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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL" or the "Company") should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes on pages 63 to 139 of this Annual Report. The Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") as issued by the International Accounting Standards Board ("IASB"). The audited annual consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars, except where otherwise noted.

Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. Non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. See Section 19, "Non-GAAP Financial Measures", of this MD&A for more information on the Company's non-GAAP financial measures.

A glossary of terms and ratios used throughout this Annual Report can be found beginning on page 142.

The information in this MD&A is current to March 2, 2016, unless otherwise noted.

1. FORWARD-LOOKING STATEMENTS

This Annual Report for the Company, including this MD&A, 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 Annual Report include, but are not limited to, statements with respect to the Company's anticipated future results, events and plans, synergies and other anticipated benefits associated with the acquisition of Shoppers Drug Mart Corporation ("Shoppers Drug Mart"), future liquidity, planned capital investments, and status and impact of information technology ("IT") systems implementation. These specific forward-looking statements are contained throughout this Annual Report including, without limitation, in Section 3, "Strategic Framework", Section 7, "Liquidity and Capital Resources", Section 18, "Outlook", and Section 19, "Non-GAAP Financial Measures". Forward-looking statements are typically identified by words such as "expect", "anticipate", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may", "maintain", "achieve", "grow", 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 2016 is based on certain assumptions including assumptions about sales and volume growth, 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 13, "Enterprise Risks and Risk Management", of this MD&A and the Company's Annual Information Form ("AIF") for the year ended December 31, 2015. Such risks and uncertainties include:

- changes to the regulation of generic prescription drug prices, the reduction of reimbursements under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business, or the occurrence of any internal or external security breaches, denial of service attacks, viruses, worms and other known or unknown cybersecurity or data breaches;
- failure to realize benefits from investments in Loblaw Companies Limited's ("Loblaw") new IT systems;

- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- public health events including those related to food and drug safety;
- failure by Loblaw to realize the anticipated strategic benefits associated with the acquisition of Shoppers Drug Mart;
- the inability of the Company to effectively develop and execute its strategy;
- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies associated with the Company's major initiatives, including those from restructuring;
- failure by Loblaw's franchisees or Shoppers Drug Mart licensees ("Associates") to operate in accordance with prescribed procedures or standards, or disruptions to Loblaw's relationship with its franchisees or Associates;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- changes in the Company's income, capital, commodity, property and other tax and regulatory liabilities, including changes in tax laws, regulations or future assessments;
- reliance on the performance and retention of third-party service providers, including those associated with the Company's supply chain and Loblaw's apparel business;
- issues with vendors in both advanced and developing markets;
- 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;
- failure to merchandise effectively or in a manner that is responsive to customer demand;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- the inability of the Company to anticipate, identify and react to consumer and retail trends;
- changes in economic conditions, including economic recession or changes in the rate of inflation or deflation, employment rates, changes in interest rates, currency exchange rates and derivative and commodity prices;
- the impact of potential environmental liabilities; and
- the inability of Loblaw to collect on or 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 "Operating and Financial Risks and Risk Management" in the Company's AIF for the year ended December 31, 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 Annual Report. 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.

2. OVERVIEW

GWL is a Canadian public company, founded in 1882. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash, short term investments and a direct investment in Choice Properties Real Estate Investment Trust ("Choice Properties"). The Loblaw operating segment includes retail businesses, a bank and Choice Properties. Loblaw provides Canadians with grocery, pharmacy, health and beauty, apparel, general merchandise, retail banking, credit card services, insurance and wireless mobile products and services. Loblaw also holds an 83.0% effective interest in Choice Properties, which owns, leases and manages income-producing commercial properties. The Weston Foods operating segment includes a leading fresh bakery business in Canada and frozen, artisan bakery and biscuit businesses throughout North America.

3. STRATEGIC FRAMEWORK

The Company employs various operating and financial strategies, driven by each of its reportable operating segments.

Weston Foods' strategy is focused on continuing to drive financial performance within its core business, investing in targeted areas of growth to build capabilities and positioning the business for sustainable, long term growth and profitability. As part of its strategic framework, Weston Foods will:

- continue to drive operational excellence and realize productivity gains;
- drive growth through innovation and product development, meeting the evolving needs of consumers and customers;
- invest in assets and infrastructure to support its core business and pursue growth in targeted areas;
- enhance the capabilities and leadership within the organization, driving a high-performance culture; and
- continue to evaluate the market for new opportunities to increase market penetration and expand its presence, organically, through partnerships or acquisitions.

Loblaw's strategic framework is anchored by its purpose of "*Live Life Well*" and its commitment to produce industry leading financial results through operational excellence. At the core of this framework is focus on the customer – by providing the best in food experience and the best in health and beauty.

Achieving a "best in food" experience is driven by the desire to lead in fresh selection, drive sustainable and competitive pricing and provide customized assortments across its banners. Achieving "best in health and beauty" is driven by Loblaw putting its pharmacy customers first, its desire to provide high quality health and wellness products, a diverse and differentiated beauty offering and convenient locations and hours of operation to meet individuals' wellness needs.

Loblaw's operational excellence goals include driving efficiencies and realizing operating synergies from its retail businesses. This includes product innovation, development of its emerging businesses and loyalty program initiatives. Loblaw is also focused on continued growth from President's Choice Financial Services and Choice Properties segments.

Weston Foods and Loblaw each have their own risk profiles and operating risk management strategies. The success of these and other plans and strategies discussed in this MD&A may be affected by risks and uncertainties, including those described in Section 13, "Enterprise Risks and Risk Management" of this MD&A and in the Company's AIF for the year ended December 31, 2015.

4. KEY FINANCIAL PERFORMANCE INDICATORS

The Company has identified specific key financial performance indicators to measure the progress of short and long term objectives. Certain key financial performance indicators are set out below:

Key Financial Performance Indicators[2]

($ millions except where otherwise indicated) As at or for the years ended December 31	**2015** **(52 weeks)**	2014[4] (53 weeks)
Sales	**$ 46,894**	$ 43,918
Sales excluding 53rd week	***$ 46,894***	*$ 43,109*
Loblaw Retail gross profit[i]	**$ 11,689**	$ 9,734
Retail gross profit excluding 53rd week	***$ 11,689***	*$ 9,534*
Adjusted EBITDA[1]	**$ 3,826**	$ 3,530
Adjusted EBITDA[1] excluding 53rd week	***$ 3,826***	*$ 3,453*
Adjusted EBITDA margin[1]	**8.2%**	8.0%
Net earnings attributable to shareholders of the Company	**$ 527**	$ 126
Net earnings available to common shareholders of the Company	**$ 483**	$ 82
Net earnings available to common shareholders of the Company excluding 53rd week[ii]	***$ 483***	*$ 53*
Adjusted net earnings available to common shareholders of the Company[1]	**$ 717**	$ 680
Adjusted net earnings available to common shareholders of the Company[1] excluding 53rd week[ii]	***$ 717***	*$ 651*
Basic net earnings per common share ($)	**$ 3.78**	$ 0.64
Basic net earnings per common share ($) excluding 53rd week[ii]	***$ 3.78***	*$ 0.41*
Adjusted basic net earnings per common share[1] ($)	**$ 5.61**	$ 5.32
Adjusted basic net earnings per common share[1] ($) excluding 53rd week[ii]	***$ 5.61***	*$ 5.09*
Cash and cash equivalents, short term investments and security deposits	**$ 2,667**	$ 2,497
Cash flows from operating activities	**$ 3,367**	$ 2,851
Free cash flow[1]	**$ 1,280**	$ 1,033
Total debt	**$ 13,154**	$ 13,875
Adjusted return on average equity attributable to common shareholders of the Company	**10.7%**	11.4%
Adjusted return on capital	**10.6%**	12.3%

(i) Retail gross profit in 2015 includes a charge of $4 million (2014 – $190 million) related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw, $46 million related to the impairment of Loblaw drug retail ancillary assets held for sale and a charge of $8 million related to Loblaw apparel inventory. In addition, retail gross profit in 2014 includes a charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

5. OVERALL FINANCIAL PERFORMANCE

5.1 CONSOLIDATED RESULTS OF OPERATIONS

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014[4] (53 weeks)	$ Change	% Change
Sales	**$ 46,894**	**$ 43,918**	**$ 2,976**	**6.8 %**
Sales excluding 53rd week	***$ 46,894***	*$ 43,109*	*$ 3,785*	*8.8 %*
Adjusted EBITDA[1]	**$ 3,826**	$ 3,530	$ 296	8.4 %
Adjusted EBITDA[1] excluding 53rd week	***$ 3,826***	*$ 3,453*	*$ 373*	*10.8 %*
Adjusted EBITDA margin[1]	**8.2%**	8.0%		
Depreciation and amortization[i]	**$ 1,686**	$ 1,542	$ 144	9.3 %
Net interest expense and other financing charges	**$ 681**	$ 815	$ (134)	(16.4)%
Adjusted net interest expense and other financing charges[1]	**$ 585**	$ 566	$ 19	3.4 %
Income taxes	**$ 384**	$ 24	$ 360	1,500.0 %
Adjusted income taxes[1]	**$ 571**	$ 479	$ 92	19.2 %
Adjusted income tax rate[1]	**27.2%**	26.0%		
Net earnings	**$ 864**	**$ 134**	**$ 730**	**544.8 %**
Net earnings attributable to shareholders of the Company	**$ 527**	**$ 126**	**$ 401**	**318.3 %**
Net earnings available to common shareholders of the Company	**$ 483**	**$ 82**	**$ 401**	**489.0 %**
Net earnings available to common shareholders of the Company excluding 53rd week[ii]	***$ 483***	*$ 53*	*$ 430*	*811.3 %*
Adjusted net earnings available to common shareholders of the Company[1]	**$ 717**	$ 680	$ 37	5.4 %
Adjusted net earnings available to common shareholders of the Company[1] excluding 53rd week[ii]	***$ 717***	*$ 651*	*$ 66*	*10.1 %*
Basic net earnings per common share ($)	**$ 3.78**	**$ 0.64**	**$ 3.14**	**490.6 %**
Basic net earnings per common share ($) excluding 53rd week[ii]	***$ 3.78***	*$ 0.41*	*$ 3.37*	*822.0 %*
Adjusted basic net earnings per common share[1] ($)	**$ 5.61**	$ 5.32	$ 0.29	5.5 %
Adjusted basic net earnings per common share[1] ($) excluding 53rd week[ii]	***$ 5.61***	*$ 5.09*	*$ 0.52*	*10.2 %*

(i) Depreciation and amortization includes $536 million (2014 – $417 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

As a result of the Company's reporting calendar, the fourth quarter and full year 2014 included an extra week of operations (the "53rd week") compared to 2015. The 53rd week of 2014 resulted in an additional $809 million of sales, $77 million of operating income, and estimated impacts on net earnings available to common shareholders and basic net earnings per common share of $29 million and $0.23 per share, respectively.

In the second quarter of 2014, Loblaw acquired all of the outstanding shares of Shoppers Drug Mart. As a result, the Company's 2015 results include Shoppers Drug Mart. In 2014, the Company's results include Shoppers Drug Mart beginning from the date of acquisition in the second quarter of 2014.

Net earnings available to common shareholders of the Company

Adjusted net earnings available to common shareholders of the Company[1] for 2015 were $717 million ($5.61 per common share) compared to $680 million ($5.32 per common share) in 2014, an increase of $37 million ($0.29 per common share). The increase included the negative year-over-year impact of the 53rd week of $29 million ($0.23 per common share). Excluding the 53rd week, adjusted net earnings available to common shareholders of the Company[1] increased $66 million ($0.52 per common share), primarily due to an increase in Loblaw earnings including the positive impact of the year-over-year contribution from Shoppers Drug Mart in the first quarter of 2015, partially offset by the impact of the reduction in the Company's ownership in Loblaw in the second quarter of 2014. In addition, the increase in adjusted net earnings available to common shareholders of the Company[1] included the following:

- consistent underlying operating performance at Loblaw, partially offset by a decline in the underlying operating performance at Weston Foods;
- a reduction in depreciation and amortization in Loblaw's Retail segment due to an increase in the estimated useful life of certain IT systems and lower depreciation on older IT, supply chain and other store assets, partially offset by an increase in depreciation and amortization at Weston Foods due to investments in capital;
- an increase in adjusted net interest expense and other financing charges[1] driven by higher interest on long term debt as a result of debt issuances by Choice Properties to third parties, partially offset by repayments on Loblaw's unsecured term loan facility, obtained in connection with the acquisition of Shoppers Drug Mart ("Acquisition Term Loan"); and
- an increase in the adjusted income tax rate[1] resulting from a 2% increase in the Alberta provincial statutory corporate income tax rate from 10% to 12% and other non-deductible items.

Net earnings available to common shareholders of the Company increased by $401 million ($3.14 per common share) to $483 million ($3.78 per common share) compared to 2014. The increase included the negative year-over-year impact of the 53rd week. Excluding the 53rd week, net earnings available to common shareholders of the Company increased $430 million ($3.37 per common share). In addition to the items described above, the increase in net earnings available to common shareholders of the Company included the year-over-year favourable net impact of the following significant items:

- the favourable impact of a charge incurred in 2014 of $798 million ($2.08 per common share) related to the fair value increment on the acquired inventory sold associated with the acquisition of Shoppers Drug Mart;
- the favourable impact of charges related to inventory measurement and other conversion differences related to the conversion of IT systems at Loblaw's corporate stores in the prior year of $190 million ($0.49 per common share), partially offset by a charge related to the conversion of Loblaw's franchise stores in 2015 of $33 million ($0.09 per common share);
- the favourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $173 million ($1.02 per common share);
- the favourable impact of higher foreign currency translation gains of $71 million ($0.45 per common share);

partially offset by,

- the unfavourable impact of restructuring and other related costs of $127 million ($0.41 per common share);
- the unfavourable impact of the impairment of Loblaw's drug retail business ancillary assets held for sale in 2015 of $112 million ($0.28 per common share);
- the unfavourable impact of Loblaw's accelerated finalization of transitioning of certain grocery stores to more cost effective and efficient operating terms under collective agreements ("Labour Agreements") of $55 million ($0.14 per common share); and
- the unfavourable impact of an increase in deferred tax expense as a result of the increase in the Alberta statutory corporate income tax rate of $45 million ($0.19 per common share).

Sales

($ millions except where otherwise indicated) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)	$ Change	% Change
Weston Foods	**$ 2,144**	$ 1,923	$ 221	11.5%
Loblaw	**$ 45,394**	$ 42,611	$ 2,783	6.5%
Intersegment	**$ (644)**	$ (616)	$ (28)	
Consolidated	**$ 46,894**	$ 43,918	$ 2,976	6.8%
53rd week		*$ (809)*		
Consolidated excluding 53rd week	**$ 46,894**	$ 43,109	$ 3,785	8.8%

The Company's 2015 consolidated sales were $46,894 million, an increase of $2,976 million compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $809 million. Excluding the 53rd week, the Company's consolidated sales increased $3,785 million impacted by each of its reportable operating segments as follows:

- Positively by 0.6% due to sales growth of 13.3% at Weston Foods. Sales included the positive impact of foreign currency translation of approximately 8.1%. Excluding the impact of foreign currency translation, sales increased by 5.2% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.

- Positively by 8.3% due to sales growth of 8.5% at Loblaw, primarily driven by Retail. Retail sales increased by $3,527 million, or 8.6%, and included the contribution from Shoppers Drug Mart of $2,596 million in the first quarter of 2015. Food retail (Loblaw) same-store sales growth was 1.9% and the food retail annual average internal food price index was moderately higher than the annual average national food price inflation of 4.1% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Drug retail (Shoppers Drug Mart) same-store sales growth was 4.3%.

Adjusted EBITDA[1]

($ millions except where otherwise indicated) For the years ended December 31	**2015** **(52 weeks)**	2014[4] (53 weeks)	$ Change	% Change
Weston Foods	**$ 285**	$ 311	$ (26)	(8.4)%
Loblaw	**$ 3,541**	$ 3,219	$ 322	10.0 %
Consolidated	**$ 3,826**	$ 3,530	$ 296	8.4 %
53rd week		*$ (77)*		
Consolidated excluding 53rd week	**$ 3,826**	$ 3,453	$ 373	10.8 %

The Company's 2015 adjusted EBITDA[1] increased by $296 million to $3,826 million compared to 2014 and included the negative year-over-year impact of the 53rd week of $77 million. Excluding the 53rd week, adjusted EBITDA[1] increased $373 million impacted by each of its reportable operating segments as follows:

- Negatively by 0.6% due to a decrease of 6.6% in adjusted EBITDA[1] at Weston Foods. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to investments in the business, new plant costs and higher input costs.
- Positively by 11.4% due to an increase of 12.5% in adjusted EBITDA[1] at Loblaw. The increase included the contribution from Shoppers Drug Mart in the first quarter of 2015. Excluding this contribution, the increase in adjusted EBITDA[1] was primarily driven by higher sales and the increase in Retail gross profit percentage, partially offset by an increase in selling, general and administrative expenses ("SG&A"). Adjusted EBITDA[1] was positively impacted by net synergies of $242 million (2014 – $101 million).

Depreciation and Amortization

($ millions except where otherwise indicated) For the years ended December 31	**2015** **(52 weeks)**	2014 (53 weeks)	$ Change	% Change
Weston Foods	**$ 94**	$ 70	$ 24	34.3 %
Loblaw	**$ 1,592**	$ 1,472	$ 120	8.2 %
Consolidated	**$ 1,686**	$ 1,542	$ 144	9.3 %

Depreciation and amortization in 2015 was $1,686 million, an increase of $144 million compared to 2014, and included $536 million (2014 – $417 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and $11 million (2014 – nil) of accelerated depreciation incurred by Weston Foods. Excluding these amounts, depreciation and amortization increased $14 million driven by:

- the contribution of Shoppers Drug Mart in the first quarter of 2015 of $60 million; and
- higher depreciation due to investments in capital at Weston Foods;

partially offset by,

- a decrease in depreciation and amortization in Loblaw's Retail segment due to an increase in the estimated useful life of certain IT systems, and lower depreciation on older IT, supply chain and other store assets.

Net Interest Expense and Other Financing Charges

($ millions) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)
Net interest expense and other financing charges	**$ 681**	$ 815
Add: Fair value adjustment of the Trust Unit liability	**(55)**	(12)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(26)**	(199)
Accelerated amortization of deferred financing costs	**(15)**	(23)
Shoppers Drug Mart net financing charges		(15)
Adjusted net interest expense and other financing charges[(1)]	**$ 585**	$ 566

Net interest expense and other financing charges decreased by $134 million to $681 million compared to 2014. Adjusted net interest expense and other financing charges[(1)] were $585 million, an increase of $19 million compared to 2014, primarily driven by:

- higher interest expense on long term debt as a result of debt issuances by Choice Properties to third parties and debt acquired with Shoppers Drug Mart;
- lower interest income on cash and cash equivalents and short term investments; and
- higher interest expense on Guaranteed Investment Certificates ("GICs") used to fund the growth of credit card receivables in Loblaw's Financial Services segment;

partially offset by,

- lower interest expense on long term debt due to repayments on Loblaw's Acquisition Term Loan and Loblaw's repayment of Medium Term Notes ("MTNs") in 2014; and
- lower interest expense due to the redemption of Loblaw's capital securities in 2015.

