtedness, commercial paper, accounts payable and accrued liabilities and dividends payable are financial assets or liabilities that are carried at other than fair value in the condensed consolidated balance sheets. The fair values of these financial assets and liabilities approximate their carrying values at June 15, 2013, December 29, 2012, June 16, 2012 and January 1, 2012 due to their short-term maturities. The fair values of long-term receivables, the revolving term facility and other long-term liabilities approximate their carrying values at June 15, 2013, December 29, 2012, June 16, 2012 and January 1, 2012 due to the current market rates associated with these instruments.

The fair values of the Company's medium-term notes compared to the carrying values as at each balance sheet date are as follows:

	June 15, 2013	December 29, 2012	June 16, 2012	January 1, 2012
Fair value	**$ 753,288**	$ 715,430	$ 727,743	$ 984,442
Carrying value	**$ 750,000**	$ 700,000	$ 700,000	$ 950,000

The difference between the fair values and the carrying values (excluding transaction costs) is due to net decreases in market interest rates for similar instruments, and the fair values are classified within Level 2 of the fair value hierarchy. The fair values of the medium-term notes are determined by discounting the associated future cash flows using current market rates for items of similar risk.

(in thousands of Canadian dollars, except per share data)

9. SHARE CAPITAL

Normal Course Issuer Bid

On February 7, 2013, the Company renewed its normal course issuer bid providing for the repurchase and cancellation of up to 10,200,000 of its common shares, representing approximately 5.0% of the Company's then outstanding common shares. Repurchases will be effected through the facilities of the Toronto Stock Exchange ("TSX") and may take place over a 12-month period ending no later than February 14, 2014. Repurchases will be made at market prices in accordance with the requirements of the TSX. The Company has entered into an automatic purchase plan with its designated broker to allow for purchases of its common shares during certain pre-determined black-out periods, subject to certain parameters as to price and number of shares. Outside of these pre-determined black-out periods, shares will be purchased at the Company's discretion, subject to applicable law. The Company's previous normal course issuer bid, which was implemented on February 9, 2012 and expired on February 14, 2013, provided for the repurchase and cancellation of up to 10,600,000 of its common shares, representing approximately 5.0% of the Company's then outstanding common shares.

The following table provides a summary of the Company's normal course issuer bid activity:

	For the 12 weeks ended		For the 24 weeks ended	
	June 15, 2013	June 16, 2012	**June 15, 2013**	June 16, 2012
Number of common shares purchased and cancelled	**1,890,000**	2,155,900	**3,899,400**	3,975,600
Cost of common shares purchased and cancelled	**$ 85,877**	$ 90,052	**$ 171,491**	$ 164,984
Premium paid over the average book value of shares repurchased and charged to retained earnings	**$ 72,622**	$ 74,966	**$ 144,164**	$ 137,167
Treasury shares cancelled and charged to share capital and retained earnings	**331,700**	1,283,000	**—**	115,900
Cost of treasury shares cancelled during the period	**$ 14,319**	$ 53,249	**$ —**	$ 4,735

				As at
	June 15, 2013	December 29, 2012	June 16, 2012	January 1, 2012
Number of additional common shares purchased and recorded as treasury shares in Shareholders' equity	**150,000**	—	147,400	115,900
Cost of additional common shares purchased and recorded as treasury shares in Shareholders' equity	**$ 6,713**	$ —	$ 5,877	$ 4,735

(in thousands of Canadian dollars, except per share data)

9. SHARE CAPITAL (continued)

Dividends

On July 18, 2013, the Board of Directors declared a dividend of 28.5 cents per common share payable October 15, 2013 to shareholders of record as of the close of business on September 30, 2013.

The following table provides a summary of the dividends declared by the Company in 2012 and 2013:

Declaration Date	Record Date	Payment Date	Dividend per Common Share
February 7, 2013	March 28, 2013	April 15, 2013	$ 0.285
April 24, 2013	June 28, 2013	July 15, 2013	0.285
July 18, 2013	September 30, 2013	October 15, 2013	0.285
February 9, 2012	March 30, 2012	April 13, 2012	$ 0.265
April 26, 2012	June 29, 2012	July 13, 2012	0.265
July 19, 2012	September 28, 2012	October 15, 2012	0.265
November 13, 2012	December 31, 2012	January 15, 2013	0.265

(in thousands of Canadian dollars, except per share data)

10. EARNINGS PER COMMON SHARE

Basic Net Earnings per Common Share

The calculation of basic net earnings per common share at June 15, 2013 was based on net earnings for the 12 and 24 weeks ended June 15, 2013 of $146,948 and $266,401 (2012: $145,279 and $264,079) and a weighted average number of shares outstanding (basic) of 201,540,390 and 202,685,543 (2012: 209,500,383 and 210,669,743). The weighted average number of shares outstanding (basic) is calculated as follows:

Weighted Average Shares Outstanding (Basic)