Income Taxes

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014[4] (53 weeks)
Income taxes	**$ 384**	$ 24
Add: Tax impact of items excluded from adjusted earnings before taxes[1](i)	**232**	455
Provincial income tax rate change	**(45)**	
Adjusted income taxes[1]	**$ 571**	$ 479
Effective income tax rate applicable to earnings before taxes	**30.8%**	15.2%
Adjusted income tax rate applicable to adjusted earnings before taxes[1]	**27.2%**	26.0%

(i) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table included in Section 19, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes[1].

The effective tax rate in 2015 was 30.8%, an increase of 15.6% compared to 2014. The increase was primarily attributable to:

- the increase in the current and deferred tax expense resulting from an increase in the Alberta statutory corporate income tax rate, as described below; and
- the non-deductible fair value loss (2014 – loss) on the Trust Unit liability.

The adjusted income tax rate[1] was 27.2%, an increase of 1.2% compared to 2014. The increase was primarily attributable to the increase in current tax resulting from a 2% increase in the Alberta provincial statutory corporate income tax rate from 10% to 12% and other non-deductible items.

In 2015, the Company recorded a charge of $45 million related to the remeasurement of its deferred tax liabilities as a result of the increase in the Alberta provincial statutory rate.

In 2015, Loblaw was reassessed by the Canada Revenue Agency ("CRA") and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron Bank Limited ("Glenhuron"), a wholly owned Barbadian subsidiary, should be treated and taxed as income in Canada. The reassessments were for the 2000 to 2010 taxation years totaling $341 million including interest and penalties as at the time of reassessment. Loblaw believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. Loblaw strongly disagrees with the CRA's position and has filed a Notice of Appeal. No amount for any reassessments has been provided for in the Company's consolidated financial statements. If the CRA were to ultimately prevail with respect to the proposed reassessment or if the CRA were to successfully pursue other reassessments, the outcome could have a material negative impact on the Company's reputation, results of operations and financial position in the year(s) of resolution.

5.2 SELECTED ANNUAL INFORMATION

The selected information presented below has been derived from and should be read in conjunction with the annual consolidated financial statements of the Company dated December 31, 2015 and 2014. The analysis of the data contained in the table focuses on the trends and significant events or items affecting the results of operations and financial condition of the Company over the latest three year period.

For the years ended December 31 ($ millions except where otherwise indicated)	**2015** **(52 weeks)**	2014[4] (53 weeks)	2013 (52 weeks)
Sales	**$ 46,894**	**$ 43,918**	**$ 33,582**
Sales excluding 53rd week	***$ 46,894***	*$ 43,109*	*$ 33,582*
Adjusted EBITDA[1]	**$ 3,826**	$ 3,530	$ 2,420
Adjusted EBITDA[1] excluding 53rd week	***$ 3,826***	*$ 3,453*	*$ 2,420*
Adjusted EBITDA margin[1]	**8.2%**	8.0%	7.2%
Depreciation and amortization[i]	**$ 1,686**	$ 1,542	$ 891
Net interest expense and other financing charges	**$ 681**	$ 815	$ 497
Adjusted net interest expense and other financing charges[1]	**$ 585**	$ 566	$ 403
Income taxes	**$ 384**	$ 24	$ 273
Adjusted income taxes[1]	**$ 571**	$ 479	$ 285
Adjusted income tax rate[1]	**27.2%**	26.0%	25.2%
Net earnings[ii]	**$ 864**	**$ 134**	**$ 904**
Net earnings from continuing operations attributable to shareholders of the Company[ii]	**$ 527**	**$ 126**	**$ 614**
Net earnings from continuing operations available to common shareholders of the Company[ii]	**$ 483**	**$ 82**	**$ 570**
Net earnings from continuing operations available to common shareholders of the Company excluding 53rd week[iii]	***$ 483***	*$ 53*	*$ 570*
Adjusted net earnings from continuing operations available to common shareholders of the Company[1][ii]	**$ 717**	$ 680	*$ 542*
Adjusted net earnings from continuing operations available to common shareholders of the Company[1] excluding 53rd week[ii][iii]	***$ 717***	*$ 651*	*$ 542*
Net earnings per common share ($) – basic			
Continuing operations	**$ 3.78**	**$ 0.64**	**$ 4.47**
Net earnings[ii]	**$ 3.78**	**$ 0.64**	**$ 4.93**
Basic net earnings per common share ($) excluding 53rd week[iii]	***$ 3.78***	*$ 0.41*	*$ 4.93*
Net earnings per common share ($) – diluted			
Continuing operations	**$ 3.74**	$ 0.64	$ 4.43
Net earnings[ii]	**$ 3.74**	$ 0.64	$ 4.89
Adjusted basic net earnings per common share from continuing operations[1] ($)	**$ 5.61**	$ 5.32	$ 4.25
Adjusted basic net earnings per common share from continuing operations[1] ($) excluding 53rd week[iii]	***$ 5.61***	*$ 5.09*	*$ 4.25*
Dividends declared per share type ($):			
Common shares	**$ 1.695**	$ 1.675	$ 1.625
Preferred shares – Series I	**$ 1.45**	$ 1.45	$ 1.45
Preferred shares – Series III	**$ 1.30**	$ 1.30	$ 1.30
Preferred shares – Series IV	**$ 1.30**	$ 1.30	$ 1.30
Preferred shares – Series V	**$ 1.19**	$ 1.19	$ 1.19

(i) Depreciation and amortization includes $536 million (2014 – $417 million; 2013 – nil) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil; 2013 – $4 million) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.
(ii) Net earnings and basic and diluted net earnings per common share in 2013 includes income related to discontinued operations of $58 million and $0.46, respectively.
(iii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

Consolidated results for the last three years were impacted by the initial public offering of Choice Properties in the third quarter of 2013, the acquisition of Shoppers Drug Mart in the second quarter of 2014, foreign currency exchange rates, and the 53rd week.

Sales Excluding the 53rd week, the Company's reportable operating segments had the following sales trends over the last three years:

- Weston Foods sales have been positively impacted by foreign currency translation and volume growth in both 2015 and 2014. The combined impact of pricing and changes in sales mix had a positive impact on sales in 2015 and a negative impact in 2014.
- Loblaw's Retail segment has driven the growth in Loblaw sales over the last three years, Retail segment sales have continued to grow in spite of the pressure of an intensely competitive retail market and an uncertain economic and regulatory environment. The acquisition of Shoppers Drug Mart positively impacted sales in both 2015 and 2014. Food retail same-store sales growth was 1.9% in 2015 (2014 – 2.0%). Drug retail same-store sales growth was 4.3% in 2015 (2014 – 2.6%).

Adjusted basic net earnings per common share from continuing operations[(1)] The Company's adjusted basic net earnings per common share[(1)] in 2015 and 2014 excluded a number of items described in Section 19, "Non-GAAP Financial Measures", of this MD&A. In 2013, adjusted basic net earnings per common share from continuing operations[(1)] also excluded items management excludes when assessing underlying operating performance.

Over the last three years, adjusted basic net earnings per common share from continuing operations[(1)] were impacted by:

- improvements in the underlying operating performance at Loblaw in both 2015 and 2014, driven by the Retail segment including the acquisition of Shoppers Drug Mart and the positive contribution from net synergies related to the acquisition;
- a decline in underlying operating performance at Weston Foods in 2015 and 2014. Despite an increase in sales, Weston Foods was negatively impacted by higher input costs, including the negative impact of foreign exchange, investments in the business and new plant costs;
- increases in depreciation and amortization in both of the Company's reportable operating segments in 2015 and 2014, primarily due to Loblaw's acquisition of Shoppers Drug Mart in 2014 and investments in capital at Weston Foods in 2015;
- an increase in adjusted net interest and other financing charges[(1)] in both 2015 and 2014 primarily as a result of interest on Loblaw's Acquisition Term Loan and debt issuances by Choice Properties to third parties;
- increases in the adjusted income tax rate[(1)] in both 2015 and 2014; and
- decrease in GWL's ownership interest in Loblaw in 2014 as a result of Loblaw's issuance of common shares as partial consideration for its acquisition of Shoppers Drug Mart. GWL's ownership of Loblaw was approximately 46% as at the end of 2015 (2014 – approximately 46%; 2013 – approximately 63%).

Total Assets and Long Term Financial Liabilities

($ millions)	Dec. 31, 2015	Dec. 31, 2014[i]	Dec. 31, 2013
		As at	
Total assets	**$ 37,802**	$ 37,146	$ 24,604
Total long term debt	**$ 12,276**	$ 12,726	$ 8,944
Capital securities[ii]		225	224
Trust Unit liability	**552**	494	478
Total long term financial liabilities	**$ 12,828**	$ 13,445	$ 9,646

(i) Certain 2014 figures have been restated. See note 5 of the Company's 2015 audited consolidated financial statements.
(ii) In 2014, capital securities became due within one year and were presented in current liabilities.

In 2015, total assets increased by 1.8% and total long term financial liabilities decreased by 4.6% compared to 2014. The increase in total assets was primarily due to investments in capital at both Weston Foods and Loblaw and the consolidation of Loblaw's franchisees. The decrease in total long term financial liabilities was primarily due to repayments on Loblaw's Acquisition Term Loan, partially offset debt issuances by Choice Properties to third parties.

In 2014, total assets and total long term financial liabilities increased by 51.0% and 39.4%, respectively, compared to 2013. These increases were primarily driven by the acquisition of Shoppers Drug Mart, including the issuance of debt, net of repayments, by Loblaw to finance the acquisition and debt issuances by Choice Properties to third parties.

6. RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion provides details of the 2015 results of operations of each of the Company's reportable operating segments.

6.1 WESTON FOODS OPERATING RESULTS

($ millions except where otherwise indicated) For the years ended December 31	2015 (52 weeks)	2014 (53 weeks)	$ Change	% Change
Sales	**$ 2,144**	$ 1,923	$ 221	11.5 %
Sales excluding 53rd week	***$ 2,144***	*$ 1,892*	*$ 252*	*13.3 %*
Adjusted EBITDA[1]	**$ 285**	$ 311	$ (26)	(8.4)%
Adjusted EBITDA[1] excluding 53rd week	***$ 285***	*$ 305*	*$ (20)*	*(6.6)%*
Adjusted EBITDA margin[1]	**13.3%**	16.2%		
Depreciation and amortization[i]	**$ 94**	$ 70	$ 24	34.3 %

(i) Depreciation and amortization includes $11 million (2014 – nil) of accelerated depreciation recorded as restructuring and other charges.

Sales Weston Foods sales in 2015 were $2,144 million, an increase of $221 million, or 11.5%, compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $31 million. Excluding the 53rd week, sales increased $252 million, or 13.3% and included the positive impact of foreign currency translation of approximately 8.1%. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 5.2% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.

Adjusted EBITDA[1] Weston Foods adjusted EBITDA[1] in 2015 was $285 million, a decrease of $26 million compared to 2014. The decrease included the negative year-over-year impact of the 53rd week of $6 million. Excluding the 53rd week, the decline in adjusted EBITDA[1] was $20 million. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to investments in the business, new plant costs and higher input costs.

Weston Foods adjusted EBITDA margin[(1)] was 13.3% compared to 16.2% in 2014. The decline in adjusted EBITDA margin[(1)] was due to the factors impacting adjusted EBITDA[(1)], as described above.

Depreciation and Amortization Weston Foods depreciation and amortization was $94 million in 2015, an increase of $24 million compared to 2014. Depreciation and amortization included $11 million (2014 – nil) of accelerated depreciation related to the planned closures of cake manufacturing facilities approved in 2015. Excluding this amount, the increase in 2015 was $13 million and was due to investments in capital.

Weston Foods Other Business Matters

Restructuring Weston Foods continuously evaluates strategic and cost reduction initiatives related to its manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing and in 2015, Weston Foods recorded restructuring and other charges of $26 million (2014 – $7 million), including $11 million (2014 – nil) of accelerated depreciation. These charges primarily relate to restructuring plans approved in 2015 to close three cake manufacturing facilities in Canada and the United States ("U.S."). Weston Foods expects that these closures will be completed by the end of the second quarter of 2016 with production transferring to other facilities.

6.2 LOBLAW OPERATING RESULTS

($ millions except where otherwise indicated) For the years ended December 31	**2015** **(52 weeks)**	2014[(4)] (53 weeks)	$ Change	% Change
Sales	**$ 45,394**	$ 42,611	$ 2,783	6.5%
Sales excluding 53rd week	***$ 45,394***	*$ 41,822*	*$ 3,572*	*8.5%*
Retail gross profit[(i)]	**$ 11,689**	$ 9,734	$ 1,955	20.1%
Retail gross profit[(i)] excluding 53rd week	***$ 11,689***	*$ 9,534*	*$ 2,155*	*22.6%*
Adjusted EBITDA[(1)]	**$ 3,541**	$ 3,219	$ 322	10.0%
Adjusted EBITDA[(1)] excluding 53rd week	***$ 3,541***	*$ 3,148*	*$ 393*	*12.5%*
Adjusted EBITDA margin[(1)]	**7.8%**	7.6%		
Depreciation and amortization[(ii)]	**$ 1,592**	$ 1,472	$ 120	8.2%

(i) Retail gross profit in 2015 includes a charge of $4 million (2014 – $190 million) related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw, $46 million related to the impairment of Loblaw drug retail ancillary assets held for sale and a charge of $8 million related to Loblaw apparel inventory. In addition, retail gross profit in 2014 includes a charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

(ii) Depreciation and amortization includes $536 million (2014 – $417 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales for 2015 were $45,394 million, an increase of $2,783 million compared to 2014, primarily driven by Retail. The increase in Retail sales included the negative year-over-year impact of the 53rd week of $789 million. Excluding the 53rd week, Retail sales increased by $3,527 million, or 8.6%, and included the contribution from Shoppers Drug Mart of $2,596 million in the first quarter of 2015. Food retail sales were $32,672 million in 2015 (2014 – $32,107 million) and drug retail sales were $11,797 million in 2015 (2014 – $8,835 million).

Excluding the 53rd week and the contribution from Shoppers Drug Mart in the first quarter of 2015, the increase in Retail sales was primarily due to the following factors:

- food retail same-store sales growth was 3.5%, after excluding gas bar (0.9%) and the negative impact of a change in distribution model by a tobacco supplier (0.7%). Including these impacts, food retail same-store sales growth was 1.9%. Loblaw's food retail annual average internal food price index was moderately higher than the annual average national food price inflation of 4.1% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores;

- drug retail same-store sales growth was 4.3%, including same-store pharmacy sales growth of 3.7% and same-store front store sales growth of 4.7%;
- during 2015, 47 food and drug stores were opened and 62 food and drug stores were closed, resulting in a decrease in Retail net square footage of 0.1 million square feet, or 0.1%, primarily driven by Loblaw's store closure plan announced during 2015. In the first quarter of 2015, Loblaw completed the divestitures pursuant to a Consent Agreement with the Competition Bureau related to the acquisition of Shoppers Drug Mart.

In 2014, Loblaw modified its fee arrangements with the franchisees of certain franchise banners. The modified arrangements resulted in a negative annual impact to food retail sales and gross profit of approximately $140 million, with an offsetting positive impact to SG&A. In 2016, Loblaw will implement these modified fee arrangements with the remaining franchise banners. In 2016, the incremental annual impact of modified fee arrangements to the remaining franchise banners is expected to result in a negative impact to food retail sales and gross profit of approximately $60 million, with an offsetting positive impact to SG&A.

Retail Gross Profit Loblaw Retail gross profit was $11,689 million, an increase of $1,955 million compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $200 million. Excluding the 53rd week, Retail gross profit increased $2,155 million, primarily due to higher sales, as described above, an increase in Retail gross profit percentage and the favourable year-over-year net impact of the following:
- the prior year charge of $798 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold; and
- the favourable year-over-year impact of $186 million related to inventory measurement and other conversion differences associated with the implementation of a perpetual inventory system at Loblaw;

partially offset by,
- a charge of $46 million related to the impairment of drug retail ancillary assets held for sale in the fourth quarter of 2015; and
- a charge of $8 million related to apparel inventory in the second quarter of 2015.

Excluding the 53rd week and the favourable year-over-year net impact of the items noted above, Retail gross profit increased by $1,225 million to $11,747 million and Retail gross profit percentage was 26.4% compared to 25.7% in 2014. The increase in Retail gross profit included:
- the contribution from Shoppers Drug Mart of $1,024 million in the first quarter of 2015; and
- a positive impact of 10 basis points due to the consolidation of franchises, as described below;

partially offset by,
- a negative impact of 30 basis points from the modifications to certain franchise fee arrangements, as described above.

Excluding these impacts, Retail gross profit percentage was 25.8% an increase of 10 basis point compared to 2014. The increase was due to:
- the achievement of operational synergies in both food and drug retail;

partially offset by,
- the decline in drug retail gross profit percentage due to the impact of healthcare reform.

Adjusted EBITDA[(1)] Loblaw adjusted EBITDA[(1)] was $3,541 million, an increase of $322 million compared to 2014. The increase included the negative year-over-year impact of the 53rd week of $71 million. Excluding the 53rd week, adjusted EBITDA[(1)] increased $393 million primarily driven by the increase in Retail gross profit, as described above, partially offset by an increase in Retail SG&A of $842 million. As a percentage of sales, SG&A increased by 50 basis points compared to 2014 and was impacted by:
- the contribution from Shoppers Drug Mart in the first quarter of 2015; and
- a positive impact of 30 basis points from the modifications to certain franchise fee arrangements;

partially offset by,
- a negative impact of 20 basis points due to the consolidation of franchises.

Excluding the above impacts, SG&A percentage was flat due to the following factors:
- higher store and store support costs; and
- unfavourable foreign exchange impacts;

offset by,
- favourable changes in the fair value of Loblaw's investments in its franchise business; and
- efficiencies achieved in food retail supply chain, administration and IT.

Depreciation and Amortization Loblaw depreciation and amortization was $1,592 million, an increase of $120 million compared to 2014 and included $536 million (2014 – $417 million) in amortization of intangible assets related to the acquisition of Shoppers Drug Mart. Excluding this amount, depreciation and amortization increased by $1 million, driven by the Retail segment including:
- the contribution of Shoppers Drug Mart in the first quarter of 2015 of $60 million;

partially offset by,
- an increase in the estimated useful life of certain IT systems; and
- lower depreciation on older IT, supply chain and other store assets.

Loblaw Other Business Matters

Impairment of Drug Retail Ancillary Assets Held for Sale During 2015, Loblaw commenced actively marketing the sale of certain assets of its Shoppers ancillary healthcare businesses. As a result, Loblaw recorded a charge of $112 million in the fourth quarter of 2015 associated with the write-down of the assets and other related restructuring charges. Of the $112 million charge, $46 million was recognized in Retail gross profit and the remainder in Retail SG&A. Subsequent to the end of 2015, Loblaw signed an agreement for the sale of certain of these assets. Loblaw expects the annualized impact of the divestitures to be a decrease in Retail sales of approximately $245 million and an increase in operating income of $14 million.

Inventory Measurement As of the end of 2015, Loblaw had completed the conversion of all of its franchised grocery stores to a new IT system that includes a perpetual inventory system. The remeasurement of inventory owned by the franchises as a result of implementing the system resulted in a decrease in inventory value of $33 million in the fourth quarter of 2015 and year-to-date. The remeasurement resulted in a charge of $4 million in Retail gross profit related to consolidated franchises and $29 million to Retail SG&A related to non-consolidated franchises.

Consolidation of Franchises In 2015, Loblaw implemented a new, simplified franchise agreement ("Franchise Agreement") for its franchised food retail stores. For financial reporting purposes, the franchise stores subject to the Franchise Agreement were consolidated. All new franchises will be subject to the Franchise Agreement. Existing franchises will be converted to the Franchise Agreement as their existing agreements expire. As at year end 2015, 85 franchises were consolidated and the impacts of the consolidation were as follows:

(unaudited) (millions of Canadian dollars)	**2015** **(12 Weeks)**	**2015** **(52 weeks)**
Sales	**$ 28**	**$ 56**
Retail gross profit	**32**	**58**
Adjusted EBITDA(1)	**(4)**	**(12)**
Depreciation and amortization	**3**	**5**
Net loss attributable to Non-Controlling Interest	**(3)**	**(9)**

Loblaw expects that the impact in 2016 of new and current consolidated franchises will be incremental Retail sales of approximately $320 million, an increase to adjusted EBITDA(1) of approximately $40 million and an increase in depreciation and amortization of approximately $20 million.

Closure of Certain Unprofitable Retail Locations In 2015, Loblaw finalized a plan that will result in the closure of 52 unprofitable retail locations across a range of banners and formats. Loblaw expects that the closures will be completed by the end of the second quarter of 2016. On an annualized basis, the closures will decrease sales by approximately $300 million but will result in a favourable impact of approximately $30 million to operating income and $5 million to depreciation and amortization.

The restructuring and other related costs associated with the plan are expected to total approximately $133 million. Loblaw recorded a recovery of $7 million in the fourth quarter of 2015 and a charge of $124 million year-to-date. The charge included $92 million for severance and lease termination costs and $39 million for asset impairments associated with these retail locations. Loblaw expects approximately $9 million to be recognized as the remaining stores close.

During 2015, 33 of the 52 planned Loblaw retail locations were closed.

Accelerated Finalization of Labour Agreements Over the past five years, Loblaw has been transitioning stores to more cost effective and efficient operating terms under Labour Agreements. Loblaw was committed to the transition and accordingly accelerated the finalization of these Labour Agreements for the majority of the remaining stores in the fourth quarter of 2015. Loblaw incurred a charge of approximately $55 million in Retail SG&A related to the completion of this process in the fourth quarter of 2015.

7. LIQUIDITY AND CAPITAL RESOURCES

7.1 CASH FLOWS

($ millions) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)	Change
Cash and cash equivalents, beginning of period	**$ 1,333**	$ 2,869	$ (1,536)
Cash flows from operating activities	**$ 3,367**	$ 2,851	$ 516
Cash flows used in investing activities	**$ (1,407)**	$ (5,584)	$ 4,177
Cash flows (used in) from financing activities	**$ (1,918)**	$ 1,172	$ (3,090)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 38**	$ 25	$ 13
Cash and cash equivalents, end of period	**$ 1,413**	$ 1,333	$ 80

Cash Flows from Operating Activities The year-over-year increase in cash inflows in 2015 was $516 million, primarily due to an improvement in Loblaw's non-cash working capital driven by a change in inventory, an increase in trade payables and other liabilities, and an increase in provisions.

Cash Flows used in Investing Activities The year-over-year decrease in cash outflows in 2015 was $4.2 billion, primarily due to cash used to fund the acquisition of Shoppers Drug Mart in 2014, partially offset by cash inflows from security deposits and short term investments in 2014 which were used to partially fund the acquisition, and higher capital investments at Loblaw and Weston Foods.

The following table summarizes the Company's year-to-date capital investments by each of its reportable operating segments:

($ millions) For the years ended December 31	**2015 (52 weeks)**	2014 (53 weeks)
Weston Foods	**$ 259**	$ 128
Loblaw	**1,241**	1,086
Total capital investments	**$ 1,500**	$ 1,214

Of Loblaw's capital investments in 2015 approximately 47% (2014 – 57%) was spent on retail operations, 34% (2014 – 27%) on IT and supply chain projects, 15% (2014 – 11%) on Choice Properties' development projects and 4% (2014 – 5%) on other infrastructure projects.

Loblaw expects to invest approximately $1.3 billion in capital investments in 2016. Approximately 44% of these funds are expected to be dedicated to investing in retail operations, 28% will be spent on IT and supply chain projects, 22% on Choice Properties' development projects and 6% on infrastructure and other projects.

Weston Foods expects to make capital investments of approximately $300 million in 2016.

Cash Flows (used in) from Financing Activities The year-over-year increase in cash outflows in 2015 was $3.1 billion, primarily due to Loblaw's net drawings on its Acquisition Term Loan in 2014 and its subsequent repayment in 2015, as described below, and Loblaw's redemption of capital securities which was partly offset by the cash proceeds from its issuance of preferred shares.

In 2015, significant long term debt transactions included:

- Loblaw's net repayments of $931 million on its unsecured term loan facilities;
- Loblaw's net repayment of $100 million senior and subordinated term notes by *Eagle Credit Card Trust*® ("*Eagle*"); and
- Choice Properties' issuances of $450 million aggregate principal amount of senior unsecured debentures.

In 2014, significant long term debt transactions included:

- Loblaw's full drawings on its $3.5 billion Acquisition Term Loan;
- Loblaw's replacement and subsequent sale of $1.5 billion of Choice Properties' transferor notes to third parties and use of proceeds and existing cash to repay $1.6 billion of its Acquisition Term Loan;
- Loblaw's repayments of $671 million of its Acquisition Term Loan;
- Loblaw's repayment of the outstanding $478 million balance on the Shoppers Drug Mart revolving bank credit facility;
- Loblaw's repayments of $450 million of MTNs upon maturity;
- Choice Properties' issuances of $450 million aggregate principal amount of senior unsecured debentures;
- GWL's issuance of a $200 million, 4.12% MTN; and
- GWL's repayment of a $200 million, 5.05% MTN upon maturity.

Free Cash Flow[1]

($ millions) For the years ended December 31	**2015** **(52 weeks)**	2014 (53 weeks)	Change
Free cash flow[1]	**$ 1,280**	$ 1,033	$ 247

The year-over-year increase in free cash flow[1] in 2015 was $247 million, primarily due to higher cash flows from operating activities, as described above, partially offset by higher capital investments at Loblaw and Weston Foods.

7.2 LIQUIDITY AND CAPITAL STRUCTURE

The Company (excluding Loblaw) expects that cash and cash equivalents, short term investments and future operating cash flows will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations over the next 12 months. The Company (excluding Loblaw) does not foresee any impediments in obtaining financing to satisfy its long term obligations.

Subsequent to year end 2015, the Company converted approximately $240 million U.S. dollars to Canadian dollars and recorded a gain of approximately $110 million in operating income.

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against committed credit facilities will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding requirements and financial obligations over the next 12 months. Choice Properties expects to obtain long term financing for the acquisition of accretive properties, primarily through the issuance of equity and unsecured debentures.

Loblaw and Choice Properties are required to comply with certain financial covenants for various debt instruments. As at year end 2015 and throughout the year, Loblaw and Choice Properties were in compliance with these covenants.

For details on the Company's cash flows, see Section 7.1, "Cash Flows", of this MD&A.

Deleveraging In 2015, Loblaw achieved its debt reduction target of $1.7 billion, established on the acquisition of Shoppers Drug Mart, by the net repayments on Loblaw's unsecured term loan facilities, the redemption of Loblaw's capital securities and Loblaw's repayment of a $350 million MTN at maturity, partially offset by the issuances of Choice Properties' $450 million senior unsecured debentures.

Total Debt The following table presents total debt, as monitored by management:

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Bank indebtedness	**$ 143**	$ 162
Short term debt	**1,086**	1,101
Long term debt due within one year	**1,348**	420
Long term debt	**10,928**	12,306
Certain other liabilities	**30**	28
Fair value of financial derivatives related to the above debt	**(381)**	(367)
Capital securities		225
Total debt	**$ 13,154**	$ 13,875

Management targets credit metrics consistent with those of an investment grade profile. The Company (excluding Loblaw) holds significant cash and cash equivalents and short term investments and as a result monitors its leverage on a net debt basis. The Company (excluding Loblaw) has total debt of $1,420 million (2014 – $1,393 million) and cash and cash equivalents and short term investments of $1,497 million (2014 – $1,385 million), resulting in a $77 million net cash position (2014 – $8 million net debt position).

As Loblaw's debt reduction target has been achieved, Loblaw's management is focused on managing total debt on a segmented basis to ensure that each of the operating segments are employing a capital structure that is appropriate for the industry in which it operates.

- Loblaw targets maintaining Retail segment credit metrics consistent with those of investment grade retailers. Loblaw monitors the Retail segment's debt to adjusted EBITDA[(1)] ratio as a measure of the leverage being employed. The Retail segment debt to adjusted EBITDA[(1)] ratio decreased primarily as a result of an increase in adjusted EBITDA[(1)] and the debt reduction progress in 2015.

- Choice Properties targets maintaining credit metrics consistent with those of investment grade Real Estate Investment Trusts ("REIT"). Choice Properties monitors metrics relevant to the REIT industry including targeting an appropriate debt to total assets ratio.

- President's Choice Bank's ("PC Bank") capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by the Office of the Superintendent of Financial Institutions. As at the end of 2015 and throughout the year, PC Bank has met all applicable regulatory requirements.

The following summarizes significant changes to the Company's total debt:

Loblaw Unsecured Term Loan Facilities In 2015, Loblaw obtained $250 million through an unsecured term loan facility bearing interest at a rate equal to the Bankers' Acceptance rate plus 1.13%, maturing March 30, 2019.

In connection with the financing of the acquisition of Shoppers Drug Mart, Loblaw obtained a $3.5 billion Acquisition Term Loan. During 2015, Loblaw repaid $1,181 million of the Acquisition Term Loan (2014 – $2,271 million), resulting in an outstanding balance of $48 million as at year end 2015 (2014 – $1,229 million).

Loblaw Capital Securities In 2015, Loblaw redeemed all of its outstanding 9.0 million, 5.95% non-voting Second Preferred Shares, Series A (authorized – 12.0 million), which were classified as other financial liabilities, for a face value of $225 million. The redemption was funded primarily through the proceeds received from the issuance of the Second Preferred Shares, Series B.

Medium Term Notes and Debentures The following table summarizes MTNs and debentures issued in 2015 and 2014:

($ millions)	Interest Rate	Maturity Date	**2015** **Principal Amount**	2014 Principal Amount
Choice Properties senior unsecured debentures[i]				
- Series E	2.30%	September 14, 2020	**$ 250**	
- Series F	4.06%	November 24, 2025	**200**	
- Series C	3.50%	February 8, 2021		$ 250
- Series D	4.29%	February 8, 2024		200
GWL MTN	4.12%	June 17, 2024		200
Shoppers Drug Mart MTN[ii]	2.01%	May 24, 2016		225
Shoppers Drug Mart MTN[ii]	2.36%	May 24, 2018		275
Total MTNs and Debentures issued			**$ 450**	$ 1,150

(i) Offerings were made under Choice Properties' Short Form Base Shelf Prospectus. Choice Properties used these proceeds to repay existing debt and for general business purposes.
(ii) Loblaw assumed these MTNs in connection with the acquisition of Shoppers Drug Mart.

Subsequent to year end 2015, Choice Properties entered into certain bond forward contracts with a notional value of $300 million and issued an early redemption notice for its $300 million Series 5 3.00% senior unsecured debentures at par effective March 7, 2016.

The following table summarizes MTNs repaid in 2014:

($ millions)	Interest Rate	Maturity Date	Principal Amount
GWL MTN	5.05%	March 10, 2014	$ 200
Loblaw MTN	6.00%	March 3, 2014	100
Loblaw MTN	4.85%	May 8, 2014	350
Total MTNs repaid			$ 650

There were no repayments in 2015.

Committed Credit Facilities The components of the committed lines of credit as at year end 2015 and 2014 were as follows:

	As at			
	Dec. 31, 2015		Dec. 31, 2014	
($ millions)	**Available**	**Drawn**	Available	Drawn
Loblaw's committed credit facility[(i)]	**$ 1,000**		$ 1,000	
Choice Properties' committed credit facility[(ii)]	**500**		500	$ 122
Committed Credit Facilities	**$ 1,500**		$ 1,500	$ 122

(i) In 2015, Loblaw amended its credit facility agreement to extend the maturity date to March 31, 2020, with all other terms and conditions remaining substantially the same.
(ii) In 2015, Choice Properties amended its credit facility agreement to extend the maturity date to July 5, 2020, with all other terms and conditions remaining substantially the same.

Short Form Base Shelf Prospectus ("Prospectus") In 2015, GWL filed a Prospectus allowing for the potential issuance of up to $1.0 billion of debentures and preferred shares, or any combination thereof over a 25-month period.

In 2015, Loblaw filed a Prospectus allowing for the potential issuance of up to $1.5 billion of debentures and preferred shares, or any combination thereof. The Prospectus expires in 2017. In 2015, Loblaw issued $225 million of preferred shares under this Prospectus.

In 2015, Choice Properties filed a Prospectus allowing for the potential issuance of up to $2.0 billion of Units and debt securities, or any combination thereof over a 25-month period.

Subsequent to year end 2015, Choice Properties filed a Prospectus Supplement (under its Prospectus dated October 14, 2015) regarding the issuance of (i) $250 million aggregate principal amount of Series G senior unsecured debentures, bearing interest at a rate of 3.196% per annum and maturing on March 7, 2023, and (ii) $100 million aggregate principal amount of Series H senior unsecured debentures, bearing interest at a rate of 5.268% per annum and maturing on March 7, 2046.

7.3 FINANCIAL CONDITION

	As at	
	Dec. 31, 2015	Dec. 31, 2014
Adjusted return on average equity attributable to common shareholders of the Company[(1)]	**10.7%**	11.4%
Adjusted return on capital[(1)]	**10.6%**	12.3%

The adjusted return on average equity attributable to common shareholders of the Company[(1)] and the adjusted return on capital[(1)] declined as at year end 2015 compared to year end 2014, as the full year contribution of Shoppers Drug Mart was more than offset by the post-acquisition capital being fully reflected.

7.4 CREDIT RATINGS

In 2015, Standard & Poor's reaffirmed credit ratings and outlook for GWL, Loblaw and Choice Properties. Also in 2015, Dominion Bond Rating Service ("DBRS") reaffirmed credit ratings and trends for GWL, Loblaw and Choice Properties.

The following table sets out the current credit ratings of GWL:

	DBRS		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Preferred shares	Pfd-3	Stable	P-3 (high)	n/a

The following table sets out the current credit ratings of Loblaw:

	DBRS		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Medium term notes	BBB	Stable	BBB	n/a
Other notes and debentures	BBB	Stable	BBB	n/a
Second Preferred shares, Series B	Pfd-3	Stable	P-3 (high)	n/a

In 2015, Loblaw's Second Preferred Shares, Series B were rated by DBRS and Standard & Poor's concurrent with their issuance.

The following table sets out the current credit ratings of Choice Properties:

	DBRS		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Issuer rating	BBB	Stable	BBB	Stable
Senior unsecured debentures	BBB	Stable	BBB	n/a

7.5 OTHER SOURCES OF FUNDING

Independent Securitization Trusts Loblaw, through PC Bank, participates in various securitization programs that provide a source of funds for the operation of its credit card business. PC Bank maintains and monitors the co-ownership interest in credit card receivables with independent securitization trusts, including *Eagle* and the Other Independent Securitization Trusts, in accordance with its financing requirements.

The following table summarizes the amounts securitized to independent securitization trusts:

	As at	
($ millions)	**Dec. 31, 2015**	Dec. 31, 2014
Securitized to independent securitization trusts:		
Securitized to *Eagle*	**$ 650**	$ 750
Securitized to the Other Independent Securitization Trusts	**550**	605
Total securitized to independent securitization trusts	**$ 1,200**	$ 1,355

In 2015, the five-year $350 million 3.58% senior and subordinated term notes issued by *Eagle* matured and were repaid. In addition, *Eagle* issued $250 million senior and subordinated term notes with a weighted average interest rate of 2.23% maturing on September 17, 2020. The notes issued by *Eagle* are MTNs, which are collateralized by PC Bank's credit card receivables.

In 2015, *Eagle* filed a Prospectus for the potential issuance of up to $1.0 billion of notes over a 25-month period.

In 2015, PC Bank recorded a $55 million net reduction of co-ownership interest in the securitized receivables held with the Other Independent Securitization Trusts. As at year end 2015, the corresponding short term debt was $550 million.

Letters of credit for the benefit of independent securitization trusts with respect to the securitization programs of PC Bank have been issued by major financial institutions. These standby letters of credit can be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit.

The aggregate gross potential liability under these arrangements for the Other Independent Securitization Trusts was $56 million (2014 – $61 million), which represented approximately 10% (2014 – 10%) of the securitized credit card receivables amount. As at year end 2015, the aggregate gross potential liability under these arrangements for *Eagle* was $36 million (2014 – $68 million), which represented approximately 6% (2014 – 9%) of the *Eagle* notes outstanding.

Under its securitization programs, PC Bank is required to maintain, at all times, a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability. PC Bank was in compliance with this requirement as at year end 2015 and throughout the year.

The undrawn commitments on facilities available from the Other Independent Securitization Trusts as at year end 2015 were $175 million (2014 – $120 million).

Independent Funding Trusts As at year end 2015, the independent funding trusts had drawn $529 million (2014 – $498 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. In 2014, Loblaw renewed the revolving committed credit facility and extended the maturity date to May 6, 2017, with all other terms and conditions remaining substantially the same.

Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts. As at year end 2015, Loblaw had provided a letter of credit in the amount of $53 million (2014 – $50 million) for the benefit of the independent funding trusts representing not less than 10% (2014 – 10%) of the principal amount of loans outstanding.

Guaranteed Investment Certificates The following table summarizes PC Bank's GIC activity, before commissions, for the years ended December 31, 2015 and December 31, 2014:

($ millions)	**2015**	2014
Balance, beginning of year	**$ 634**	$ 430
GICs issued	**211**	261
GICs matured	**(36)**	(57)
Balance, end of year	**$ 809**	$ 634

As at year end 2015, $112 million in GICs were recorded as long term debt due within one year (2014 – $29 million).