	12 weeks ended		24 weeks ended	
	June 15, 2013	June 16, 2012	**June 15, 2013**	June 16, 2012
Issued shares, beginning of the period	**202,793,496**	211,822,997	**204,451,788**	212,475,597
Effect of share options exercised	**36,392**	6,463	**34,618**	3,232
Effect of treasury shares cancelled	**(331,700)**	(1,283,000)	**—**	(115,900)
Effect of shares repurchased	**(957,798)**	(1,046,077)	**(1,800,863)**	(1,692,518)
Effect of share purchase loans	**—**	—	**—**	(668)
Weighted average number of shares outstanding, end of the period	**201,540,390**	209,500,383	**202,685,543**	210,669,743

Diluted Net Earnings per Common Share

The calculation of diluted net earnings per common share at June 15, 2013 was based on net earnings for the 12 and 24 weeks ended June 15, 2013 of $146,948 and $266,401 (2012: $145,279 and $264,079) and a weighted average number of shares outstanding after adjusting for the effects of all dilutive potential shares of 201,582,069 and 202,706,383 (2012: 209,530,968 and 210,696,410). The weighted average number of shares outstanding (diluted) is calculated as follows:

Weighted Average Shares Outstanding (Diluted)

	12 weeks ended		24 weeks ended	
	June 15, 2013	June 16, 2012	**June 15, 2013**	June 16, 2012
Weighted average number of shares outstanding (basic), end of the period	**201,540,390**	209,500,383	**202,685,543**	210,669,743
Potentially dilutive share options	**41,679**	30,585	**20,840**	26,667
Weighted average number of shares outstanding (diluted), end of the period	**201,582,069**	209,530,968	**202,706,383**	210,696,410

The average market value of the Company's shares for purposes of calculating the effect of dilutive stock options was based on quoted market prices for the period that the stock options were outstanding. Anti-dilutive stock options have been excluded.

(in thousands of Canadian dollars, except per share data)

11. SHARE-BASED PAYMENTS

The Company established stock option and other share-based payment plans for certain employees and members of its Board of Directors, as described in Note 26 to the Company's 2012 annual consolidated financial statements.

During the 12 and 24 weeks ended June 15, 2013, the Company recognized the following compensation expense associated with stock options issued under the employee and director plans in operating and administrative expenses:

	12 weeks ended		24 weeks ended	
Net expenses associated with:	**June 15, 2013**	June 16, 2012	**June 15, 2013**	June 16, 2012
Options granted in 2010	**$ —**	$ 15	**$ —**	$ 30
Options granted in 2011	**69**	147	**138**	295
Options granted in 2012	**33**	106	**66**	211
Options granted in 2013	**225**	—	**449**	—
Total net expenses recognized in operating and administrative expenses	**$ 327**	$ 268	**$ 653**	$ 536

Employee Stock Option Plan

Options issued to certain employees have an exercise price per share of no less than the fair market value on the date of the option grant. These options include awards for shares that vest based on the passage of time, performance criteria, or both.

The following is a summary of the status of the employee Share Incentive Plan ("share plan") and changes to it during the current and prior financial periods:

				24 weeks ended
	June 15, 2013		June 16, 2012	
	Options on common shares	**Weighted average exercise price per share**	Options on common shares	Weighted average exercise price per share
Outstanding, beginning of period	403,445	$ 41.42	380,877	$ 40.23
Granted	286,682	41.95	138,543	40.21
Exercised	(22,146)	34.50	(30,373)	23.79
Expired	(26,023)	44.09	—	—
Outstanding, end of period	**641,958**	**$ 41.79**	489,047	$ 41.25
Options exercisable, end of period	**151,008**	**$ 41.78**	108,329	$ 40.38

					June 15, 2013
	Outstanding Options			**Exercisable Options**	
Range of exercise prices	**Number of options outstanding**	**Weighted average contractual life (years)**	**Weighted average exercise price per share**	**Number of exercisable options**	**Weighted average exercise price per share**
$29.30 - $36.41	6,908	1.33	$ 35.48	6,908	$ 35.48
$40.21 - $44.09	635,050	5.87	41.85	144,100	42.09
	641,958	5.82	$ 41.79	151,008	$ 41.78

(in thousands of Canadian dollars, except per share data)

11. SHARE-BASED PAYMENTS (continued)

Options granted

In February 2013 and 2012, the Company granted awards of time-based options under the share plan to certain senior management, with one-third of such options vesting each year.

The following assumptions were used in the Black-Scholes option-pricing model to calculate the fair value for those options granted:

	February, 2013	February, 2012
Fair value per unit at grant date	**$ 5.55**	$ 5.40
Share price	**$ 41.95**	$ 40.21
Exercise price	**$ 41.95**	$ 40.21
Valuation assumptions:		
Expected life	**5 years**	5 years
Expected dividends	**2.72%**	2.64%
Expected volatility (based on historical share price volatility)	**19.90%**	19.79%
Risk-free interest rate (based on government bonds)	**1.48%**	1.50%

Upon the termination of an option holder's employment, all unexercisable options expire immediately and exercisable options expire within 180 days of the date of termination. The share plan provides that the Company may pay, in cash, certain terminated option holders the appreciated value of the options to cancel exercisable options.