Associate Guarantee Loblaw has arranged for its Associates to obtain financing to facilitate their inventory purchases and fund their working capital requirements by providing guarantees to various Canadian chartered banks that support Associate loans. As at year end 2015, Loblaw's maximum obligation in respect of such guarantees was $570 million (2014 – $570 million), with an aggregate amount of $483 million (2014 – $476 million) in available lines of credit allocated to the Associates by the various banks. As at year end 2015, Associates had drawn an aggregate amount of $143 million (2014 – $162 million) against these available lines of credit. Any amounts drawn by the Associates are included in bank indebtedness on the Company's consolidated balance sheets. As recourse in the event that any payments are made under the guarantees, Loblaw holds a first-ranking security interest on all assets of Associates, subject to certain prior-ranking statutory claims.

7.6 SHARE CAPITAL

Outstanding Share Capital and Capital Securities GWL's outstanding share capital is comprised of common shares and preferred shares. The following table details the authorized and outstanding common shares and preferred shares as at December 31, 2015:

(number of common shares)		Authorized	Outstanding
Common shares		Unlimited	127,911,661
Preferred shares	– Series I	10,000,000	9,400,000
	– Series II	10,600,000	
	– Series III	10,000,000	8,000,000
	– Series IV	8,000,000	8,000,000
	– Series V	8,000,000	8,000,000

Common Share Capital Common shares issued are fully paid and have no par value. The following table summarizes the activity in the Company's common shares issued and outstanding for the years ended December 31, 2015 and December 31, 2014:

(number of common shares)	**2015**	2014
Issued and outstanding, beginning of year	**127,901,231**	127,899,410
Issued for settlement of stock options	**144,386**	312,583
Purchased and cancelled	**(133,956)**	(310,762)
Issued and outstanding, end of year	**127,911,661**	127,901,231
Shares held in trusts, beginning of year	**(291,304)**	(218,726)
Purchased for future settlement of RSUs and PSUs	**(71,858)**	(127,000)
Released for settlement of RSUs and PSUs	**91,131**	54,422
Shares held in trusts, end of year	**(272,031)**	(291,304)
Issued and outstanding net of shares held in trusts, end of year	**127,639,630**	127,609,927
Weighted average outstanding, net of shares held in trusts	**127,675,501**	127,788,025

As at year end 2015, a total of 1,532,828 GWL stock options were outstanding. The number of stock options outstanding was within the Company's guidelines as GWL may grant options for up to 6,453,726 of its common shares. Each stock option is exercisable into one common share of GWL at the price specified in the terms of the option agreement.

Preferred Share Capital GWL may, at its option, redeem for cash, in whole or in part, the preferred shares Series I, Series III, Series IV and Series V outstanding on or after the redemption dates specified by the terms of each series of preferred shares. GWL may at any time after issuance give the holders of these preferred shares the right, at the option of the holder, to convert the holder's preferred shares into preferred shares of a further series designated by GWL on a share-for-share basis on a date specified by GWL.

Dividends The declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Company's Board of Directors ("Board") which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over time, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to reduce debt and finance future growth. In the second quarter of 2015 and 2014, the Board raised the quarterly common share dividend by $0.005 to $0.425 and $0.42 per share, respectively. The Board declared dividends as follows:

($)	**2015**	2014
Dividends declared per share[(i)]:		
Common share	**$ 1.695**	$ 1.675
Preferred share:		
Series I	**$ 1.45**	$ 1.45
Series III	**$ 1.30**	$ 1.30
Series IV	**$ 1.30**	$ 1.30
Series V	**$ 1.19**	$ 1.19

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V were paid on January 1, 2016. Dividends declared on Preferred Shares, Series I were paid on December 15, 2015.

The following table summarizes the Company's cash dividends declared subsequent to year end 2015:

($)		
Dividends declared per share[(i)]	– Common share	**$ 0.425**
	– Preferred share:	
	Series I	**$ 0.36**
	Series III	**$ 0.32**
	Series IV	**$ 0.32**
	Series V	**$ 0.30**

(i) Dividends declared on common shares and Preferred Shares, Series III, Series IV and Series V are payable on April 1, 2016. Dividends declared on Preferred Shares, Series I are payable on March 15, 2016.

At the time such dividends are declared, GWL identifies on its website (www.weston.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the CRA.

Normal Course Issuer Bid ("NCIB") Program The following table summarizes the Company's activity under its NCIB program:

($ millions except where otherwise indicated)	**2015 (52 weeks)**	2014 (53 weeks)
Purchased for future settlement of RSUs and PSUs (number of shares)	**71,858**	127,000
Purchased and cancelled (number of shares)	**133,956**	310,762
Cash consideration paid		
Purchased and held in trusts	**$ (7)**	$ (11)
Purchased and cancelled	**$ (14)**	$ (29)

In 2015, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivative contracts to purchase up to 6,395,929 of its common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and regulations of the TSX, any purchases must be at the then market price of such shares.

7.7 CONTRACTUAL OBLIGATIONS

The following table summarizes certain of the Company's significant contractual obligations and other obligations as at year end 2015:

Summary of Contractual Obligations

	Payments due by year						
($ millions)	2016	2017	2018	2019	2020	Thereafter	Total
Total debt[(i)]	$ 3,071	$ 1,341	$ 1,800	$ 1,939	$ 1,666	$ 8,381	$ 18,198
Foreign exchange forward contracts	611						611
Operating leases[(ii)]	695	670	626	579	510	2,618	5,698
Contracts for purchases of real property and capital investment projects[(iii)]	169						169
Purchase obligations[(iv)]	257	140	99	5	1		502
Total contractual obligations	$ 4,803	$ 2,151	$ 2,525	$ 2,523	$ 2,177	$ 10,999	$ 25,178

(i) Includes short term debt, bank indebtedness, Loblaw's certain other liabilities, and the fair value of the equity forward included in other assets. Total debt also includes fixed interest payments on long term debt which are based on the maturing face values and annual interest for each instrument, including GICs, long term independent securitization trusts and an independent funding trust, as well as annual payment obligations for consolidated structured entities, mortgages and finance lease obligations. Variable interest payments are based on the forward rates as at year end 2015.

(ii) Represents the minimum or base rents payable. Amounts are not offset by any expected sub-lease income.

(iii) Includes agreements for the purchase of real property and capital commitments for construction, expansion and renovation of buildings. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the underlying transactions.

(iv) Includes contractual obligations of a material amount to purchase goods or services where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. The purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods that are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with insignificant cost or liability to the Company. Also excluded are purchase obligations related to commodities or commodity-like goods for which a market for resale exists.

As at year end 2015, the Company had additional long term liabilities which included post-employment and other long term employee benefit plan liabilities, deferred vendor allowances, deferred income tax liabilities, Trust Unit liability, and provisions, including insurance liabilities. These long term liabilities have not been included in the table above as the timing and amount of future payments are uncertain.

8. OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Company enters into off-balance sheet arrangements including:

Letters of Credit Standby and documentary letters of credit are used in connection with certain obligations mainly related to real estate transactions, benefit programs, purchase orders and performance guarantees, securitization of PC Bank's credit card receivables and third-party financing made available to Loblaw's independent franchisees. The aggregate gross potential liability related to the Company's letters of credit is approximately $963 million (2014 – $677 million).

GWL and Loblaw had agreements to cash collateralize certain uncommitted credit facilities up to amounts of $45 million (2014 – $45 million) and $149 million (2014 – $141 million), respectively. As at year end 2015, GWL and Loblaw had $45 million (2014 – $45 million) and $2 million (2014 – $7 million) deposited with major financial institutions, respectively, and classified as security deposits on the consolidated balance sheets.

Guarantees In addition to the letters of credit mentioned above, the Company has entered into various guarantee arrangements including obligations to indemnify third parties in connection with leases, business dispositions and other transactions in the normal course of the Company's business. Additionally, Loblaw has provided a guarantee on behalf of PC Bank to MasterCard® International Incorporated ("MasterCard®") for accepting PC Bank as a card member and licensee of MasterCard®. As at year end 2015, the guarantee on behalf of PC Bank to MasterCard® was U.S. $190 million (2014 – U.S. $170 million).

9. QUARTERLY RESULTS OF OPERATIONS

9.1 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every five to six years. The years ended December 31, 2015 and December 31, 2014 contained 52 weeks and 53 weeks, respectively. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. When a fiscal year such as 2014 contains 53 weeks, the fourth quarter is 13 weeks in duration.

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters.

Selected Quarterly Information (unaudited)

($ millions except where otherwise indicated)					**2015**					2014[4]
	Fourth Quarter (12 weeks)	**Third Quarter (16 weeks)**	**Second Quarter (12 weeks)**	**First Quarter (12 weeks)**	**Total (audited)**	Fourth Quarter (13 weeks)	Third Quarter (16 weeks)	Second Quarter (12 weeks)	First Quarter (12 weeks)	Total (audited)
Sales	**$ 11,248**	**$ 14,386**	**$ 10,851**	**$ 10,409**	**$ 46,894**	$ 11,734	$ 13,974	$10,598	$ 7,612	$ 43,918
Adjusted EBITDA[1]	**$ 946**	**$ 1,117**	**$ 913**	**$ 850**	**$ 3,826**	$ 1,022	$ 1,101	$ 859	$ 548	$ 3,530
Depreciation and amortization[i]	**$ 401**	**$ 509**	**$ 388**	**$ 388**	**$ 1,686**	$ 410	$ 521	$ 400	$ 211	$ 1,542
Net earnings (loss)	**$ 216**	**$ 248**	**$ 154**	**$ 246**	**$ 864**	$ 296	$ 130	$ (456)	$ 164	$ 134
Net earnings (loss) attributable to shareholders of the Company	**$ 148**	**$ 161**	**$ 51**	**$ 167**	**$ 527**	$ 161	$ 53	$ (208)	$ 120	$ 126
Net earnings (loss) available to common shareholders of the Company	**$ 138**	**$ 147**	**$ 41**	**$ 157**	**$ 483**	$ 151	$ 39	$ (218)	$ 110	$ 82
Net earnings (loss) per common share ($) - basic	**$ 1.08**	**$ 1.15**	**$ 0.32**	**$ 1.23**	**$ 3.78**	$ 1.18	$ 0.30	$ (1.71)	$ 0.86	$ 0.64
Net earnings (loss) per common share ($) - diluted	**$ 1.08**	**$ 1.15**	**$ 0.31**	**$ 1.23**	**$ 3.74**	$ 1.17	$ 0.30	$ (1.71)	$ 0.85	$ 0.64
Adjusted basic net earnings per common share[1] ($)	**$ 1.43**	**$ 1.66**	**$ 1.33**	**$ 1.19**	**$ 5.61**	$ 1.58	$ 1.59	$ 1.25	$ 0.89	$ 5.32
Average quarterly national food price inflation (as measured by CPI)	**4.1%**	**3.8%**	**3.9%**	**4.6%**	**4.1%**	3.5%	2.8%	2.5%	1.2%	2.5%
Food retail same-store sales growth	**2.4%**	**1.3%**	**2.1%**	**2.0%**	**1.9%**	2.4%	2.6%	1.8%	0.9%	2.0%
Drug retail same-store sales growth	**5.0%**	**4.9%**	**3.8%**	**3.1%**	**4.3%**	3.8%	2.5%	2.5%	1.4%	2.6%

(i) Depreciation and amortization includes amortization of intangible assets acquired with Shoppers Drug Mart recorded by Loblaw beginning in the second quarter of 2014 and accelerated depreciation recorded by Weston Foods in 2015, related to restructuring and other charges.

Impact of Trends and Seasonality on Quarterly Results Consolidated quarterly results for the last eight quarters were impacted by the following significant items: the acquisition of Shoppers Drug Mart in the second quarter of 2014, foreign currency exchange rates, seasonality and the timing of holidays, and the 53rd week. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

Sales Over the last eight quarters, consolidated sales have been impacted by each of the Company's reportable operating segments as follows:

- Weston Foods 2015 quarterly sales were positively impacted by foreign currency translation when compared to the same periods in 2014. Excluding the impact of foreign currency translation, quarterly sales were positively impacted by the combined positive impact of pricing and changes in sales mix in all four quarters. Volumes increased in the first and fourth quarters and remained flat in the second and third quarters of 2015.
- Loblaw's average quarterly internal retail food price index in 2015 and 2014 remained higher than or in line with the average quarterly national retail food price inflation as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.
- Over the past eight quarters, Loblaw's net retail square footage increased by 18.0 million square feet to 69.9 million square feet, primarily due to the acquisition of Shoppers Drug Mart in 2014.

In addition, the fourth quarter of 2014 included the impact of the 53rd week.

Adjusted basic net earnings per common share[1] Consolidated quarterly adjusted basic net earnings per common share[1] for the last eight quarters excluded a number of items as described in Section 19, "Non-GAAP Financial Measures", of this MD&A and by each of the Company's reportable operating segments as follows:

- At Weston Foods, year-over-year quarterly adjusted EBITDA[1] during 2015 was negatively impacted by investments in the business, new plant costs and higher input costs. These costs were partially offset by an increase in sales.
- At Loblaw, fluctuations in year-over-year quarterly adjusted EBITDA[1] during 2015 reflected the contribution from Shoppers Drug Mart in the first quarter, an improvement in the underlying operating performance of Loblaw's Retail segment in the first, second and third quarters and the stable underlying operating performance of Loblaw's Retail segment in the fourth quarter.

In addition to the items described above, consolidated quarterly adjusted basic net earnings per common share[1] during 2015 were impacted by:

- an increase in quarterly depreciation and amortization including the contribution of Shoppers Drug Mart in the first quarter and a decline in depreciation and amortization in the second, third and fourth quarters due to lower depreciation and amortization at Loblaw partially offset by higher depreciation and amortization at Weston Foods;
- an increase in quarterly adjusted net interest and other financing charges[1] in the first half of 2015 primarily as a result of Loblaw's drawings on its Acquisition Term Loan and a decline in quarterly adjusted net interest and other financing charges[1] in the second half of 2015 as a result of repayments on Loblaw's Acquisition Term Loan;
- a higher quarterly adjusted income tax rate[1] throughout 2015; and
- a decrease in GWL's ownership interest in Loblaw beginning in the second quarter in 2014 as a result of Loblaw's issuance of common shares as partial consideration for its acquisition of Shoppers Drug Mart.

9.2 FOURTH QUARTER RESULTS (UNAUDITED)

The following is a summary of selected unaudited consolidated financial information for the fourth quarter. The analysis of the data contained in the table focuses on the results of operations and changes in the financial condition and cash flows in the fourth quarter.

Selected Consolidated Information (unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Sales	**$ 11,248**	**$ 11,734**	**$ (486)**	**(4.1)%**
Sales excluding 53rd week	***$ 11,248***	*$ 10,925*	*$ 323*	*3.0 %*
Adjusted EBITDA[(1)]	**$ 946**	$ 1,022	$ (76)	(7.4)%
Adjusted EBITDA[(1)] excluding 53rd week	***$ 946***	*$ 945*	*$ 1*	*0.1 %*
Adjusted EBITDA margin[(1)]	**8.4%**	8.7%		
Depreciation and amortization[(i)]	**$ 401**	$ 410	$ (9)	(2.2)%
Net interest expense and other financing charges	**$ 139**	$ 231	$ (92)	(39.8)%
Adjusted net interest expense and other financing charges[(1)]	**$ 143**	$ 153	$ (10)	(6.5)%
Income taxes	**$ 66**	$ 95	$ (29)	(30.5)%
Adjusted income taxes[(1)]	**$ 144**	$ 155	$ (11)	(7.1)%
Adjusted income tax rate[(1)]	**27.1%**	26.6%		
Net earnings	**$ 216**	**$ 296**	**$ (80)**	**(27.0)%**
Net earnings attributable to shareholders of the Company	**$ 148**	**$ 161**	**$ (13)**	**(8.1)%**
Net earnings available to common shareholders of the Company	**$ 138**	**$ 151**	**$ (13)**	**(8.6)%**
Net earnings available to common shareholders of the Company excluding 53rd week	***$ 138***	*$ 122*	*$ 16*	*13.1 %*
Adjusted net earnings available to common shareholders of the Company[(1)]	**$ 183**	$ 202	$ (19)	(9.4)%
Adjusted net earnings available to common shareholders of the Company[(1)] excluding 53rd week[(ii)]	***$ 183***	*$ 173*	*$ 10*	*5.8 %*
Basic net earnings per common share ($)	**$ 1.08**	**$ 1.18**	**$ (0.10)**	**(8.5)%**
Basic net earnings per common share ($) excluding 53rd week[(ii)]	***$ 1.08***	*$ 0.95*	*$ 0.13*	*13.7 %*
Adjusted basic net earnings per common share[(1)] ($)	**$ 1.43**	$ 1.58	$ (0.15)	(9.5)%
Adjusted basic net earnings per common share[(1)] ($) excluding 53rd week[(ii)]	***$ 1.43***	*$ 1.35*	*$ 0.08*	*5.9 %*
Dividends declared per share ($):				
Common shares	**$ 0.425**	$ 0.420		
Preferred shares – Series I	**$ 0.36**	$ 0.36		
Preferred shares – Series III	**$ 0.33**	$ 0.33		
Preferred shares – Series IV	**$ 0.33**	$ 0.33		
Preferred shares – Series V	**$ 0.30**	$ 0.30		

(i) Depreciation and amortization includes $124 million (2014 – $124 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $6 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

(ii) The impact of the 53rd week on net earnings available to common shareholders of the Company is estimated based on applying the 2014 effective tax rate to the 53rd week net earnings before income taxes of $77 million, net of non-controlling interest.

As a result of the Company's reporting calendar, the fourth quarter of 2014 included a 53rd week. The 53rd week of 2014 resulted in an additional $809 million of sales, $77 million of operating income, and estimated impacts on net earnings available to common shareholders and basic net earnings per common share of $29 million and $0.23 per share, respectively.

Net earnings available to common shareholders of the Company

Adjusted net earnings available to common shareholders of the Company[1] decreased by $19 million ($0.15 per common share) to $183 million ($1.43 per common share) in the fourth quarter of 2015 compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $29 million ($0.23 per common share). Excluding the 53rd week, adjusted net earnings available to common shareholders of the Company[1] increased $10 million ($0.08 per common share) primarily due to:

- consistent underlying operating performance at Loblaw, partially offset by a decline in the underlying operating performance at Weston Foods;
- a reduction in depreciation and amortization primarily driven by Loblaw's Retail segment due to an increase in the estimated useful life of certain IT systems and lower depreciation on older IT and other store assets, partially offset by an increase in depreciation and amortization at Weston Foods due to investments in capital; and
- a reduction in adjusted net interest expense and other financing charges[1] driven by lower interest on long term debt as a result of repayments on Loblaw's Acquisition Term Loan.