Subject to certain prior events of expiry, such as termination of employment for cause, all exercisable options expire on the seventh anniversary of the date of grant.

Director Stock Option Plan

A summary of the status of the director stock option plan and changes during the 24 weeks ended June 15, 2013 and June 16, 2012 are presented below:

			24 weeks ended	
	June 15, 2013		June 16, 2012	
	Options on common shares	**Weighted average exercise price per share**	Options on common shares	Weighted average exercise price per share
Outstanding, beginning of financial year	346,000	$ 40.38	346,000	$ 40.38
Exercised	(46,000)	41.80	—	—
Forfeited/cancelled including repurchased	—	—	—	—
Outstanding, end of financial year	**300,000**	**$ 40.16**	346,000	$ 40.38
Options exercisable, end of financial year	**300,000**	**$ 40.16**	346,000	$ 40.38

(in thousands of Canadian dollars, except per share data)

11. SHARE-BASED PAYMENTS (continued)

	June 15, 2013		
	Outstanding and Exercisable Options		
Exercise price	Number of options outstanding	Weighted average contractual life (years)	Weighted average exercise price per share
$26.95	60,000	0.31	$ 26.95
$41.80	60,000	2.10	41.80
$44.02	180,000	2.66	44.02
	300,000	2.08	$ 40.16

Restricted Share Unit Plan

In February 2013 and 2012, the Company made grants of restricted share units ("RSUs") under the Company's restricted share unit plan ("RSU Plan") and, for certain senior management, grants of RSUs combined with grants of stock options under the Company's share plan.

During the 12 and 24 weeks ended June 15, 2013, the Company awarded nil and 387,747 RSUs (2012: nil and 280,106 RSUs) at a grant date fair value of $41.95 (2012: $40.21), which vest 100% after three years.

As at June 15, 2013, there were 748,792 RSUs outstanding (December 29, 2012: 386,798 RSUs; June 16, 2012: 641,295 RSUs; January 1, 2012: 381,380 RSUs).

During the 12 and 24 weeks ended June 15, 2013, the Company recognized compensation expense of $2,095 and $4,249 (2012: $1,631 and $3,174) associated with the RSUs granted during the period.

The Company entered into a cash-settled equity forward agreement to limit its exposure to future price changes in the Company's share price for the Company's RSUs granted in 2011. The agreement will mature in December 2013. A percentage of the equity forward derivative, related to unearned RSUs, has been designated as a hedge.

(in thousands of Canadian dollars, except per share data)

12. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	12 weeks ended		24 weeks ended	
	June 15, 2013	June 16, 2012	**June 15, 2013**	June 16, 2012
Accounts receivable	**$ 1,625**	$ 23,776	**$ 19,930**	$ 44,683
Inventory	**(602)**	(817)	**61,052**	50,791
Prepaid expenses	**(9,961)**	(10,355)	**(23,994)**	(22,607)
Accounts payable and accrued liabilities	**(405)**	56,103	**(221,032)**	(147,138)
	$ (9,343)	$ 68,707	**$ (164,044)**	$ (74,271)

13. SUBSEQUENT EVENTS

(a) On July 9, 2013, the Ontario Superior Court of Justice certified as a class proceeding portions of the action brought by two of the Company's licensed Associate-owners, claiming various declarations and damages on behalf of a class comprised of all of the Company's current and former licensed Associate-owners resident in Canada, other than in Québec, who are or were parties to the Company's 2002 and 2010 forms of Associate Agreement. The Company continues to believe that the claim is without merit and will vigorously defend the claim. Further information regarding the claim is included in Note 22 in the Company's 2012 annual consolidated financial statements.

(b) On July 15, 2013, Loblaw Companies Limited ("Loblaw") and the Company announced that they had entered into a definitive agreement under which Loblaw will acquire all of the outstanding common shares of the Company for $33.18 in cash and 0.5965 Loblaw common shares for each common share of the Company, on a fully pro-rated basis. The transaction will be carried out by way of a court-approved plan of arrangement and will require the approval of at least 66 2/3% of the votes cast by the shareholders of the Company at a special meeting expected to take place in September 2013. Under applicable TSX rules, the transaction also requires the approval of Loblaw shareholders by majority vote. Loblaw's controlling shareholder, George Weston Limited ("Weston"), has entered into a voting agreement in support of the transaction and Loblaw expects that the TSX will accept Weston's agreement to support the transaction as evidence of shareholder approval. The transaction is also subject to compliance with the Competition Act and certain other customary closing conditions. Loblaw and the Company anticipate that the transaction will be completed within six to seven months. In accordance with the terms of the Arrangement Agreement, the Company has ceased all activity under its normal course issuer bid for the repurchase and cancellation of its common shares as described in Note 9 to these condensed consolidated financial statements.

Earnings Coverage Exhibit to the Condensed Consolidated Financial Statements

52 weeks ended June 15, 2013:		
Earnings coverage ratio	15.01	times

The earnings coverage ratio is equal to earnings (before finance expenses and income taxes) divided by finance expenses. Finance expenses include finance expense capitalized to property and equipment.