Net earnings available to common shareholders of the Company decreased by $13 million ($0.10 per common share) to $138 million ($1.08 per common share) in the fourth quarter of 2015 compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week. Excluding the 53rd week, net earnings available to common shareholders of the Company increased $16 million ($0.13 per common share). In addition to the items described above, the increase in net earnings available to common shareholders of the Company included the favourable year-over-year net impact of the following significant items:

- the favourable impact of the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares of $68 million ($0.40 per common share);
- the favourable impact of a charge incurred in the fourth quarter of 2014 of $69 million ($0.17 per common share) related to the fair value increment on the acquired inventory sold associated with the acquisition of Shoppers Drug Mart; and
- the favourable impact of higher foreign currency translation gains of $22 million ($0.10 per common share);

partially offset by,

- the unfavourable impact of the impairment of Loblaw's drug retail business ancillary assets held for sale in the fourth quarter of 2015 of $112 million ($0.28 per common share);
- the unfavourable impact of Loblaw's accelerated finalization of transitioning of certain grocery stores to more cost effective and efficient operating terms under Labour Agreements in the fourth quarter of 2015 of $55 million ($0.14 per common share);
- the unfavourable impact of a charge related to inventory measurement and other conversion differences associated with the conversion of Loblaw's franchise grocery stores to new IT systems in the fourth quarter of 2015 of $33 million ($0.09 per common share); and
- the unfavourable impact of Loblaw's modifications to certain franchise fee arrangements with franchisees of certain franchise banners of $32 million ($0.08 per common share).

Sales

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Weston Foods	**$ 527**	$ 469	$ 58	12.4 %
Loblaw	**$ 10,865**	$ 11,413	$ (548)	(4.8)%
Intersegment	**$ (144)**	$ (148)	$ 4	
Consolidated	**$ 11,248**	$ 11,734	$ (486)	(4.1)%
53rd week		*$ (809)*		
Consolidated excluding 53rd week	***$ 11,248***	*$ 10,925*	*$ 323*	*3.0 %*

Sales in the fourth quarter of 2015 were $11,248 million, a decrease of $486 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $809 million. Excluding the 53rd week, the Company's fourth quarter consolidated sales increased $323 million impacted by each of its reportable operating segments as follows:

- Positively by 0.8% due to sales growth of 20.3% at Weston Foods. Sales included the positive impact of foreign currency translation of approximately 10.3%. Excluding the impact of foreign currency translation, sales increased by 10.0% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.
- Positively by 2.2% due to sales growth of 2.3% at Loblaw, primarily driven by Retail. Retail sales increased by $231 million, or 2.2%, compared to the same period in 2014. Food retail same-store sales growth was 2.4% and the food retail average quarterly internal food price index was moderately higher than the average quarterly national food price inflation of 4.1% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Drug retail same-store sales growth was 5.0%.

Adjusted EBITDA[1]

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Weston Foods	**$ 67**	$ 74	$ (7)	(9.5)%
Loblaw	**$ 879**	$ 948	$ (69)	(7.3)%
Consolidated	**$ 946**	$ 1,022	$ (76)	(7.4)%
53rd week		*$ (77)*		
Consolidated excluding 53rd week	***$ 946***	*$ 945*	*$ 1*	*0.1 %*

Adjusted EBITDA[1] in the fourth quarter of 2015 decreased by $76 million to $946 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $77 million. Excluding the 53rd week, the Company's fourth quarter adjusted EBITDA[1] increased $1 million impacted by each of its reportable operating segments as follows:

- Negatively by 0.1% due to a decrease of 1.5% in adjusted EBITDA[1] at Weston Foods. Despite the increase in sales, adjusted EBITDA[1] declined primarily due to higher input costs, new plant costs and investments in the business.
- Positively by 0.2% due to an increase of 0.2% in adjusted EBITDA[1] at Loblaw, including an increase in adjusted EBITDA[1] at Choice Properties (net of intersegment eliminations) partially offset by a decline in adjusted EBITDA[1] in Retail. Retail adjusted EBITDA[1] was positively impacted by net synergies of $69 million (2014 – $49 million).

Depreciation and Amortization

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 Weeks)**	Dec. 31, 2014 (13 Weeks)	$ Change	% Change
Weston Foods	**$ 25**	$ 17	$ 8	47.1 %
Loblaw	**$ 376**	$ 393	$ (17)	(4.3)%
Consolidated	**$ 401**	$ 410	$ (9)	(2.2)%

Depreciation and amortization was $401 million in the fourth quarter of 2015, a decrease of $9 million compared to the same period in 2014, and included $124 million (2014 – $124 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart and $6 million (2014 – nil) of accelerated depreciation incurred by Weston Foods. Excluding these amounts, depreciation and amortization decreased by $15 million driven by:

- a decrease in Retail depreciation and amortization due to an increase in the estimated useful life of certain IT systems, as disclosed in the first quarter of 2015, and lower depreciation on older IT and other store assets;

partially offset by,

- higher depreciation due to investments in capital at Weston Foods.

Net Interest Expense and Other Financing Charges

(unaudited) ($ millions)	Quarters Ended Dec. 31, 2015 (12 weeks)	Dec. 31, 2014 (13 weeks)
Net interest expense and other financing charges	**$ 139**	$ 231
Add: Fair value adjustment of the Trust Unit liability	**(5)**	(14)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**9**	(59)
Accelerated amortization of deferred financing costs		(5)
Adjusted net interest expense and other financing charges[1]	**$ 143**	$ 153

In the fourth quarter of 2015, net interest expense and other financing charges decreased by $92 million to $139 million compared to the same period in 2014. Adjusted net interest expense and other financing charges[1] were $143 million, a decrease of $10 million compared to the same period in 2014, primarily driven by:

- lower interest expense on long term debt due to repayments on Loblaw's Acquisition Term Loan and Loblaw's repayment of MTNs in 2014; and
- lower interest expense due to the redemption of Loblaw's capital securities in 2015;

partially offset by,

- higher interest expense on long term debt as a result of debt issuances by Choice Properties to third parties; and
- higher interest expense on GICs used to fund the growth of credit card receivables in Loblaw's Financial Services segment.

Income Taxes

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended Dec. 31, 2015 (12 weeks)	Dec. 31, 2014 (13 weeks)
Income taxes	**$ 66**	$ 95
Add: Tax impact of items excluded from adjusted earnings before taxes[1][i]	**78**	60
Adjusted income taxes[1]	**$ 144**	$ 155
Effective income tax rate applicable to earnings before taxes	**23.4%**	24.3%
Adjusted income tax rate applicable to adjusted earnings before taxes[1]	**27.1%**	26.6%

(i) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table included in Section 19, "Non-GAAP Financial Measures", of this MD&A for a complete list of items excluded from adjusted earnings before taxes[1].

The effective tax rate in the fourth quarter of 2015 was 23.4%, a decrease of 0.9% compared to the same period in 2014. The decrease in the effective tax rate was primarily attributable to:

- a decrease in certain non-deductible items, including the fair value loss (2014 – loss) on the Trust Unit liability;

partially offset by,

- an increase in current tax resulting from the increase in the Alberta statutory corporate income tax rate.

The adjusted income tax rate[1] for the fourth quarter of 2015 was 27.1%, an increase of 0.5% compared to the same period in 2014. The increase in the adjusted income tax rate[1] was primarily attributable to the increase in the current tax resulting from the increase in the Alberta statutory corporate income tax rate and other non-deductible items.

Cash Flows

(unaudited) ($ millions)	Quarters Ended **Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	Change
Cash and cash equivalents, beginning of period	**$ 1,605**	$ 1,304	$ 301
Cash flows from operating activities	**$ 684**	$ 1,090	$ (406)
Cash flows used in investing activities	**$ (268)**	$ (450)	$ 182
Cash flows used in financing activities	**$ (624)**	$ (622)	$ (2)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**$ 16**	$ 11	$ 5
Cash and cash equivalents, end of period	**$ 1,413**	$ 1,333	$ 80

Cash Flows from Operating Activities The year-over-year decrease in cash inflows in the fourth quarter of 2015 was $406 million, primarily due to lower cash earnings including the negative year-over-year impact of the 53rd week and an increase in credit card receivables.

Cash Flows used in Investing Activities The year-over-year decrease in cash outflows in the fourth quarter of 2015 was $182 million, primarily due to the release of funds from security deposits held by Loblaw to fund the repayment of *Eagle* notes in the fourth quarter of 2015.

Cash Flows used in Financing Activities The year-over-year increase in cash outflows in the fourth quarter of 2015 was $2 million, primarily due to an increase in Loblaw's repurchases of shares under its NCIB program, partially offset by lower net repayments of long term debt, as described below, a reduction in bank indebtedness and the timing of dividend payments.

In the fourth quarter of 2015, significant long term debt transactions included:
- Loblaw's repayment of $350 million senior and subordinated term notes by *Eagle*; and
- Choice Properties' issuance of $200 million aggregate principal amount of senior unsecured debentures.

In the fourth quarter of 2014, significant long term debt transactions included:
- Loblaw's repayment of $321 million on its Acquisition Term Loan.

Free Cash Flow[1]

(unaudited) ($ millions)	Quarters Ended **Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	Change
Free cash flow[1]	**$ 39**	$ 504	$ (465)

The year-over-year decrease in free cash flow[1] in the fourth quarter of 2015 was $465 million, primarily due to the decrease in cash flows from operating activities including the negative year-over-year impact of the 53rd week and higher capital investments at Weston Foods and Loblaw.

10. FOURTH QUARTER RESULTS OF REPORTABLE OPERATING SEGMENTS

The following discussion provides details of the 2015 fourth quarter results of operations of each of the Company's reportable operating segments.

10.1 WESTON FOODS FOURTH QUARTER OPERATING RESULTS (UNAUDITED)

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	$ Change	% Change
Sales	**$ 527**	$ 469	$ 58	12.4 %
Sales excluding 53rd week	***$ 527***	*$ 438*	*$ 89*	*20.3 %*
Adjusted EBITDA[(1)]	**$ 67**	$ 74	$ (7)	(9.5)%
Adjusted EBITDA[(1)] excluding 53rd week	***$ 67***	*$ 68*	*$ (1)*	*(1.5)%*
Adjusted EBITDA margin[(1)]	**12.7%**	15.8%		
Depreciation and amortization[(i)]	**$ 25**	$ 17	$ 8	47.1 %

(i) Depreciation and amortization includes $6 million (2014 – nil) of accelerated depreciation recorded as restructuring and other charges.

Sales Weston Foods sales in the fourth quarter of 2015 were $527 million, an increase of $58 million, or 12.4%, compared to the same period in 2014. The increase included the negative year-over-year impact of the 53rd week of $31 million. Excluding the 53rd week, sales increased by $89 million, or 20.3% and included the positive impact of foreign currency translation of approximately 10.3%. Excluding the impact of foreign currency translation and the 53rd week, sales increased by 10.0% primarily due to the combined positive impact of pricing and changes in sales mix, and an increase in volumes.

Adjusted EBITDA[(1)] Weston Foods adjusted EBITDA[(1)] in the fourth quarter of 2015 was $67 million, a decrease of $7 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $6 million. Excluding the 53rd week, adjusted EBITDA[(1)] decreased by $1 million. Despite the increase in sales, adjusted EBITDA[(1)] declined primarily due to higher input costs, new plant costs and investments in the business.

Adjusted EBITDA margin[(1)] in the fourth quarter of 2015 was 12.7% compared to 15.8% in the same period in 2014. The decline in adjusted EBITDA margin[(1)] in the fourth quarter of 2015 was due to the factors impacting adjusted EBITDA[(1)], as described above.

Depreciation and Amortization Weston Foods depreciation and amortization was $25 million in the fourth quarter of 2015, an increase of $8 million compared to 2014. Depreciation and amortization included $6 million (2014 – nil) of accelerated depreciation related to the planned closures of cake manufacturing facilities approved in 2015. Excluding this amount, the increase in the fourth quarter of 2015 was $2 million and was due to investments in capital.

Weston Foods Other Business Matters

Restructuring During the fourth quarter of 2015, Weston Foods recorded restructuring and other charges of $8 million (2014 – $2 million), including $6 million (2014 – nil) of accelerated depreciation. For details see Section 6.1, "Weston Foods Operating Results", of this MD&A.

10.2 LOBLAW FOURTH QUARTER OPERATING RESULTS (UNAUDITED)

(unaudited) ($ millions except where otherwise indicated)	Quarters Ended **Dec. 31, 2015** **(12 weeks)**	Dec. 31, 2014 (13 weeks)	$ Change	% Change
Sales	**$ 10,865**	$ 11,413	$ (548)	(4.8)%
Sales excluding 53rd week	***$ 10,865***	*$ 10,624*	*$ 241*	*2.3 %*
Retail gross profit(i)	**$ 2,794**	$ 2,925	$ (131)	(4.5)%
Retail gross profit(i) excluding 53rd week	***$ 2,794***	*$ 2,725*	*$ 69*	*2.5 %*
Adjusted EBITDA(1)	**$ 879**	$ 948	$ (69)	(7.3)%
Adjusted EBITDA(1) excluding 53rd week	***$ 879***	*$ 877*	*$ 2*	*0.2 %*
Adjusted EBITDA margin(1)	**8.1%**	8.3%		
Depreciation and amortization(ii)	**$ 376**	$ 393	$ (17)	(4.3)%

(i) Retail gross profit includes a charge of $46 million related to the impairment of drug retail ancillary assets held for sale and a charge of $4 million related to inventory measurement and other conversion differences for Loblaw's franchise grocery stores in the fourth quarter of 2015. Retail gross profit includes a charge of $69 million in the fourth quarter of 2014 related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold.

(ii) Depreciation and amortization includes $124 million (2014 – $124 million) of amortization of intangible assets acquired with Shoppers Drug Mart.

Sales Loblaw sales in the fourth quarter of 2015 were $10,865 million, a decrease of $548 million compared to the same period in 2014, primarily driven by Retail. The decrease in Retail sales included the negative year-over-year impact of the 53rd week of $789 million. Excluding the 53rd week, Retail sales increased by $231 million, or 2.2%, compared to the same period in 2014 and included food retail sales of $7,631 million (2014 – $7,536 million) and drug retail sales of $2,975 million (2014 – $2,839 million).

The increase in Retail sales on a comparable 12 week basis was primarily due to the following factors:

- food retail same-store sales growth was 3.1%, after excluding gas bar (0.5%) and the negative impact of a change in distribution model by a tobacco supplier (0.2%). Including these impacts, food retail same-store sales growth was 2.4%. Loblaw's food retail average quarterly internal food price index was moderately higher than the average quarterly national food price inflation of 4.1% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores;
- drug retail same-store sales growth was 5.0%, including same-store pharmacy sales growth of 4.2% and same-store front store sales growth of 5.7%; and
- 47 food and drug stores were opened and 62 food and drug stores were closed in the last 12 months, resulting in a decrease in Retail net square footage of 0.1 million square feet, or 0.1%, primarily driven by Loblaw's store closure plan announced during 2015.

In 2014, Loblaw modified its fee arrangements with the franchisees of certain franchise banners. The modified arrangements resulted in an annual reduction of food retail sales and gross profit, with a corresponding decrease in SG&A. In the fourth quarter of 2015, the modified arrangements had a negative impact of $32 million to food retail sales and gross profit, with an offsetting positive impact to SG&A.

Retail Gross Profit Loblaw Retail gross profit in the fourth quarter of 2015 was $2,794 million, a decrease of $131 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $200 million. Excluding the 53rd week, Retail gross profit increased $69 million and included the favourable year-over-year net impact of the following items:
- a prior year charge of $69 million related to the recognition of the fair value increment on the acquired Shoppers Drug Mart inventory sold;

partially offset by,
- a charge of $46 million related to the impairment of Loblaw's drug retail ancillary assets held for sale in the fourth quarter of 2015; and
- a charge of $4 million related to inventory measurement and other conversion differences for Loblaw's franchise grocery stores in the fourth quarter of 2015.

Excluding the 53rd week and the favourable year-over-year net impact of the items noted above, Retail gross profit increased $50 million compared to the same period in 2014. Retail gross profit percentage of 26.8% decreased by 10 basis points in the fourth quarter of 2015, and was impacted by:
- a positive impact of approximately 30 basis points from the consolidation of franchises, which commenced in the second quarter of 2015; and
- a negative impact of approximately 30 basis points from the modifications to certain franchise fee arrangements.

Excluding these impacts, Retail gross profit percentage decreased 10 basis points and included the following:
- a decline in drug retail gross profit percentage, primarily due to the impact of healthcare reform;

partially offset by,
- the achievement of operational synergies in both food and drug retail.

Adjusted EBITDA[(1)] Loblaw adjusted EBITDA[(1)] in the fourth quarter of 2015 was $879 million, a decrease of $69 million compared to the same period in 2014. The decrease included the negative year-over-year impact of the 53rd week of $71 million. Excluding the 53rd week, adjusted EBITDA[(1)] increased $2 million and included an increase in adjusted EBITDA[(1)] at Choice Properties (net of intersegment eliminations) partially offset by a decline in Retail adjusted EBITDA[(1)]. Retail adjusted EBITDA[(1)] decreased $3 million driven by an increase in SG&A of $53 million, or 10 basis points, partially offset by an increase in Retail gross profit, as described above. As a percentage of sales, the increase in SG&A was impacted by the following:
- a positive impact of approximately 30 basis points from the modifications to certain franchise fee arrangements; and
- a negative impact of approximately 30 basis points from the consolidation of franchises.

Excluding these impacts, as a percentage of sales, SG&A was essentially flat compared to the same period in 2014 and included the following:
- non-recurring transactions that had positive impacts in the prior year;
- unfavourable foreign exchange impacts; and
- higher store and store support costs;

partially offset by,
- favourable changes in the fair value of Loblaw's investments in its franchise business.

Depreciation and Amortization Loblaw's depreciation and amortization was $376 million in the fourth quarter of 2015, a decrease of $17 million compared to the same period in 2014, and included $124 million (2014 – $124 million) of amortization of intangible assets related to the acquisition of Shoppers Drug Mart. The decline in depreciation and amortization was driven by:
- an increase in the estimated useful life of certain IT systems; and
- lower depreciation on older IT and other store assets.

Loblaw Other Business Matters

For details see Section 6.2, "Loblaw Operating Results", of this MD&A.

11. DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

As required by National Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings" ("NI 52-109") the Executive Chairman, as Chief Executive Officer, and Chief Financial Officer have caused the effectiveness of the disclosure controls and procedures to be evaluated. Based on that evaluation, they have concluded that the design and operation of the system of disclosure controls and procedures were effective as at December 31, 2015.

12. INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

As required by NI 52-109, the Executive Chairman, as Chief Executive Officer, and the Chief Financial Officer have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework established in 'Internal Control - Integrated Framework (COSO Framework)' published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013. Based on that evaluation, they have concluded that the design and operation of the Company's internal controls over financial reporting were effective as at December 31, 2015.

In designing such controls, it should be recognized that due to inherent limitations, any control, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Additionally, management is required to use judgment in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting There were no changes in the Company's internal controls over financial reporting in the fourth quarter of 2015 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

13. ENTERPRISE RISKS AND RISK MANAGEMENT

The Company is committed to maintaining a framework that ensures risk management is an integral part of its activities. To ensure the continued growth and success of the Company, risks are identified and managed through the Company's Enterprise Risk Management ("ERM") program.

Risk appetite and governance The Board has approved an ERM policy and a risk appetite statement and oversees the ERM program, including through a review of the Company's risks and risk prioritization. The risk appetite statement articulates key aspects of our businesses, values, and brands and provides directional guidance on risk taking. Key risk indicators are used to monitor and report on risk performance and whether the Company is operating within its risk appetite. Risk owners are assigned relevant risks by management and are responsible for managing risk and implementing risk mitigation strategies.

ERM program The ERM program assists all areas of the business in managing risks within appropriate levels of tolerance by bringing a systematic approach and methodology for evaluating, measuring and monitoring key risks. The results of the ERM program and other business planning processes are used to identify emerging risks to the Company, prioritize risk mitigation activities and develop a risk-based internal audit plan.

Risks are not eliminated through the ERM program, but rather, are identified and managed in line with the Company's risk appetite and within understood risk tolerances. The ERM program is designed to:

- facilitate effective corporate governance by providing a consolidated view of risks across the Company;

- enable the Company to focus on key risks that could impact its strategic objectives in order to reduce harm to financial performance through responsible risk management;
- ensure that the Company's risk appetite and tolerances are defined and understood;
- promote a culture of awareness of risk management and compliance within the Company;
- assist in developing consistent risk management methodologies and tools across the Company including methodologies for the identification, assessment, measurement and monitoring of the risks; and
- anticipate and provide early warnings of risks through key risk indicators.

ERM framework Risk identification and assessments are important elements of the Company's ERM process and framework. An annual ERM assessment is completed to assist in the update and identification of internal and external risks. This assessment is carried out in parallel with strategic planning through interviews, surveys and facilitated workshops with management and the Board to align stakeholder views. This assessment is completed for each business unit and aggregated where appropriate. Risks are assessed and evaluated based on the Company's vulnerability to the risk and the potential impact that the underlying risks would have on the Company's ability to execute on its strategies and achieve its objectives.

Risk monitoring and reporting At least semi-annually, management provides an update to the Board (or a Committee of the Board) on the status of the key risks based on significant changes from the prior update, anticipated impacts in future quarters and significant changes in key risk indicators. In addition, the long term (three year) risk level is assessed to monitor potential long term risk impacts, which may assist in risk mitigation planning activities.

Any of the key risks has the potential to negatively affect the Company and its financial performance. The Company has risk management strategies in place for key risks. However, there can be no assurance that the risks will be mitigated or will not materialize or that events or circumstances will not occur that could adversely affect the reputation, operations or financial condition or performance of the Company.

13.1 OPERATING RISKS AND RISK MANAGEMENT

Operating Risks The following risks are a subset of the key risks identified through the ERM program. They should be read in conjunction with the full set of risks inherent in the Company's business, as included in the Company's Annual Information Form for the year ended December 31, 2015, which is hereby incorporated by reference:

Healthcare Reform	Franchise Relationships
Cyber Security and Data Breaches	Labour Relations
IT Systems Implementations and Data Management	Regulatory and Tax
Inventory Management	Legal Proceedings
Product Safety and Public Health	Competitive Environment
Shoppers Drug Mart Enterprise Harmonization and Synergies	Commodity Prices
Execution of Strategic Initiatives	Consumer Retail and Customer Trends

Healthcare Reform With the acquisition of Shoppers Drug Mart, Loblaw is reliant on prescription drug sales for a more significant portion of its sales and profits. Prescription drugs and their sales are subject to numerous federal, provincial, territorial and local laws and regulations. Changes to these laws and regulations, or non-compliance with these laws and regulations, could adversely affect the reputation, operations or financial performance of the Company.

Federal and provincial laws and regulations that establish public drug plans typically regulate prescription drug coverage, patient eligibility, pharmacy reimbursement, drug product eligibility and drug pricing and may also regulate manufacturer allowance funding that is provided to or received by pharmacy or pharmacy suppliers. With respect to pharmacy reimbursement, such laws and regulations typically regulate the allowable drug cost of a prescription drug product, the permitted mark-up on a prescription drug product and the professional or dispensing fees that may be charged on prescription drug sales to patients eligible under the public drug plan. With respect to drug product eligibility, such laws and regulations typically regulate the requirements for listing

the manufacturer's products as a benefit or partial benefit under the applicable governmental drug plan, drug pricing and, in the case of generic prescription drug products, the requirements for designating the product as interchangeable with a branded prescription drug product. In addition, other federal, provincial, territorial and local laws and regulations govern the approval, packaging, labeling, sale, marketing, advertising, handling, storage, distribution, dispensing and disposal of prescription drugs.

Sales of prescription drugs, pharmacy reimbursement and drug prices may be affected by changes to the health care industry, including legislative or other changes that impact patient eligibility, drug product eligibility, the allowable cost of a prescription drug product, the mark-up permitted on a prescription drug product, the amount of professional or dispensing fees paid by third-party payers or the provision or receipt of manufacturer allowances by pharmacy and pharmacy suppliers.

The majority of prescription drug sales are reimbursed or paid by third-party payers, such as governments, insurers or employers. These third-party payers have pursued and continue to pursue measures to manage the costs of their drug plans. Each provincial jurisdiction has implemented legislative and/or other measures directed towards managing pharmacy service costs and controlling increasing drug costs incurred by public drug plans and private payers which impact pharmacy reimbursement levels and the availability of manufacturer allowances. Legislative measures to control drug costs include lowering of generic drug pricing, restricting or prohibiting the provision of manufacturer allowances and placing limitations on private label prescription drug products. Other measures that have been implemented by certain government payers include restricting the number of interchangeable prescription drug products which are eligible for reimbursement under provincial drug plans. Additionally, the Council of the Federation, an institution created by the provincial Premiers in 2003 to collaborate on intergovernmental relations, continues its work regarding cost reduction initiatives for pharmaceutical products and services.

Legislation in certain provincial jurisdictions establish listing requirements that ensure that the selling price for a prescription drug product will not be higher than any selling price established by the manufacturer for the same prescription drug product under other provincial drug insurance programs. In some provinces, elements of the laws and regulations that impact pharmacy reimbursement and manufacturer allowances for sales to the public drug plans are extended by legislation to sales in the private sector. Also, private third-party payers (such as corporate employers and their insurers) are looking or may look to benefit from any measures implemented by government payers to reduce prescription drug costs for public plans by attempting to extend these measures to prescription drug plans they own or manage. Accordingly, changes to pharmacy reimbursement and manufacturer allowances for a public drug plan could also impact pharmacy reimbursement and manufacturer allowances for private sector sales. In addition, private third-party payers could reduce pharmacy reimbursement for prescription drugs provided to their members or could elect to reimburse members only for products included on closed formularies or available from preferred providers.

Ongoing changes impacting pharmacy reimbursement programs, prescription drug pricing and manufacturer allowance funding, legislative or otherwise, are expected to continue to put downward pressure on prescription drug sales. These changes may have a material adverse impact on Loblaw's business, sales and profitability. In addition, Loblaw could incur significant costs in the course of complying with any changes in the regulatory regime affecting prescription drugs. Non-compliance with any such existing or proposed laws or regulations, particularly those that provide for the licensing and conduct of wholesalers, the licensing and conduct of pharmacists, the regulation and ownership of pharmacies, the advertising of pharmacies and prescription services, the provision of information concerning prescription drug products, the pricing of prescription drugs and restrictions on manufacturer allowance funding, could result in audits, civil or regulatory proceedings, fines, penalties, injunctions, recalls or seizures, any of which could adversely affect the reputation, operations or financial performance of the Company.

Cyber Security and Data Breaches The Company depends on the uninterrupted operation of its IT systems, networks and services including internal and public internet sites, data hosting and processing facilities, cloud-based services and hardware such as point-of-sale processing at stores to operate its business.

In the ordinary course of business, the Company collects, processes, transmits and retains confidential, sensitive and personal information ("Confidential Information") regarding the Company and its employees and vendors and, in the case of Loblaw, its franchisees, associates, customers and credit card holders. Some of this Confidential Information is held and managed by third party service providers. As with other large and prominent companies, the Company is regularly subject to cyberattacks and such attempts are occurring more frequently, are constantly evolving in nature and are becoming more sophisticated.

The Company has implemented security measures, including employee training, monitoring and testing, maintenance of protective systems and contingency plans, to protect and to prevent unauthorized access of Confidential Information and to reduce the likelihood of disruptions to its IT systems. The Company also has security processes, protocols and standards that are applicable to its third party service providers.

Despite these measures, all of the Company's information systems, including its back-up systems and any third party service provider systems that it employs, are vulnerable to damage, interruption, disability or failures due to a variety of reasons, including physical theft, fire, power loss, computer and telecommunication failures or other catastrophic events, as well as from internal and external security breaches, denial of service attacks, viruses, worms and other known or unknown disruptive events.

The Company or its third party service providers may be unable to anticipate, timely identify or appropriately respond to one or more of the rapidly evolving and increasingly sophisticated means by which computer hackers, cyber terrorists and others may attempt to breach the Company's security measures or those of our third party service providers' information systems.

As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Company's security measures or those of its third party service providers. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Company's or its third party service providers' security measures, which could result in a breach of employee, franchisee, associate, customer or credit card holder privacy or Confidential Information.

If the Company does not allocate and effectively manage the resources necessary to build and sustain reliable IT infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Company's or its third party service providers' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Company's business could be disrupted and the Company could, among other things, be subject to: transaction errors; processing inefficiencies; the loss of, or failure to attract new customers; the loss of revenue; the loss or unauthorized access to Confidential Information or other assets; the loss of or damage to intellectual property or trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

IT Systems Implementations and Data Management Loblaw continues to undertake a major upgrade of its IT infrastructure. Completing the IT systems deployment will require continued focus and investment. Failure to successfully migrate from legacy systems to the new IT systems or a significant disruption in Loblaw's current IT systems during the implementation of the new systems could result in a lack of accurate data to enable management to effectively manage day-to-day operations of the business or achieve its operational objectives, causing significant disruptions to the business and potential financial losses. Loblaw also depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across Loblaw, data accuracy, quality and governance are required for effective decision making.

Failure to successfully adopt or implement appropriate processes to support the new IT systems, or failure to effectively leverage or convert data from one system to another, may preclude Loblaw from optimizing its overall performance and could result in inefficiencies and duplication in processes, which could in turn adversely affect the reputation, operations or financial performance of the Company. Failure to realize the anticipated strategic benefits including revenue growth, anticipated cost savings or operating efficiencies associated with the new IT systems could adversely affect the reputation, operations or financial performance of the Company.

Inventory Management Loblaw is subject to risks associated with managing its inventory. Failure to successfully manage such risks could result in shortages of inventory, or excess or obsolete inventory which cannot be sold

profitably or increases in levels of inventory shrink. Any of these outcomes could adversely affect the financial performance of the Company. Although the new IT system is intended to provide Loblaw with increased visibility to integrated costing and sales information at store level, failure to effectively implement the new IT system and applicable processes may increase the risks associated with managing inventory, including the risk that inaccurate inventory could result in inaccurate financial statements.

Product Safety and Public Health The Company's products may expose it to risks associated with product safety and defects and product handling in relation to the manufacturing, design, packaging and labeling, storage, distribution, and display of products. The Company cannot assure that active management of these risks, including maintaining strict and rigorous controls and processes in its manufacturing facilities and distribution systems, will eliminate the risks related to food and product safety. The Company could be adversely affected in the event of a significant outbreak of food-borne illness or food safety issues including food tampering or contamination, health and wellness, including pharmaceuticals, general merchandise products, manufactured products, or baked goods. In addition, failure to trace or locate any contaminated or defective products or ingredients could affect the Company's ability to be effective in a recall situation. Loblaw is also subject to risk associated with errors made through medication dispensing or errors related to patient services or consultation. The occurrence of such events or incidents, as well as the failure to maintain the cleanliness and health standards at Loblaw's store level or the Company's manufacturing facilities, could result in harm to customers, negative publicity or damage to the Company's brands, reputation, operations or financial performance and could lead to unforeseen liabilities from legal claims or otherwise.

Shoppers Drug Mart Enterprise Harmonization and Synergies The successful implementation of the Shoppers Drug Mart acquisition requires significant effort on the part of management of Loblaw. Ineffective change management practices and harmonization decisions could cause disruptions to operations or may negatively impact colleague engagement. Management attention will be required in order to successfully achieve the appropriate culture transformation, growth opportunities and cost efficiencies envisioned in the acquisition. Failure to successfully execute enterprise harmonization or to realize the anticipated strategic benefits or operational, competitive and cost synergies associated with this acquisition could adversely affect the reputation, operations or financial performance of the Company.

Execution of Strategic Initiatives The Company undertakes from time to time acquisitions and dispositions that meet its strategic objectives. The Company holds significant cash and short term investments and is continuing to evaluate strategic opportunities for the use or deployment of these funds. The use or deployment of the funds and the execution of the Company's capital plans could pose a risk if they do not align with the Company's strategic objectives or if the Company experiences integration difficulties on the acquisition of any businesses. Weston Foods has developed a strategic plan which includes significant capital investment to position it for long term growth. Execution of the strategic plan requires prudent operational planning, availability and attention of key personnel, timely implementation and effective change management. In addition, the Company may not be able to realize upon the synergies, business opportunities and growth prospects expected from any such investment opportunities or from the execution of the Company's strategies. Finally, any acquisition or divestiture activities may present unanticipated costs and managerial and operational risks, including the diversion of management's time and attention from day-to-day activities. If the Company's strategies are not effectively developed and executed, it could negatively affect the reputation, operations or financial performance of the Company.

Franchisee Relationships Loblaw has entered into agreements with third party franchisees that permit the franchisees to own and operate retail stores in accordance with prescribed procedures and standards. A substantial portion of Loblaw's revenues and earnings comes from amounts paid by franchisees in connection with their store operations and leased property. Franchisees are independent operators and their operations may be negatively affected by factors beyond Loblaw's control. If franchisees do not operate their stores in accordance with Loblaw's standards or otherwise in accordance with good business practices, franchisee fees and rent paid to Loblaw could be negatively affected, which in turn could negatively affect the Company's reputation, operations or financial performance. In addition, the Company's reputation could be harmed, if a

significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay Loblaw for products, fees or rent.

Loblaw's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could negatively affect operations and could add administrative costs and burdens, any of which could affect Loblaw's relationship with its franchisees.

Relationships with franchisees could pose significant risks if they are disrupted, which could negatively affect the reputation, operations or financial performance of the Company. Supply chain or system changes by Loblaw could cause or be perceived to cause disruptions to franchised store operations and could result in negative effects on the financial performance of franchisees. Reputational damage or adverse consequences for the Company, including litigation and disruption to revenue from franchised stores could result.

Labour Relations The Company's workforce is comprised of both unionized and non-unionized colleagues. With respect to those colleagues that are covered by collective agreements, there can be no assurance as to the outcome of any labour negotiations or the timing of their completion. Renegotiating collective agreements or the failure to successfully renegotiate collective agreements could result in strikes, work stoppages or business interruptions, and if any of these events were to occur, they could adversely affect the reputation, operations or financial performance of the Company. If non-unionized colleagues become unionized, the terms of the resulting collective agreements would have implications for the affected operations such as higher labour costs and those implications could be material.

Regulatory and Tax The Company is subject to a wide variety of laws and regulations across all countries in which it does business, including those laws involving product liability, labour and employment, anti-trust and competition, intellectual property, privacy, environmental and other matters. The Company is subject to taxation by various taxation authorities in Canada and a number of foreign jurisdictions. Changes to any of the laws, rules, regulations or policies (collectively, "laws") applicable to the Company's business, including tax laws, and laws affecting the production, processing, preparation, distribution, packaging and labelling of food, health and wellness, including pharmaceuticals, or general merchandise products could have an adverse impact on the operational or financial performance of the Company.

In the course of complying with such changes, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business. Failure by the Company to comply with applicable laws and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect the reputation, operations or financial performance of the Company.

The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. These reassessments could have a material impact on the Company.

During the second quarter of 2015, Loblaw was reassessed by the CRA and the Ontario Ministry of Finance on the basis that certain income earned by Glenhuron, a wholly owned Barbadian subsidiary, should be treated, and taxed, as income in Canada. The reassessments were for the 2000 to 2010 taxation years totaling $341 million including interest and penalties as at the time of reassessment. The Company believes it is likely that the CRA will issue reassessments for the 2011 to 2013 taxation years on the same or similar basis. The Company strongly disagrees with the CRA's position and has filed a Notice of Appeal. No amount for any reassessments has been provided for in the Company's consolidated financial statements. If the CRA were to ultimately prevail with respect to the proposed reassessment or if the CRA were to successfully pursue other reassessments, the outcome could have a material negative impact on the Company's reputation, results of operations and financial position in the year(s) of resolution.

As part of the review undertaken by the Competition Bureau of the Company's acquisition of Shoppers Drug Mart, it expressed concerns about practices that Loblaw has in place with certain suppliers. In connection with this review, the Competition Bureau issued requests for documents from Loblaw and 12 suppliers of Loblaw. Loblaw has and will continue to cooperate with the Competition Bureau in its review of these practices. At this stage of the review, it is not possible to predict when the review will be completed or the outcome of such review. If the Competition Bureau is not satisfied that Loblaw's practices satisfy the Competition Bureau's objectives of maintaining competitive markets, then the Competition Bureau may pursue remedies that could have a negative material impact on the Company's reputation, results of operations and financial position.

PC Bank operates in a highly regulated environment and a failure by it to comply, understand, acknowledge and effectively respond to applicable regulators could result in monetary penalties, regulatory intervention and reputational damage.

Loblaw is subject to externally imposed capital requirements from OSFI, the primary regulator of PC Bank. PC Bank's capital management objectives are to maintain a consistently strong capital position while considering the economic risks generated by its credit card receivables portfolio and to meet all regulatory capital requirements as defined by OSFI. PC Bank uses Basel III as its regulatory capital management framework which includes a common equity Tier 1 capital ratio of 4.5%, a Tier 1 capital ratio of 6.0% and a total capital ratio of 8.0%. In addition to the regulatory capital ratios requirement, PC Bank is subject to the Basel III Leverage ratio effective January 1, 2015. As at year end 2015 and throughout the year, PC Bank has met all applicable regulatory requirements.

In 2014, OSFI released the final Guideline on Liquidity Adequacy Requirements ("LARs"). The LARs guideline establishes standards based on the Basel III framework, including a Liquidity Coverage Ratio ("LCR") standard effective January 1, 2015. As at year end 2015, PC Bank was in compliance with the LCR standard.

Choice Properties is currently classified as a "unit trust" and a "mutual fund trust" under the Income Tax Act (Canada). It also qualifies for the REIT Exception under the Income Tax Act (Canada) and as such is not subject to specified investment flow-through rules. There can be no assurance that the Canadian federal income tax laws will not be changed in a manner which adversely affects Choice Properties. If Choice Properties ceases to qualify for these and other classifications and exceptions, the taxation of Choice Properties and unitholders, including Loblaw and certain wholly-owned subsidiaries of GWL, could be materially adversely different in certain respects, which could in turn materially adversely affect the trading price of the Units.

Legal Proceedings From time to time, the Company is involved in and subject to legal proceedings, including class actions, regarding commercial relationships, employment matters, product liability, personal injury claims, protection of intellectual property and other matters. The proceedings involve suppliers, associates, franchisees, regulators, tax authorities or other persons. The potential outcome of litigation proceedings and claims is uncertain. Some of these proceedings could result in a material adverse effect on the Company's reputation, results of operation or financial performance.

On August 26, 2015, the Company was served with a proposed class action, which was commenced in the Ontario Superior Court of Justice against the Company, Loblaw and certain of its subsidiaries and others in connection with the collapse of the Rana Plaza complex in Dhaka, Bangladesh in 2013. The claim seeks approximately $2 billion in damages. The Company believes the class action is without merit and intends to vigorously defend itself against any claims arising out of any such action.

Shoppers Drug Mart has been served with an Amended Statement of Claim in a class action proceeding that has been filed in the Ontario Superior Court of Justice by two licensed Associates, claiming various declarations and damages resulting from Shoppers Drug Mart's alleged breaches of the Associate Agreement, in the amount of $500 million. The class action comprises all of Shoppers Drug Mart's current and former licensed Associates residing in Canada, other than in Québec, who are parties to Shoppers Drug Mart's 2002 and 2010 forms of the Associate Agreement. On July 9, 2013, the Ontario Superior Court of Justice certified as a class proceeding portions of the action. The Court imposed a class closing date based on the date of certification. New Associates after July 9, 2013 are not members of the class. While Shoppers Drug Mart continues to believe that the claim is

without merit and will vigorously defend the claim, the outcome of this matter cannot be predicted with certainty.

Competitive Environment The retail industry in Canada is highly competitive. Weston Foods' competitors include multi-national food processing companies as well as national and smaller-scale bakery operations in North America.

Loblaw competes against a wide variety of retailers including supermarket and retail drug store operators, as well as mass merchandisers, warehouse clubs, online retailers, mail order prescription drug distributors, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drug store and general merchandise. Others remain focused on supermarket-type merchandise. In addition, Loblaw is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery and retail drug store markets. Loblaw's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and reduced profitability. If Loblaw is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be adversely affected. Loblaw closely monitors its competitors and their strategies, market developments and market share trends.

Failure by Weston Foods or Loblaw to sustain their competitive position could adversely affect the Company's financial performance.

Commodity Prices Weston Foods' costs are directly impacted by fluctuations in the prices of commodity linked raw materials such as wheat flours, sugars, vegetable oils, cocoa powders and chocolate. Loblaw is also exposed to fluctuations in the commodity prices as a result of the indirect effect of changing commodity prices on the price of consumer products. In addition, both Weston Foods and Loblaw are exposed to increases in the prices of energy in operating, in the case of Weston Foods, its bakeries and distribution networks, and, in the case of Loblaw, its stores and distribution networks. Both Weston Foods and Loblaw use purchase commitments and derivative instruments in the form of futures contracts, option contracts and forward contracts to manage their current and anticipated exposure to fluctuations in commodity prices.

Consumer and Retail Customer Trends The baking industry continues to experience a decline in the consumption of certain traditional products, as consumer eating and buying preferences continue to trend to healthier, more nutritious, value-added and convenience offerings. As a result of evolving retail customer trends, the Company must anticipate the tastes and dietary habits of consumers and deliver products that satisfy changing consumer preferences in a highly competitive environment on a timely basis. The failure of Weston Foods to anticipate, identify and react to shifting consumer and retail customer trends and preferences through successful innovation and enhanced manufacturing capability could adversely result in reduced demand for its products, which could in turn affect the financial performance of the Company.

13.2 FINANCIAL RISKS AND RISK MANAGEMENT

Financial Risks The Company is exposed to a number of financial risks, including those associated with financial instruments, which have the potential to affect its operating and financial performance. The Company uses derivative instruments to offset certain of these risks. Policies and guidelines prohibit the use of any derivative instrument for trading or speculative purposes. The fair value of derivative instruments is subject to changing market conditions which could adversely affect the financial performance of the Company.

The following is a summary of the Company's financial risks which are discussed in detail below:

Liquidity	Common Share and Trust Unit Prices
Foreign Currency Exchange Rates	Interest Rates
Credit	

Liquidity Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost effective manner to fund its obligations as they come due. The Company is exposed to liquidity risk through, among other areas, PC Bank and its credit card business, which requires a reliable source of funding for its credit card business. PC Bank relies on its securitization programs and the acceptance of GIC deposits to fund the receivables of its credit cards. The Company would experience liquidity risk if it fails to maintain appropriate levels of cash and short term investments, is unable to access sources of funding or fails to appropriately diversify sources of funding. If any of these events were to occur, they would adversely affect the financial performance of the Company.

Liquidity risk is mitigated by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions, and by diversifying sources of funding, including the Company's committed credit facilities, and maintaining a well diversified maturity profile of debt and capital obligations.

Foreign Currency Exchange Rates The Company's consolidated financial statements are expressed in Canadian dollars, however a portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars through both its net investment in foreign operations in the U.S. and its foreign subsidiaries held by Dunedin Holdings GmbH and certain of its affiliates with a functional currency that is the same as that of the Company. The U.S. dollar denominated net assets are translated into Canadian dollars at the foreign currency exchange rate in effect at the balance sheet date. As a result, the Company is exposed to foreign currency translation gains and losses. Those gains and losses arising from the translation of the U.S. dollar denominated assets of foreign subsidiaries with a functional currency that is the same as that of the Company are included in operating income, while translation gains and losses on the net investment in foreign operations in the U.S. are recorded in accumulated other comprehensive income (loss).

Revenues and expenses of all foreign operations are translated into Canadian dollars at the foreign currency exchange rates that approximate the rates in effect at the dates when such items are recognized. An appreciating U.S. dollar relative to the Canadian dollar will positively impact operating income and net earnings, while a depreciating U.S. dollar relative to the Canadian dollar will have the opposite impact.

Weston Foods and Loblaw are also exposed to fluctuations in the prices of U.S. dollar denominated purchases as a result of changes in U.S. dollar exchange rates. A depreciating Canadian dollar relative to the U.S. dollar will negatively impact operating income and net earnings, while an appreciating Canadian dollar relative to the U.S. dollar will have the opposite impact. During 2015 and 2014, Weston Foods and Loblaw entered into derivative instruments in the form of futures contracts and forward contracts to manage their current and anticipated exposure to fluctuations in U.S. dollar exchange rates.

Credit The Company is exposed to credit risk resulting from the possibility that counterparties could default on their financial obligations to the Company including exposure to credit risk relates to derivative instruments, cash and cash equivalents, short term investments, security deposits, PC Bank's credit card receivables, Loblaw's franchise loans receivable, pension assets held in the Company's defined benefit plans, Loblaw's accounts receivable including amounts due from franchisees, government, prescription sales and third-party drug plans, independent accounts and amounts owed from vendors, and other receivables from Weston Foods' customers and suppliers. Failure to manage credit risk could adversely affect the financial performance of the Company.

The risk related to derivative instruments, cash and cash equivalents, short term investments and security deposits is reduced by policies and guidelines that require that the Company enters into transactions only with counterparties or issuers that have a minimum long term "A-" credit rating from a recognized credit rating agency and place minimum and maximum limits for exposures to specific counterparties and instruments.

Choice Properties mitigates the risk of credit loss relating to rent receivables by evaluating the creditworthiness of new tenants, obtaining security deposits wherever permitted by legislation, ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Loblaw. Choice Properties establishes an allowance for doubtful accounts that represents the estimated losses with respect to rents receivable. The allowance is determined on a tenant-by-tenant basis based on the specific factors related to the tenant.

PC Bank manages its credit card receivable risk by employing stringent credit scoring techniques, actively monitoring the credit card portfolio and reviewing techniques and technology that can improve the effectiveness of the collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

Loblaw's franchise loans receivable and Loblaw's accounts receivable including amounts due from franchisees, governments, prescription sales covered by third-party drug plans, independent accounts and amounts owed from vendors, and other receivables from Weston Foods' customers and suppliers, are actively monitored on an ongoing basis and settled on a frequent basis in accordance with the terms specified in the applicable agreements.

Despite the mitigation strategies described above, it is possible that the Company's financial performance could be negatively impacted by the failure of a counterparty to fulfill its obligations.

Common Share and Trust Unit Prices Changes in the Loblaw common share price impact the Company's net interest expense and other financing charges. In 2001, Weston Holdings Limited ("WHL") entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share which, under the terms of the agreement, had increased to a forward price of $104.98 (2014 – $100.80) per Loblaw common share as at year end 2015. The forward matures in 2031 and will be settled in cash as follows: WHL will receive the forward price and will pay the market value of the underlying Loblaw common shares at maturity. The obligation of WHL under this forward is secured by the underlying Loblaw common shares. WHL recognizes a non-cash charge or income, which is included in consolidated net interest expense and other financing charges, representing the fair value adjustment of WHL's forward sale agreement for 9.6 million shares. The fair value adjustment in the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw shares that WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns. At maturity, if the forward price is greater (less) than the market price, WHL will receive (pay) cash equal to the difference between the notional value and the market value of the forward contract. Any cash paid under the forward contract could be offset by the sale of Loblaw common shares.

The Company is exposed to market price risk from Choice Properties' Trust Units that are held by unitholders other than the Company. These Trust Units are presented as a liability on the Company's consolidated balance sheets as they are redeemable for cash at the option of the holders. The liability is recorded at fair value at each reporting period based on the market price of Trust Units. The change in the fair value of the liability negatively impacts net earnings when the Trust Unit price increases and positively impacts net earnings when the Trust Unit price declines.

Interest Rates The Company is exposed to interest rate risk from fluctuations in interest rates on its floating rate debt and from the refinancing of existing financial instruments. The Company manages interest rate risk by monitoring the respective mix of fixed and floating rate debt and by taking action as necessary to maintain an appropriate balance considering current market conditions, with the objective of maintaining the majority of its debt at fixed interest rates.

14. RELATED PARTY TRANSACTIONS

The Company's majority shareholder is Mr. W. Galen Weston, who beneficially owns, directly and indirectly through private companies which he controls, including Wittington Investments, Limited ("Wittington"), a total of 80,769,249 of GWL's common shares, representing approximately 63% (2014 – 63%) of GWL's outstanding common shares.

The Company's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions. Transactions between the Company and its consolidated entities have been eliminated on consolidation and are not disclosed below.

In 2015, the Company made rental payments to Wittington in the amount of $4 million (2014 – $4 million). As at year end 2015 and 2014, there were no rental payments outstanding.

In 2015, inventory purchases from Associated British Foods plc, a related party by virtue of Mr. W. Galen Weston being a director of such entity's parent company, amounted to $40 million (2014 – $35 million). As at year end 2015, $2 million (2014 – $3 million) was included in trade payables and other liabilities relating to these inventory purchases.

Joint Venture In 2014, a joint venture, formed between Choice Properties and Wittington, completed the acquisition of property from Loblaw. The joint venture intends to develop the acquired site into a mixed-used property, anchored by a Loblaw food store. The joint venture did not have any operating activity in 2015 and 2014. Choice Properties uses the equity method of accounting to record its 40% interest in the joint venture. As at year end 2015, $9 million (2014 – $6 million) was included in other assets related to its interests in joint ventures.

Post-Employment Benefit Plans The Company sponsors a number of post-employment plans, which are related parties.

Income Tax Matters From time to time, the Company and Wittington may enter into agreements to make elections that are permitted or required under applicable income tax legislation with respect to affiliated corporations. In 2015, these elections and accompanying agreements did not have a material impact on the Company.

Compensation of Key Management Personnel The Company's key management personnel is comprised of certain members of the executive team of GWL, Loblaw, Weston Foods and Wittington, as well as members of the Boards of GWL, Loblaw and Wittington to the extent that they have the authority and responsibility for planning, directing and controlling the day-to-day activities of the Company.

Annual compensation of key management personnel that is directly attributable to the Company was as follows:

($ millions)	**2015 (52 weeks)**	2014 (53 weeks)
Salaries, director fees and other short term employee benefits	**$ 14**	$ 17
Share-based compensation	**12**	9
Total compensation	**$ 26**	$ 26

15. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make estimates and judgments in applying the Company's accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of this MD&A, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances. Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Company believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Basis of Consolidation

Judgments Made in Relation to Accounting Policies Applied The Company uses judgment in determining the entities that it controls and therefore consolidates. The Company controls an entity when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities' returns. The Company consolidates all of its wholly-owned subsidiaries. Judgment is applied in determining whether the

Company controls the entities in which it does not have ownership rights or does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over the entity) or protective rights (protecting the Company's interest without giving it power).

Inventories
Key Sources of Estimation Inventories are carried at the lower of cost and net realizable value which requires the Company to utilize estimates related to fluctuations in shrink, future retail prices, the impact of vendor rebates on cost, seasonality and costs necessary to sell the inventory.

Impairment of non-financial assets (goodwill, intangible assets, fixed assets and investment properties)
Judgments Made in Relation to Accounting Policies Applied Management is required to use judgment in determining the grouping of assets to identify their cash generating units ("CGU") for the purposes of testing fixed assets for impairment. Judgment is further required to determine appropriate groupings of CGUs for the level at which goodwill and intangible assets are tested for impairment. Loblaw has determined that each location is a separate CGU for purposes of fixed asset impairment testing. For the purpose of goodwill and intangible assets impairment testing, CGUs are grouped at the lowest level at which goodwill and intangible assets are monitored for internal management purposes. In addition, judgment is used to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key Sources of Estimation In determining the recoverable amount of a CGU or a group of CGUs, various estimates are employed. The Company determines fair value less costs to sell using such estimates as market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, discount rates, capitalization rates and terminal capitalization rates. The Company determines value in use by using estimates including projected future revenues, earnings and capital investment consistent with strategic plans presented to GWL's and Loblaw's Boards. Discount rates are consistent with external industry information reflecting the risk associated with the specific cash flows.

Franchise loans receivable and certain other financial assets
Judgments Made in Relation to Accounting Policies Applied Management reviews franchise loans receivable, trade receivables and certain other financial assets relating to Loblaw's franchise business at each balance sheet date utilizing judgment to determine whether a triggering event has occurred requiring an impairment test to be completed.

Key Sources of Estimation Management determines the initial fair value of Loblaw's franchise loans and certain other financial assets using discounted cash flow models. The process of determining these fair values requires management to make estimates of a long term nature regarding discount rates, projected revenues and margins, as applicable. These estimates are derived from past experience, actual operating results and budgets.

Customer Loyalty Awards Programs
Key Sources of Estimation Loblaw defers revenue equal to the fair value of the award points earned by loyalty program members at the time of award. Loblaw determines fair value using estimates such as breakage (the amount of points that will never be redeemed) and the estimated retail value per point on redemption. The estimated fair value per point is based on the program reward schedule, which for the *PC* Points and *PC Plus* programs is $1 for every 1,000 points. For the *Shoppers Optimum* program, the estimated fair value is determined based on the expected weighted average redemption levels for future redemptions, including special redemption events. Breakage rates are primarily based on historical redemption experience. The trends in breakage are reviewed on an ongoing basis and the estimated retail value per point is adjusted based on expected future activity.

Income and other taxes

Judgments Made in Relation to Accounting Policies Applied The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the Company performs activities. Application of judgments is required regarding the classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the tax authorities.

16. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

Intangible Assets The classification of software costs requires judgment to determine whether such costs should be classified as fixed assets or intangible assets. Management has reviewed the classification of the Company's software costs, primarily related to the implementation of Loblaw's new IT systems, and has determined that it would be appropriate to present certain costs as intangible assets. The Company implemented the change retrospectively in 2015 with the following effect to the periods ended as indicated:

Consolidated Balance Sheet

Increase (decrease) ($ millions)	As at Dec. 31, 2014
Fixed assets	$ (498)
Intangible assets	$ 498

In addition, Loblaw reassessed and revised the useful life of its new IT systems from five to seven years. This revision represents a change in estimate resulting in a reduction in annual depreciation and amortization expense of approximately $34 million compared to 2014.

17. FUTURE ACCOUNTING STANDARDS

In 2016, the IASB issued IFRS 16, "Leases" ("IFRS 16"), replacing IAS 17, "Leases" and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. Lessors continue to classify leases as finance and operating leases. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. Early adoption is permitted if IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") has been adopted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 15, replacing IAS 18, "Revenue", IAS 11, "Construction Contracts", and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued IFRS 9, "Financial Instruments", replacing IAS 39, "Financial Instruments: Recognition and Measurement", and related interpretations. The standard had three main phases: classification and measurement, impairment, and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with the exception of the general hedging phase which is applied prospectively. Early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

In 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" ("IAS 1 amendments"). The IAS 1 amendments provide guidance on the application of judgment in the preparation of financial statements and disclosures. The IAS 1 amendments are effective for annual periods beginning on or after January 1, 2016, and therefore the Company will apply these amendments in the first quarter of 2016. The

Company does not expect any material impact on its financial statement disclosures as a result of adopting these amendments.

18. OUTLOOK[3]

Weston Foods expects sales growth generated by new capacity and productivity improvements to drive an increase in adjusted EBITDA[1] in 2016 when compared to 2015. The increase in adjusted EBITDA[1] is expected to be greater in the second half of the year as new plant capacity and capability come on-line. Depreciation is projected to increase in 2016 when compared to 2015, and largely offset the improvement in adjusted EBITDA[1]. Management expects to make capital investments of approximately $300 million in 2016.

Loblaw remains focused on its strategic framework, 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 returning capital to shareholders. In 2016, Loblaw expects to:

- deliver positive same-store sales and stable gross margin in its Retail segment in a highly competitive grocery market and with continued negative pressure from healthcare reform;
- grow adjusted net earnings;
- invest approximately $1.3 billion in capital expenditures, including $1.0 billion in its Retail segment; and
- return capital to shareholders by allocating a significant portion of free cash flow to share repurchases.

For 2016, the Company expects growth in net earnings to be driven by an increase in net earnings at Loblaw, and the positive impact of the Company's increased ownership in Loblaw as a result of Loblaw's share repurchases.

19. NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: EBITDA, adjusted EBITDA and adjusted EBITDA margin, adjusted net earnings attributable to shareholders of the Company, adjusted net earnings available to common shareholders of the Company, adjusted basic net earnings per common share, adjusted return on average equity attributable to common shareholders of the Company, adjusted return on capital and free cash flow. In addition to these items, the following measures are used by management in calculating adjusted basic net earnings per common share: adjusted net interest expense and other financing charges, adjusted income taxes and adjusted income tax rate. 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. 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.

During 2015, management no longer excludes Choice Properties' general and administrative costs in the calculation of certain non-GAAP financial measures when analyzing consolidated and segment underlying operating performance.

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 they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

EBITDA and Adjusted EBITDA The Company believes adjusted EBITDA is useful in assessing and making decisions regarding the underlying operating performance of the Company's ongoing operations and in assessing the Company's ability to generate cash flows to fund its cash requirements, including its capital investment program and debt reduction objectives.

The following table reconciles EBITDA and adjusted EBITDA to operating income, which is reconciled to GAAP net earnings attributable to shareholders of the Company reported for the periods ended as indicated.

	Quarters Ended							
	Dec. 31, 2015 (12 weeks)				Dec. 31, 2014 (13 weeks)			
($ millions)	**Weston Foods**	**Loblaw**	**Other[(i)]**	**Consolidated**	Weston Foods	Loblaw	Other[(i)]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 148**				$ 161
Add impact of the following:								
Non-controlling interests				**68**				135
Income taxes				**66**				95
Net interest expense and other financing charges				**139**				231
Operating income	**$ 42**	**$ 314**	**$ 65**	**$ 421**	$ 74	$ 505	$ 43	$ 622
Depreciation and amortization	**25**	**376**		**401**	17	393		410
EBITDA	**$ 67**	**$ 690**	**$ 65**	**$ 822**	$ 91	$ 898	$ 43	$ 1,032
Operating income	**$ 42**	**$ 314**	**$ 65**	**$ 421**	$ 74	$ 505	$ 43	$ 622
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		**124**		**124**		124		124
Restructuring and other charges	**8**	**(7)**		**1**	2			2
Impairment of drug retail ancillary assets held for sale		**112**		**112**				
Accelerated finalization of Labour Agreements		**55**		**55**				
Charge related to inventory measurement and other conversion differences		**33**		**33**				
Fixed asset and other related impairments, net of recoveries		**4**		**4**		1		1
Pension annuities and buy-outs	**3**	**6**		**9**				
Shoppers Drug Mart net divestitures and acquisition costs						14		14
Modifications to certain franchise fee arrangements		**(8)**		**(8)**		(40)		(40)
Fair value adjustment of derivatives	**(5)**	**(6)**		**(11)**	(7)	4		(3)
Recognition of fair value increment on inventory sold						69		69
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability						2		2
Net insurance proceeds					(12)			(12)
Foreign currency translation			**(65)**	**(65)**			(43)	(43)
Adjusted operating income	**$ 48**	**$ 627**		**$ 675**	$ 57	$ 679		$ 736
Depreciation and amortization excluding the impact of the above adjustments[(ii)]	**19**	**252**		**271**	17	269		286
Adjusted EBITDA	**$ 67**	**$ 879**		**$ 946**	$ 74	$ 948		$ 1,022

(i) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by foreign operations.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $124 million (2014 – $124 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $6 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

($ millions)	Weston Foods	Loblaw	Other(i)	Consolidated	Weston Foods	Loblaw	Other(i)	Consolidated
Years Ended				Dec. 31, 2015 (52 weeks)				Dec. 31, 2014 (53 weeks)
Net earnings attributable to shareholders of the Company				**$ 527**				$ 126
Add impact of the following:								
Non-controlling interests				**337**				8
Income taxes				**384**				24
Net interest expense and other financing charges				**681**				815
Operating income	**$ 177**	**$ 1,593**	**$ 159**	**$ 1,929**	$ 231	$ 654	$ 88	$ 973
Depreciation and amortization	**94**	**1,592**		**1,686**	70	1,472		1,542
EBITDA	**$ 271**	**$ 3,185**	**$ 159**	**$ 3,615**	$ 301	$ 2,126	$ 88	$ 2,515
Operating income	**$ 177**	**$ 1,593**	**$ 159**	**$ 1,929**	$ 231	$ 654	$ 88	$ 973
Add impact of the following:								
Amortization of intangible assets acquired with Shoppers Drug Mart		**536**		**536**		417		417
Restructuring and other charges	**26**	**154**		**180**	7	46		53
Impairment of drug retail ancillary assets held for sale		**112**		**112**				
Accelerated finalization of Labour Agreements		**55**		**55**				
Charge related to inventory measurement and other conversion differences		**33**		**33**		190		190
Fixed asset and other related impairments, net of recoveries		**13**		**13**		16		16
Charge related to apparel inventory		**8**		**8**				
Pension annuities and buy-outs	**3**	**8**		**11**				
Shoppers Drug Mart net divestitures and acquisition costs		**2**		**2**		72		72
Modifications to certain franchise fee arrangements		**(8)**		**(8)**		(40)		(40)
Fair value adjustment of derivatives	**(5)**	**(21)**		**(26)**	(4)	4		
Recognition of fair value increment on inventory sold						798		798
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability						7		7
Inventory loss (net insurance proceeds)	**1**			**1**	(1)			(1)
MEPP settlement payment					8			8
Foreign currency translation			**(159)**	**(159)**			(88)	(88)
Adjusted operating income	**$ 202**	**$ 2,485**		**$ 2,687**	$ 241	$ 2,164		$ 2,405
Depreciation and amortization excluding the impact of the above adjustments(ii)	**83**	**1,056**		**1,139**	70	1,055		1,125
Adjusted EBITDA	**$ 285**	**$ 3,541**		**$ 3,826**	$ 311	$ 3,219		$ 3,530

(i) Represents the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by foreign operations.

(ii) Depreciation and amortization for the calculation of adjusted EBITDA excludes $536 million (2014 – $417 million) of amortization of intangible assets, acquired with Shoppers Drug Mart, recorded by Loblaw and $11 million (2014 – nil) of accelerated depreciation recorded by Weston Foods, related to restructuring and other charges.

The following items impacted operating income in the fourth quarters of 2015 and 2014, and on a year-to-date basis:

Amortization of intangible assets acquired with Shoppers Drug Mart The acquisition of Shoppers Drug Mart in the second quarter of 2014 included approximately $6 billion of definite life intangible assets, which are being amortized over their estimated useful lives. Loblaw expects to recognize annual amortization of approximately $550 million associated with the acquired intangible assets for the next nine years and decreasing thereafter.

Restructuring and other charges The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. For details on the restructuring and other charges incurred by each of the Company's reportable operating segments see Section 6.1, "Weston Foods Operating Results" and Section 6.2, "Loblaw Operating Results" of this MD&A.

Impairment of drug retail ancillary assets held for sale In the fourth quarter of 2015, Loblaw began actively marketing the sale of certain assets of its Shoppers ancillary healthcare businesses which resulted in a charge associated with the write-down of the assets and other related restructuring charges.

Accelerated finalization of Labour Agreements Over the past five years, Loblaw has been transitioning stores to more cost effective and efficient operating terms under Labour Agreements. In the fourth quarter of 2015, Loblaw accelerated the finalization of these Labour Agreements for the majority of the remaining stores and incurred a charge related to the completion of this process.

Charge related to inventory measurement and other conversion differences As of the end of 2015, Loblaw had completed the conversion of all of its franchised grocery stores to the new IT systems that include a perpetual inventory system. In the fourth quarter of 2015 and year-to-date, the remeasurement of inventory owned by the franchises as a result of implementing the perpetual inventory system resulted in a decrease in inventory value and a remeasurement charge. During 2014, Loblaw completed the conversion of its corporate grocery locations and associated distribution centres.

Fixed asset and other related impairments, net of recoveries At each balance sheet date, the Company assesses and, when required, records impairments and recoveries of previous impairments related to the carrying value of its fixed assets, investment properties and intangible assets.

Charge related to apparel inventory In 2015, Loblaw entered into an agreement to liquidate certain older Canadian apparel inventory in the U.S. and recorded a charge to cost of inventories sold.

Pension annuities and buy-outs In 2015, the Company completed several annuity purchases and pension buy-outs with respect to former employees designed to reduce its defined benefit pension plan obligation and decrease future pension volatility and risks.

Shoppers Drug Mart net divestitures and acquisition costs In the first quarter of 2015, Loblaw completed the remaining divestitures required by the Competition Bureau and recorded a net loss of $2 million. In the fourth quarter of 2014 and year-to-date, Loblaw recorded a net divestiture loss of $14 million and $12 million, respectively. Also in 2014, Loblaw incurred $60 million of acquisition-related costs.

Modifications to certain franchise fee arrangements Loblaw modified its fee arrangements with franchisees of certain franchise banners. As a result of this modification, Loblaw re-evaluated the recoverable amount of franchise-related financial instruments which resulted in the reversal of previously recorded impairments.

Fair value adjustment of derivatives The Company is exposed to commodity price and U.S. dollar exchange rate fluctuations primarily as a result of purchases of certain raw materials, fuels and utilities. In accordance with the Company’s commodity risk management policy, the Company enters into commodity and foreign currency derivatives to reduce the impact of price fluctuations in forecasted raw material and fuel purchases over a specified period of time. These derivatives are not acquired for trading or speculative purposes. Pursuant to the Company’s derivative instruments accounting policy, certain changes in fair value, which include realized and unrealized gains and losses related to future purchases of raw materials and fuel, are recorded in operating income. 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.

Recognition of fair value increment on inventory sold In connection with the acquisition of Shoppers Drug Mart, acquired assets and liabilities were recorded on the Company’s consolidated balance sheet at their fair value. This resulted in a fair value adjustment to Shoppers Drug Mart inventory on the date of acquisition of $798 million representing the difference between inventory cost and its fair value. This difference was recognized as a charge to cost of inventories sold during 2014 as the related inventory was sold.

Fair value adjustment of Shoppers Drug Mart’s share-based compensation liability In the second quarter of 2014, in conjunction with Loblaw’s acquisition of Shoppers Drug Mart, Loblaw converted certain Shoppers Drug Mart cash-settled share-based compensation awards to cash-settled awards based on Loblaw’s common shares. Loblaw was exposed to market price fluctuations in its common share price as these awards were settled in cash and the associated liability was recorded at fair value each reporting date based on the market price of Loblaw’s common shares. On November 10, 2014, Loblaw amended these awards so they are settled in shares and accordingly exposure to market price fluctuations has been eliminated.

Inventory loss (net insurance proceeds) On August 31, 2014, a weather event in the U.S. caused significant damage to Weston Foods inventories stored at a third-party warehouse. In 2015, a charge of $1 million (approximately U.S. $1 million) was recorded in SG&A. In the fourth quarter of 2014 and year-to-date, net proceeds of $12 million (U.S. $11 million) and $1 million (U.S. $1 million), respectively, was received and recorded in SG&A.

Multi-employer pension plan (“MEPP”) settlement payment Weston Foods participates in a U.S. MEPP, providing pension benefits to union employees pursuant to the provisions of one of its collective bargaining agreements. During 2014, Weston Foods made a settlement payment, which was recorded in SG&A in the Company’s consolidated statement of earnings.

Foreign currency translation The Company’s consolidated financial statements are expressed in Canadian dollars. A portion of the Company’s (excluding Loblaw’s) net assets are denominated in U.S. dollars and as a result, the Company is exposed to foreign currency translation gains and losses. The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and cash equivalents and short term investments held by foreign operations, is recorded in SG&A and the associated tax, if any, is recorded in income taxes. In the fourth quarter of 2015, a foreign currency translation gain of $65 million (2014 – $43 million) was recorded in SG&A as a result of the appreciation of the U.S. dollar relative to the Canadian dollar. Income tax expense of $8 million (2014 – nil) was also recorded associated with this foreign currency translation gain. Year-to-date, a foreign currency translation gain of $159 million (2014 – $88 million) was recorded in SG&A as a result of the appreciation of the U.S. dollar relative to the Canadian dollar. Income tax expense of $13 million (2014 – nil) was also recorded associated with this foreign currency translation gain. Subsequent to year end 2015, the Company converted approximately $240 million U.S. dollars to Canadian dollars and recorded a gain of approximately $110 million in operating income.

Adjusted Net Interest Expense and Other Financing Charges The Company believes adjusted net interest expense and other financing charges is useful in assessing the ongoing net financing costs of the Company.

The following table reconciles adjusted net interest expense and other financing charges to GAAP net interest expense and other financing charges reported for the periods ended as indicated.

($ millions)	Quarters Ended		Years Ended	
	Dec. 31, 2015 (12 weeks)	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Net interest expense and other financing charges	**$ 139**	$ 231	**$ 681**	$ 815
Add: Fair value adjustment of the Trust Unit liability	**(5)**	(14)	**(55)**	(12)
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**9**	(59)	**(26)**	(199)
Accelerated amortization of deferred financing costs		(5)	**(15)**	(23)
Shoppers Drug Mart net financing charges				(15)
Adjusted net interest expense and other financing charges	**$ 143**	$ 153	**$ 585**	$ 566

In addition to certain items described in the "EBITDA and Adjusted EBITDA" section above, the following items impacted net interest expense and other financing charges in the fourth quarters of 2015 and 2014, and on a year-to-date basis:

Fair value adjustment of the Trust Unit liability The Company is exposed to market price fluctuations as a result of the Choice Properties Trust Units held by unitholders other than the Company. These Trust 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 Trust Units at the end of each period. An increase (decrease) in the market price of Trust Units results in a charge (income) to net interest expense and other financing charges.

Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares The fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares is non-cash and is included in net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw common shares. An increase (decrease) in the market price of Loblaw common shares results in a charge (income) to net interest expense and other financing charges.

Accelerated amortization of deferred financing costs In 2015 and 2014, Loblaw recorded charges related to the accelerated amortization of deferred financing costs due to the early repayment of its Acquisition Term Loan.

Shoppers Drug Mart net financing charges In addition to the net divestitures and acquisition costs as described in the "EBITDA and Adjusted EBITDA" section above, in 2014, Loblaw incurred net charges in connection with financing related to the acquisition of Shoppers Drug Mart.

Adjusted Income Taxes and Adjusted Income Tax Rate The Company believes the adjusted income tax rate applicable to adjusted earnings before taxes is useful in assessing the underlying operating performance of its business.

The following table reconciles the effective income tax rate applicable to adjusted earnings before taxes to the GAAP effective income tax rate applicable to earnings before taxes as reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions except where otherwise indicated)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Adjusted operating income(i)	**$ 675**	$ 736	**$ 2,687**	$ 2,405
Adjusted net interest expense and other financing charges(i)	**143**	153	**585**	566
Adjusted earnings before taxes	**$ 532**	$ 583	**$ 2,102**	$ 1,839
Income taxes	**$ 66**	$ 95	**$ 384**	$ 24
Add: Tax impact of items excluded from adjusted earnings before taxes(ii)	**78**	60	**232**	455
Provincial income tax rate change			**(45)**	
Adjusted income taxes	**$ 144**	$ 155	**$ 571**	$ 479
Effective income tax rate applicable to earnings before taxes	**23.4%**	24.3%	**30.8%**	15.2%
Adjusted income tax rate applicable to adjusted earnings before taxes	**27.1%**	26.6%	**27.2%**	26.0%

(i) See reconciliations of adjusted operating income and adjusted net interest expense and other financing charges above.
(ii) See the EBITDA and adjusted EBITDA table and the adjusted net interest expense and other financing charges table above for a complete list of items excluded from adjusted earnings before taxes.

In addition to certain items described in the "EBITDA and Adjusted EBITDA" and "Adjusted Net Interest Expense and Other Financing Charges" sections above, the following item impacted income taxes and the effective income tax rate in 2015:

Provincial income tax rate change In 2015, the government of Alberta announced an increase to the provincial corporate income tax rate from 10% to 12% effective July 1, 2015. As a result, the Company recorded a charge related to the remeasurement of deferred tax liabilities.

Adjusted Basic Net Earnings per Common Share and Adjusted Net Earnings The Company believes adjusted basic net earnings per common share and adjusted net earnings 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 basic net earnings per common share and adjusted net earnings to GAAP basic net earnings per common share reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ except where otherwise indicated)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Basic net earnings per common share	**$ 1.08**	$ 1.18	**$ 3.78**	$ 0.64
Add impact of the following[(i)]:				
Amortization of intangible assets acquired with Shoppers Drug Mart	**0.32**	0.33	**1.40**	1.09
Restructuring and other charges	**0.01**	0.01	**0.58**	0.17
Impairment of drug retail ancillary assets held for sale	**0.28**		**0.28**	
Accelerated finalization of Labour Agreements	**0.14**		**0.14**	
Charge related to inventory measurement and other conversion differences	**0.09**		**0.09**	0.49
Pension annuities and buy-outs	**0.04**		**0.04**	
Fixed asset and other related impairments, net of recoveries	**0.02**		**0.04**	0.05
Charge related to apparel inventory			**0.02**	
Shoppers Drug Mart net divestitures and acquisition costs		0.04	**0.01**	0.29
Modifications to certain franchise fee arrangements	**(0.03)**	(0.11)	**(0.03)**	(0.11)
Fair value adjustment of derivatives	**(0.04)**	(0.03)	**(0.08)**	(0.01)
Recognition of fair value increment on inventory sold		0.17		2.08
Fair value adjustment of Shoppers Drug Mart's share-based compensation liability				0.02
Inventory loss (net insurance proceeds)		(0.06)	**0.01**	(0.01)
MEPP settlement payment				0.04
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(0.05)**	0.35	**0.15**	1.17
Fair value adjustment of the Trust Unit liability	**0.01**	0.03	**0.09**	0.04
Accelerated amortization of deferred financing costs		0.01	**0.04**	0.06
Provincial income tax rate change			**0.19**	
Foreign currency translation	**(0.44)**	(0.34)	**(1.14)**	(0.69)
Adjusted basic net earnings per common share	**$ 1.43**	$ 1.58	**$ 5.61**	$ 5.32
Weighted average common shares outstanding (millions)	**127.6**	127.7	**127.7**	127.8
Adjusted net earnings attributable to shareholders of the Company ($ millions)	**$ 193**	$ 212	**$ 761**	$ 724
Prescribed dividends on preferred shares in share capital ($ millions)	**10**	10	**44**	44
Adjusted net earnings available to common shareholders of the Company ($ millions)	**$ 183**	$ 202	**$ 717**	$ 680

(i) Net of income taxes and non-controlling interests, as applicable.

Free Cash Flow The Company believes free cash flow is useful in assessing the Company's cash available for additional financing and investing activities.

The following table reconciles free cash flow to GAAP measures reported for the periods ended as indicated.

	Quarters Ended		Years Ended	
($ millions)	**Dec. 31, 2015 (12 weeks)**	Dec. 31, 2014 (13 weeks)	**Dec. 31, 2015 (52 weeks)**	Dec. 31, 2014 (53 weeks)
Cash flows from operating activities	**$ 684**	$ 1,090	**$ 3,367**	$ 2,851
Less: Interest paid	**120**	139	**587**	604
Fixed asset purchases	**421**	351	**1,267**	984
Intangible asset additions	**104**	96	**233**	230
Free cash flow	**$ 39**	$ 504	**$ 1,280**	$ 1,033

20. ADDITIONAL INFORMATION

Additional information about the Company, including its 2015 AIF and other disclosure documents, has been filed electronically with the Canadian securities regulatory authorities through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

This Annual Report includes selected information on Loblaw, a public company with shares trading on the TSX. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with SEDAR from time to time. These filings are also available on Loblaw's website at www.loblaw.ca.

Toronto, Canada

March 2, 2016

Footnote Legend

(1) See Section 19, “Non-GAAP Financial Measures”, of the Company’s 2015 Management’s Discussion and Analysis.
(2) For financial definitions and ratios refer to the Glossary beginning on page 142.
(3) To be read in conjunction with “Forward-Looking Statements” beginning on page 4.
(4) The Consumer Price Index for Food Purchased from Stores does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.
(4) Certain 2014 figures have been amended. See Section 19, “Non-GAAP Financial Measures”, of the Company’s 2015 Management’s Discussion and Analysis.